

Metropolitan Transit Authority of Harris County, Texas
Annual Comprehensive Financial Report
For the Years Ended
September 30, 2025 and 2024

(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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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.



Mission Statement

“Provide safe, clean, reliable, accessible and friendly public transportation services to our region.”

Board of Directors

Elizabeth Gonzalez Brock
Chair

Rev. T. Leon Preston
First Vice-Chair

Holly Maria Flynn Vilaseca
Second Vice-Chair

Bob Fry
Secretary

Judge Kathy Khanh Han

Terry Morales

Angel Ponce

Roberto Treviño, P. E.

Interim President & CEO

Thomas Jasien

March 20, 2026

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, 2025 (FY2025). 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 2,266 vehicles of which 79 are light rail cars. These vehicles are used to improve mobility throughout the region and through METRO’s bus and rail service. METRO Vanpool, METROLift, High Occupancy Vehicle/High Occupancy Toll Lanes, Bikes-on-Bus/Train program, and other programs. In addition, 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. Up to 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 mitigating congestion and maintaining their mobility infrastructure assets, many of which are used by METRO. Funding for this program will expire October 1, 2040.

METRO’s daily focus is to enhance the customer experience by providing safe, clean, reliable, accessible and friendly public transportation services to our region. We see a bright future as METRO continues to implement the METRONow “Mobility For All” program while working closely with governmental agencies, local leaders and our customers in developing integrated transportation solutions, a regional fare system, and mobility programs that meet the current and future needs of our customers and the region.

This was a busy year as we continue to focus on replacing older buses, paratransit vehicles, maintenance equipment, and making major improvements to our rail/bus operating facilities, transit centers, Park & Ride lots, and bus shelters. Safety and positive customer experience continue to be a priority as we hired more police officers, implemented the RideMETRO fare system (fully operational in FY2026) and provided additional funds for local infrastructure improvements which results in more comfortable experiences for our customers while reducing fuel and maintenance cost for METRO.

Financial Transparency - A key to good governance

METRO's Department of Finance supports long-term strategic planning, investment and cash management, grant programs, 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 33 consecutive years, twelve consecutive years for METRO's two defined benefit pension plans. 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.

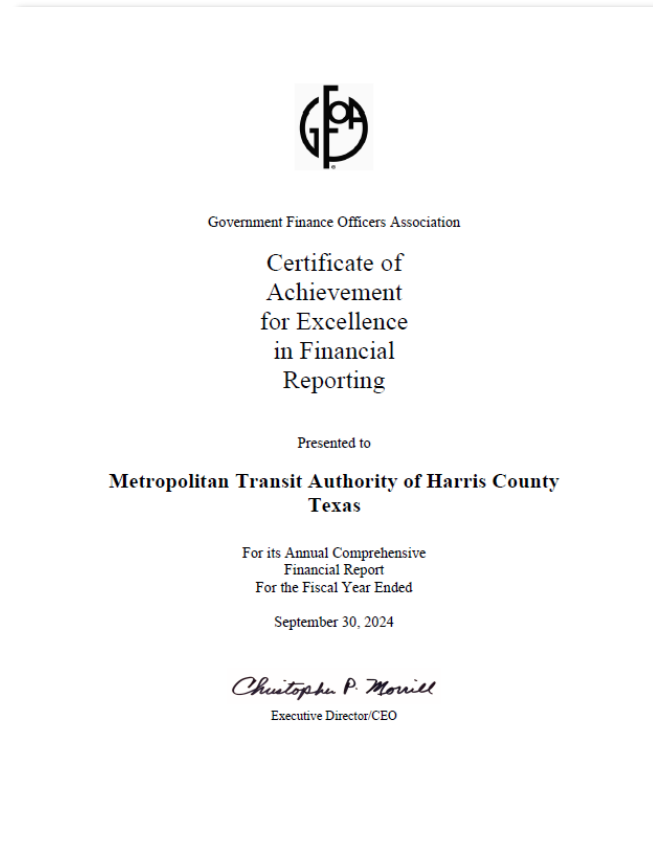
METRO uses a single fund to account for all financial activity, which includes transit operations, traffic management, infrastructure assistance (which includes General Mobility) capital programs, grant revenues, sales tax, and related activity.

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, 2024 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.



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 of this report.

A handwritten signature in black ink, appearing to read 'George Fotinos', is written over a light blue horizontal line.

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. Currently one of the two directors that are appointed by the mayors of the 14 other member cities in METRO's service area is absent. Two directors are appointed by Harris County Commissioners Court. Board members as of March 1, 2026, with the exception of Alexandra del Moral Mealer who resigned in October 2025, consisted of:



Elizabeth Gonzalez Brock
Chair (C)



Rev. T. Leon Preston
First Vice Chair (C)



Holly Maria Flynn Vilaseca
Second Vice Chair (H)



Robert A. Fry, Jr.
Secretary (M)



Judge Kathy Khanh Han
(C)



Terry Morales
(C)



Angel Ponce
(C)



Roberto Treviño, P.E.
(H)



Alexandra del Moral Mealer
(M)

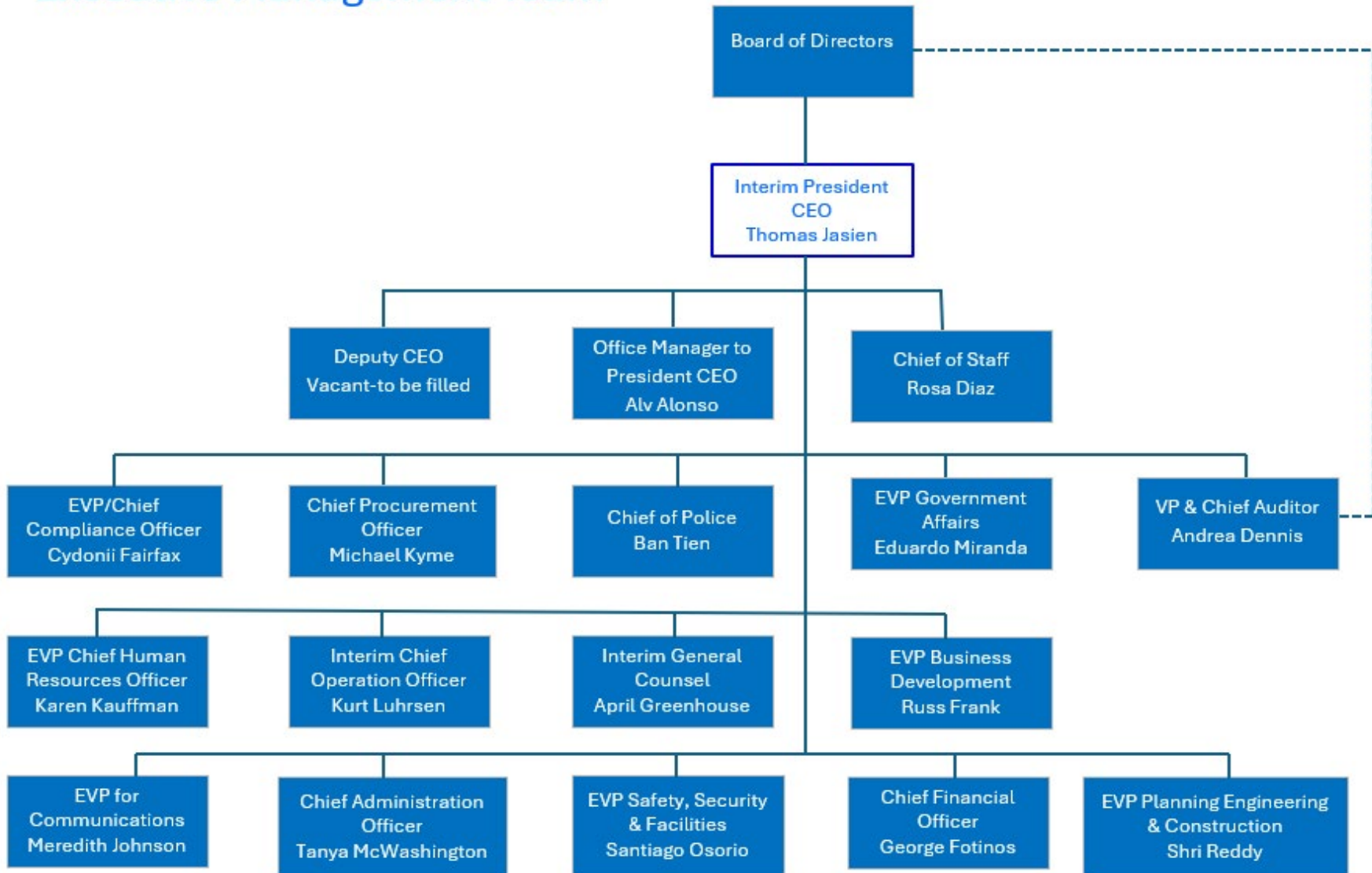
(C) Nominated by the Mayor of the City of Houston and Confirmed by Houston's City Council

(H) Appointed by Harris County Commissioners Court

(M) Appointed by the Mayors of the 14-member cities in METRO's service area



Executive Management Team



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 fiduciary activities of the Metropolitan Transit Authority of Harris County, Texas (METRO), as of and for the years ended September 30, 2025 and 2024, and the related notes to the financial statements, which collectively comprise METRO's basic financial statements for the years then ended as listed in the table of contents.

In our opinion, based on our audit and the report of 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 fiduciary activities of METRO, as of September 30, 2025 and 2024, 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 97% and 99%, respectively, of the assets of the fiduciary activities, and 85% and 96%, respectively, of the additions of the fiduciary as of and for the years then ended. 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 the 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 audits 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.



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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2026 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 20, 2026

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 FY2023 through FY2025. 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.

CURRENT YEAR FINANCIAL HIGHLIGHTS

METRO's net position continued to improve as reported in the following analysis by major activity.

- *Resources* reported on schedule A-1 totaled \$1,343.6 million for FY2025, which is a \$11.5 million or 0.8 percent decrease from FY2024. This decrease relates to lower funding for operating grants by the FTA offset by increases in sales tax and capital grants.
- *Operating Expenses* reported on schedule A-1 totaled \$1,076.3 million for FY2025 for an increase of \$87.9 million or 8.9 percent from FY2024. This increase relates primarily to additional staffing for bus/rail operations, maintaining older equipment, inflation, and depreciation expenses offset by a decline in planning/development and marketing expenses.
- *Nonoperating Expenses* reported on schedule A-1 totaled \$354.2 million for FY2025 for an increase of \$81.2 million or 29.7 percent from FY2024. This increase primarily relates to funding additional local infrastructure projects.
- *Assets and Deferred Outflows* reported on schedule A-2 totaled \$3,918.5 million for FY2025, which reflects a decrease of \$187.4 million or 4.6 percent when compared to FY2024. This decrease primarily relates to cash and investments offset by increases in capital assets net of depreciation and other asset categories.
- *Liabilities and Deferred Inflows*, as reported on schedule A-2, totaled \$2,142.2 million for FY2025, which reflects a decrease of \$100.5 million, which primarily relates to pensions and net OPEB liabilities and debt payables offset by increases in trade payable.

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.

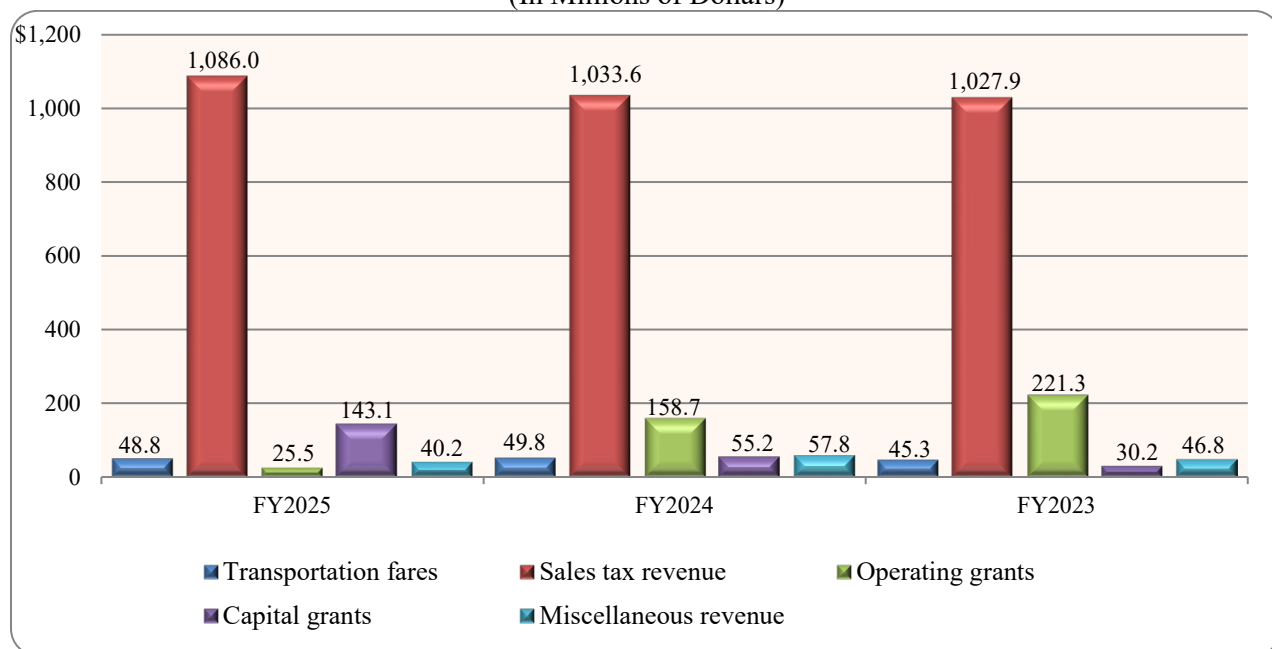
FINANCIAL ANALYSIS OF METRO

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

	<u>FY2025</u>	<u>FY2024</u>	<u>Change</u>	<u>Percentage Change</u>	<u>FY2023</u>
Resources					
Transportation fares	\$ 48.8	\$ 49.8	\$ (1.0)	(2.0) %	\$ 45.3
Sales tax	1,086.0	1,033.6	52.4	5.1 %	1,027.9
Investment income	37.8	55.4	(17.6)	(31.8) %	43.9
Other income	2.4	2.4	-	- %	2.9
Operating Grant proceeds	25.5	158.7	(133.2)	(83.9) %	221.3
Capital Grant proceeds	143.1	55.2	87.9	159.2 %	30.2
Total resources	<u>1,343.6</u>	<u>1,355.1</u>	<u>(11.5)</u>	<u>(0.8) %</u>	<u>1,371.5</u>
Expenses					
Operating					
Scheduled service	522.4	467.5	54.9	11.7 %	473.6
Nonscheduled service	112.4	107.1	5.3	4.9 %	94.1
Service support	153.3	152.5	0.8	0.5 %	172.7
Organizational support	90.3	83.0	7.3	8.8 %	76.9
Depreciation and amortization	197.9	178.3	19.6	11.0 %	183.3
Total operating expenses	<u>1,076.3</u>	<u>988.4</u>	<u>87.9</u>	<u>8.9 %</u>	<u>1,000.6</u>
Nonoperating					
Interest expense	20.5	22.2	(1.7)	(7.7) %	26.0
Loss/(gain) on sale of assets/impairment	5.9	0.6	5.3	883.3 %	(0.7)
Funds passed to subrecipients	0.9	0.8	0.1	12.5 %	0.3
Local infrastructure assistance	326.9	249.9	77.0	30.8 %	193.2
Recovery on declared disasters	-	(0.5)	0.5	(100.0) %	2.2
Total non-operating	<u>354.2</u>	<u>273.0</u>	<u>81.2</u>	<u>29.7 %</u>	<u>221.0</u>
Total expenses	<u>1,430.5</u>	<u>1,261.4</u>	<u>169.1</u>	<u>13.4 %</u>	<u>1,221.6</u>
Change in net position	<u>(86.9)</u>	<u>93.7</u>	<u>(180.6)</u>	<u>(192.7) %</u>	<u>149.9</u>
Net position - beginning of year	<u>1,863.2</u>	<u>1,769.5</u>	<u>93.7</u>	<u>5.3 %</u>	<u>1,619.6</u>
Net position - end of year	<u>\$1,776.3</u>	<u>\$1,863.2</u>	<u>\$ (86.9)</u>	<u>(4.7) %</u>	<u>\$1,769.5</u>

Increases to Net Position (Revenues) with Related Discussions

(In Millions of Dollars)



Transportation fares include revenue from users of bus and rail service, METRO Vanpool, and HOT lanes. Fare revenue has increased since 2023, but experienced a slight decline in FY2025 primarily due to the temporary suspension of the METRO Vanpool program and the use of aging fare collection equipment scheduled to be replaced in FY2026.

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 continue to increase and relates to consumer spending and inflation.

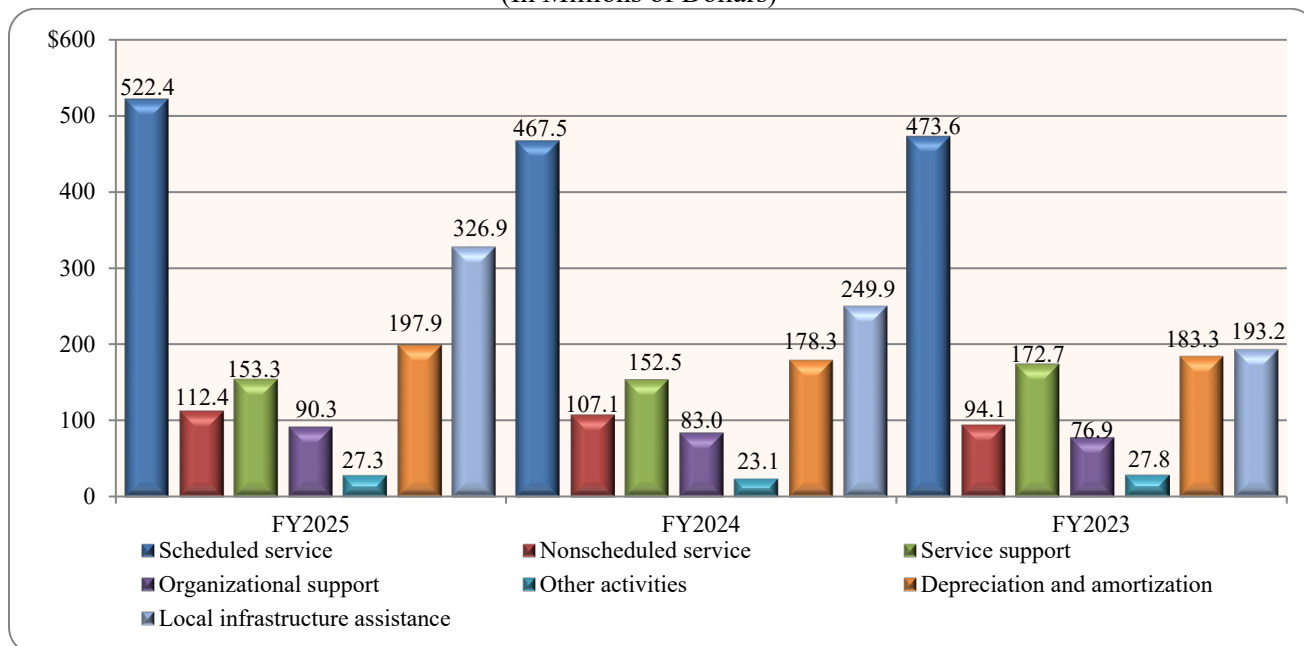
Operating grants (includes capital grants authorized by the FTA for use in maintaining capital assets) are primarily used to maintain transit vehicles and operating specific transit programs such as METROLift and METRO Vanpool. Grants funds are contingent on appropriations from the federal government 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 decrease for FY2025 and FY2024 primarily relate to reduced funding from the federal government combined with using grant funds for capital projects as discussed below.

Capital grants are provided by the FTA and used to help fund the design, construction, purchase, and enhancement of capital assets. Grant 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 in FY2025 and FY2024 relates to progress made on various grant-eligible construction projects and the purchase of revenue vehicles.

Miscellaneous revenue consists of investment income, real estate, parking revenue, and other nonoperating activities. Revenues from these categories will change each year depending on the local economy, the impact of changing interest rates and funds available to invest. The decline in FY2025 primarily relates to lower investment earnings as investments accumulated in prior years were being sold to fund capital and local infrastructure improvements along with reduction in interest rates.

Decreases to Net Position (Expenses) and Related Discussions

(In Millions of Dollars)



Scheduled service consists of bus/light-rail services, maintenance, safety, and training programs. The increase during the last two years was due to hiring additional operators, maintaining an older fleet, and expanding the safety/training programs.

Nonscheduled service includes METROLift, curbside, METRO Vanpool, Community Connector, and HOT lanes. The increase in FY2025 and FY2024 primarily related to expanding several of these services with a decline in METRO Vanpool cost in FY2025 as this program was suspended temporarily.

Service support includes transit planning, marketing, transit security, insurance, fare collection, and facility maintenance. The increase in FY2025 for this category was minimal and has declined since FY2023. While this decline is primarily due to significant lower transit planning cost, it was offset by increases in the remaining activities especially transit security and traffic management.

Organizational support includes business, community/governmental development, administrative, finance, personnel, information systems, purchasing, executive oversight, audit, and legal. Increase during the last three years primarily relates to computer upgrades/enhancements, administrative, financial and personnel activities.

Other activities include interest expense, funds passed to grant subrecipients, gain/loss on sale of assets, and cost related to declared disasters. The increase in FY2025 primarily relates to gain on sale of assets offset by lower interest cost due to the retirement of certain long-term debt. The decline in FY2024 relates to lower interest cost as long-term debt continue to be retired.

Depreciation and amortization increased during FY2025 as newer assets were placed into service with FY2024 reflecting a slight decline due to ongoing construction projects and several assets being fully depreciated.

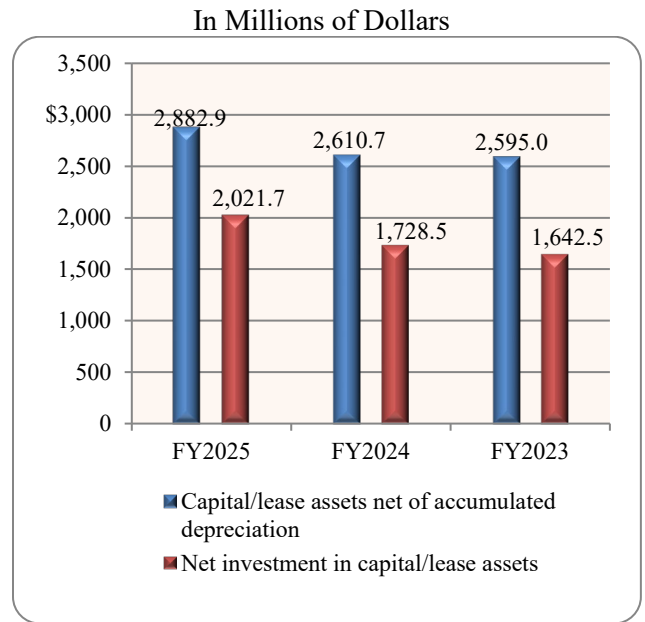
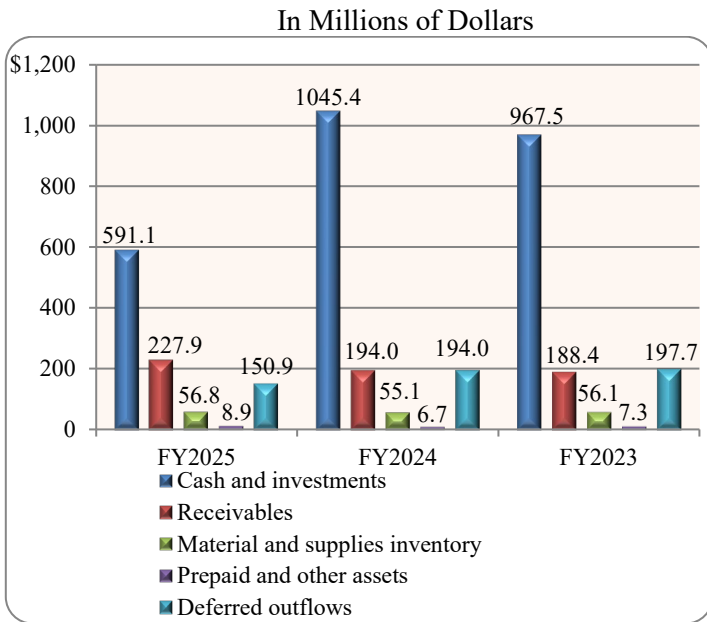
Local infrastructure assistance provides funding to local governments in METRO's service area for street, sidewalks, bridges, and congestion mitigation activities as discussed in Note 6 to the financial statements. Expenses reported for this program will vary each year depending on reimbursement requests and funds automatically distributed to local governments based on sales tax receipts and interlocal agreements. The increase in FY2025 and FY2024 mainly relate to additional payments for local infrastructure assistances.

Summarized Statements of Net Position
(in Millions of Dollars)

A-2

	<u>FY2025</u>	<u>FY2024</u>	<u>Amount of Change</u>	<u>Percentage Change</u>	<u>FY2023</u>
Assets and deferred outflows					
Cash and investments	\$ 591.1	\$1,045.4	\$(454.3)	(43.6) %	\$ 967.5
Receivables	227.9	194.0	33.9	17.5 %	188.4
Material and supplies inventory	56.8	55.1	1.7	3.1 %	56.1
Capital assets net of depreciation	2,832.9	2,569.2	263.7	10.3 %	2,557.5
Capital lease assets net of depreciation	50.0	41.5	8.5	20.5 %	37.5
Prepaid and other assets	8.9	6.7	2.2	32.8 %	7.3
Total assets	<u>3767.6</u>	<u>3,911.9</u>	<u>(144.3)</u>	<u>(3.7) %</u>	<u>3,814.3</u>
Deferred outflow of resources	150.9	194.0	(43.1)	(22.2) %	197.7
Total assets and deferred outflows	<u>3,918.5</u>	<u>4,105.9</u>	<u>(187.4)</u>	<u>(4.6) %</u>	<u>4,012.0</u>
Liabilities and deferred inflows					
Payables and other liabilities	289.1	261.4	27.7	10.6 %	145.4
Capital lease and debt payables	822.6	894.6	(72.0)	(8.0) %	966.1
Net pension liability	276.4	288.9	(12.5)	(4.3) %	297.9
Net OPEB liability	392.4	431.4	(39.0)	(9.0) %	381.4
Total liabilities	<u>1,780.5</u>	<u>1,876.3</u>	<u>(95.8)</u>	<u>(5.1) %</u>	<u>1,790.8</u>
Deferred inflow of resources	361.7	366.4	(4.7)	(1.3) %	451.7
Total liabilities and deferred inflows	<u>2,142.2</u>	<u>2,242.7</u>	<u>(100.5)</u>	<u>(4.5) %</u>	<u>2,242.5</u>
Net position:					
Net investment in capital assets	2,021.7	1,728.5	293.2	17.0 %	1,642.5
Restricted assets, debt payments	90.7	96.1	(5.4)	(5.6) %	93.2
Unrestricted assets	(336.1)	38.6	(374.7)	(970.7) %	33.8
Total net position	<u>\$1,776.3</u>	<u>\$1,863.2</u>	<u>\$ (86.9)</u>	<u>(4.7) %</u>	<u>\$1,769.5</u>

Assets and Net Investments in Capital Assets



Cash and investments consist of demand deposits and investments. Decreases over last several years primarily relate to lower grant receipts from the federal government and additional local infrastructure assistance payments offset by higher sales tax receipts. 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 increase during FY2025 and FY2024 relates to sales tax and Federal Transit Administration grants received offset by a reduction in bus passes and other receivables.

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

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

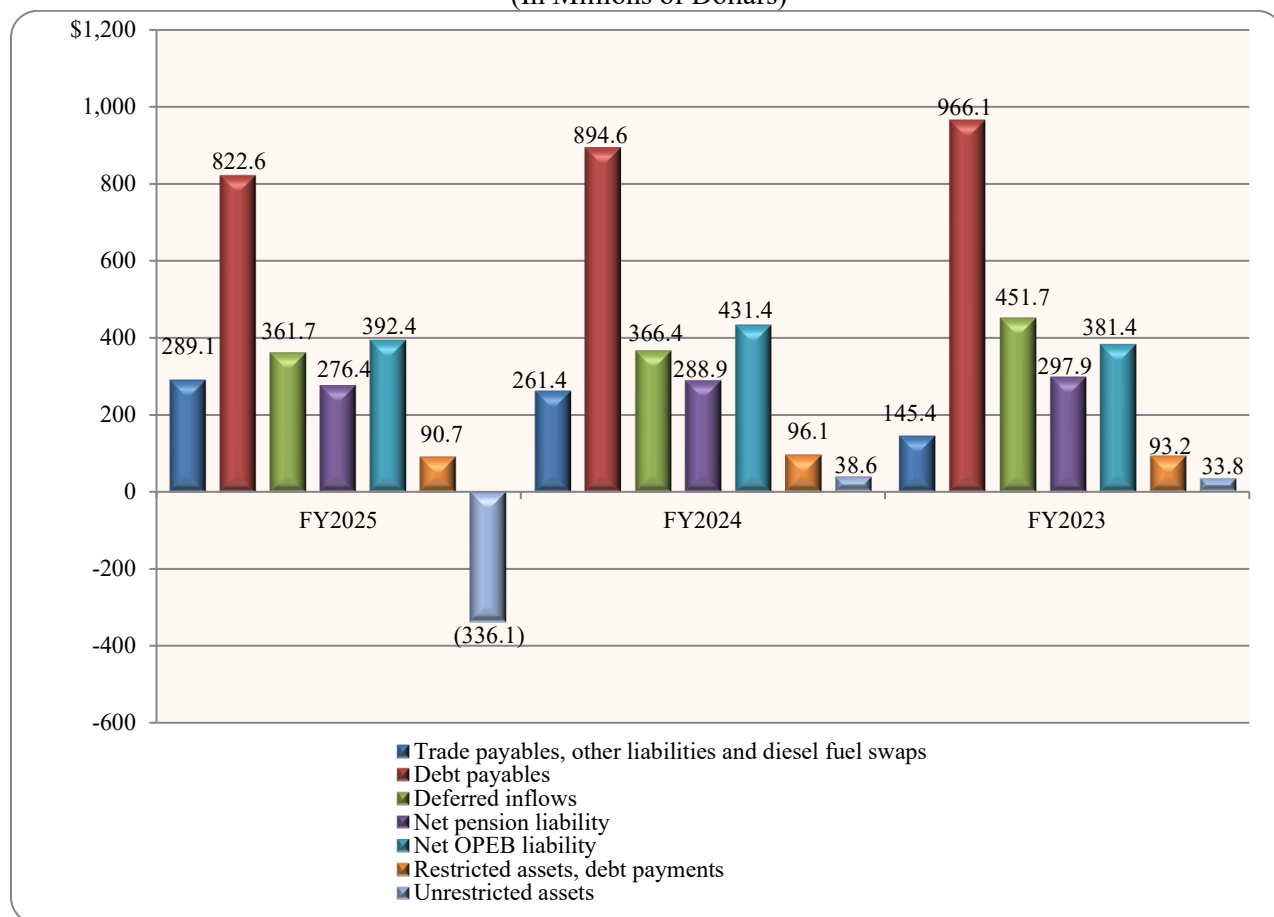
Deferred outflows consist of unfavorable experiences including actuarial assumptions used to value the defined benefit pension, OPEB plans, the refunding of previous outstanding debts, diesel fuel swaps, and contributions for the defined benefit pension plans for the period January 1 through September 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 decrease in FY2025 primarily relates to favorable actuarial experience for the Union OPEB plan as of the measurement date of December 31, 2024.

Capital/lease assets net of accumulated depreciation experienced a significant increase in FY2025, when compared to FY2024 and FY2023, as METRO was finalizing major enhancements to facilities, acquired new revenue vehicles and placed into service the Missouri City park and ride garage. Additional information is available in Note 3 to the basic financial statements.

Net investment in capital/leased assets consists of capital and leased assets, net of accumulated depreciation, reduced by the related outstanding balance of bonds, contractual obligations, lease 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 several years were primarily related to trade payables.

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 several 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. The decrease in FY2025 is primarily due to using a 6.02% discount rate when valuing the Union OPEB liability since an irrevocable trust was established and funded during the last two years. The decline between FY2024 and FY2023 primarily relates to the annual amortization of the deferred inflow for the Union OPEB plan. Additional information is available in note 4 to the basic financial statements.

Net pension liability consists of two defined benefit pension plans, which are closed to new participants as discussed in Note 1 and Note 4 of the basic financial statements. The decline during the last three years is primarily from favorable demographic and investment return experience.

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 decline in the OPEB liability for FY2025 when compared to FY2024 is due to using a 6.02% discount rate to value the liability offset by unfavorable demographic experience. The amount reported in FY2025 is slightly higher than FY2023 primarily due to increases in life insurance costs and minor changes in demographics.

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. There were minimal changes during the last 3 years as no additional debt was issued.

Unrestricted assets - 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. The negative balance in the current year is primarily from the purchase of capital assets and additional infrastructure assistance payments.

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 \$391 million for FY2025 and \$456 million for FY2024. 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 14 was taken from the *Mid-Year Outlook for METRO’s Sales Tax Revenues: 2024-2029* Dated June 2024 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 2029. It is based on the price per barrel of oil which ranged from \$40 to \$100.

**Figure 14: METRO MTA Allocations to 2029
Real 2024\$ By CY and by Date of Initial Spending by the Consumer**

Year	Low \$40	Medium \$65	High \$80
2023	1,073,056,298	1,073,056,298	1,073,056,298
y/y	1.0%	1.0%	1.0%
q4/q4	-1.6%	-1.6%	-1.6%
2024	1,046,186,373	1,046,186,373	1,046,186,373
y/y	-2.5%	-2.5%	-2.5%
q4/q4	-0.1%	-0.1%	-0.1%
2025	1,100,172,793	1,100,605,420	1,099,821,350
y/y	5.2%	5.2%	5.1%
q4/q4	5.4%	5.5%	5.3%
2026	1,132,651,446	1,137,144,998	1,139,053,369
y/y	3.0%	3.3%	3.6%
q4/q4	1.8%	2.4%	3.0%
2027	1,136,833,135	1,148,995,057	1,158,407,029
y/y	0.4%	1.0%	1.7%
q4/q4	0.2%	0.8%	1.5%
2028	1,143,377,363	1,159,874,678	1,177,728,698
y/y	0.6%	0.9%	1.7%
q4/q4	0.8%	1.1%	1.7%
2029	1,153,815,028	1,173,398,952	1,195,558,442
y/y	0.9%	1.2%	1.5%
q4/q4	0.9%	1.2%	1.4%

Fiduciary Fund Financial Highlights

Non-Union Pension Plan

METRO's funding policy is to contribute each year 100 percent of the independent, actuarially determined contribution. Actual contributions were in excess of the actuarial determined contribution and totaled \$15.2 million for 2024, \$14.8 million for 2023 and \$13.3 million for 2022.

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

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Total assets	\$ 198,672	\$ 193,060	\$ 177,183
Total liability	<u>180</u>	<u>146</u>	<u>133</u>
Fiduciary net position	<u><u>\$ 198,492</u></u>	<u><u>\$ 192,914</u></u>	<u><u>\$ 177,050</u></u>

The increase in the fiduciary net position during the last three years is primarily related to favorable investment returns offset by unfavorable demographic experiences.

Union OPEB Trust

The irrevocable Union OPEB Trust (the Trust) was established by METRO in FY2024 to fund future OPEB obligations. Employees do not contribute to this Trust. In addition to funding the Trust, METRO makes monthly payments to cover current OPEB cost. METRO's contributions to the Trust totaled \$5.0 million for FY2025 and \$1.3 million for FY2024. More information about the Trust can be found in Note 1 and Note 2 to the basic financial statements.

Changes to the fiduciary net position are reflected, in thousands, which includes METRO's contribution and investment earnings, in the following table.

	<u>2025</u>	<u>2024</u>
Total assets	\$ 6,528	\$ 1,250
Total liability	<u>-</u>	<u>-</u>
Fiduciary net position	<u><u>\$ 6,528</u></u>	<u><u>\$ 1,250</u></u>

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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, 2025 and 2024

	2025	2024
Assets		
Current assets		
Cash	\$ 21,045,512	\$ 8,586,987
Investments	479,298,150	940,678,724
Investments – restricted	71,617,442	76,935,911
Receivables		
Sales tax	177,364,744	174,984,542
Federal government - Federal Transit Administration	43,209,561	10,913,995
Bus passes and other receivables	7,304,393	8,060,052
Total receivables	227,878,698	193,958,589
Material and supplies inventory	56,313,245	55,132,597
Derivative instrument – diesel fuel swaps	514,032	-
Total current assets	856,667,079	1,275,292,808
Noncurrent assets		
Investments – restricted	19,093,032	19,200,405
Capital assets, net of depreciation	2,832,892,127	2,569,168,160
Capital lease assets, net of depreciation	50,021,378	41,503,694
Other noncurrent assets	8,950,263	6,737,405
Total noncurrent assets	2,910,956,800	2,636,609,664
Total assets	3,767,623,879	3,911,902,472
Deferred outflow of resources		
Pension	59,449,416	73,649,533
OPEB	91,404,860	114,765,996
Debt refunding	-	2,454,901
Diesel fuel swaps	-	3,157,214
Total deferred outflow of resources	150,854,276	194,027,644
Liabilities		
Current liabilities		
Trade payables	211,989,177	189,477,178
Accrued compensation and benefits	46,249,498	38,398,376
Liabilities for injuries and damages	14,116,485	13,861,634
Other current liabilities	4,172,619	7,948,548
Lease obligations	2,820,679	1,859,099
Debts payable	65,860,000	70,045,000
Debt interest payable	10,977,615	12,385,549
Derivative instrument – diesel fuel swaps	-	3,157,214
Total current liabilities	356,186,073	337,132,598
Noncurrent liabilities		
Liabilities for injuries and damages	12,535,097	8,564,506
Debts payable	692,907,064	768,470,768
Net OPEB liability	392,404,456	431,362,524
Net pension liability	276,424,160	288,902,620
Lease obligations	50,007,886	41,832,417
Total noncurrent liabilities	1,424,278,663	1,539,132,835
Total liabilities	1,780,464,736	1,876,265,433
Deferred inflow of resources		
Pension	8,655,857	2,496,156
OPEB	350,831,670	361,606,491
Debt refunding	-	688,944
Diesel fuel swaps	514,032	-
Leases	1,672,505	1,690,033
Total deferred inflow of resources	361,674,064	366,481,624
Net position		
Net investment in capital assets	2,021,682,723	1,728,464,570
Restricted assets – debt payments	90,710,474	96,136,316
Unrestricted assets	(336,053,842)	38,582,173
Total net position	\$ 1,776,339,355	\$ 1,863,183,059

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, 2025 and 2024

	2025	2024
Operating revenues		
Transportation fares	\$ 48,783,117	\$ 49,806,367
Operating expenses		
Scheduled services - fixed route		
Bus and rail operations – direct	285,390,711	250,290,174
Contract service	72,438,921	68,574,799
Material distribution	8,583,224	7,419,812
Preventative maintenance	106,913,867	93,971,705
Central shop and maintenance support	33,789,182	34,271,652
Safety and training	15,297,411	12,986,156
Subtotal scheduled services - fixed route	522,413,316	467,514,298
Nonscheduled services – special		
METROLift	99,681,687	93,427,314
METRO Vanpool	4,561,394	5,983,759
HOT lanes and special events	8,207,109	7,708,721
Subtotal non-scheduled services – special	112,450,190	107,119,794
Service support		
Service planning and evaluation	16,966,933	34,955,646
Marketing	14,165,654	16,083,651
Transit security and traffic management	50,494,486	39,425,515
Insurance and claims	11,021,119	9,964,255
Ticket and fare collection	4,540,610	3,698,154
Facility maintenance	56,064,459	48,402,627
Subtotal service support	153,253,261	152,529,848
Organizational support		
Business, community, and governmental development	13,545,295	12,544,826
Administrative, financial, and personnel	29,217,729	26,133,096
Information systems	32,697,397	29,906,645
Purchasing	6,333,272	5,666,877
Oversight, audit, and legal	8,509,806	8,688,158
Subtotal organizational support	90,303,499	82,939,602
Depreciation and amortization	197,860,422	178,310,223
Total operating expenses	1,076,280,688	988,413,765
Operating loss	(1,027,497,571)	(938,607,398)
Nonoperating revenues (expenses)		
Sales tax	1,085,962,032	1,033,601,693
Investment income	37,834,253	55,407,748
Interest expense	(20,491,659)	(22,210,097)
Other income	2,419,126	2,372,291
Grant proceeds	25,472,724	158,766,237
Local infrastructure assistance	(326,879,480)	(249,892,980)
Funds passed to subrecipients	(872,484)	(811,675)
Loss from sale or disposal of assets	(5,902,532)	(635,832)
Recovery on declared disaster	-	494,918
Total nonoperating revenues	797,541,980	977,092,303
Net (decrease)/increase before capital grants	(229,955,591)	38,484,905
Capital grant proceeds	143,111,887	55,231,719
Changes in net position	(86,843,704)	93,716,624
Net position beginning of year	1,863,183,059	1,769,466,435
Net position end of year	\$ 1,776,339,355	\$ 1,863,183,059

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, 2025 and 2024

	2025	2024
Cash flows from operating activities:		
Receipts from transportation fares	\$ 45,785,219	\$ 50,016,442
Payments to employees	(548,468,999)	(499,209,056)
Payments to suppliers for goods and services	(340,458,412)	(357,263,851)
Net cash used in operating activities	(843,142,192)	(806,456,465)
Cash flows from noncapital financing activities:		
Proceeds from sales tax	1,083,069,601	1,029,616,636
Proceeds from grants	22,602,237	153,914,644
Payments for local infrastructure assistance	(330,139,583)	(126,502,522)
Proceeds for declared disaster	-	494,918
Net cash provided by noncapital financing activities	775,532,255	1,057,523,676
Cash flows from capital and related financing activities:		
Proceeds from grants	113,363,063	56,043,394
Principal payments related to debts	(70,045,000)	(65,355,000)
Interest payments and fees related to debts	(28,141,375)	(31,558,547)
Purchase of investments for debt services	(94,750,830)	(100,614,013)
Sale of investments for debt services	102,887,739	97,713,275
Proceeds from sale and use of assets	2,927,601	2,340,285
Capital purchases	(442,664,676)	(187,878,568)
Net cash flows used in capital and related financing activities	(416,423,478)	(229,309,174)
Cash flows from investing activities:		
Proceeds from sale and maturities of investments	1,449,001,169	1,118,187,425
Purchase of investments	(984,852,036)	(1,220,566,922)
Interest income	32,342,807	49,396,843
Net cash provided by/(used in) investing activities	496,491,940	(52,982,654)
Net change in cash	12,458,525	(31,224,617)
Cash at beginning of year	8,586,987	39,811,604
Cash at end of year	\$ 21,045,512	\$ 8,586,987
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (1,027,497,571)	\$ (938,607,398)
Depreciation and amortization	197,860,422	178,310,223
Changes in assets and liabilities:		
(Increase)/decrease in accounts receivable	(74,733)	3,746,271
(Increase) in inventory and other assets	(4,333,516)	(3,744,498)
(Decrease) in net pension liability	(12,478,460)	(9,031,903)
Decrease in deferred outflows – defined benefit pension plans	14,200,117	11,247,563
Increase/(decrease) in deferred inflows – defined benefit pension plans	6,159,701	(3,185,666)
Increase/(decrease) in accrued compensation and benefits	7,851,123	(4,051,009)
(Decrease)/increase in net OPEB liability	(38,958,068)	50,009,678
Decrease/(increase) in deferred outflows – OPEB	23,361,136	(4,773,691)
(Decrease) in deferred inflows – OPEB	(10,774,821)	(76,966,170)
Increase in liabilities for injuries and damages	4,225,442	620,303
(Decrease) in trade payables and other liabilities	(2,682,964)	(10,030,168)
Cash used in operating activities	\$ (843,142,192)	\$ (806,456,465)
Noncash investing activities:		
Net changes in fair value of investments	\$ 305,461	\$ 449,338
Change in trade payables associated with capital purchases	20,596,497	1,201,116
Net increase in capital leased liabilities over assets	619,365	-

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, 2024, and 2023 (Measurement Date)

	<u>2024</u>	<u>2023</u>
Assets		
Cash equivalent	\$ 2,365,031	\$ 6,148,499
Investments, at fair value:		
Domestic equities	79,858,742	71,289,276
Fixed income	50,836,976	51,739,591
International equities	43,638,201	40,667,846
Private Credit	1,405,023	-
Real estate	<u>20,537,598</u>	<u>23,169,434</u>
Total investments	196,276,540	186,866,147
Interest and dividends receivable	<u>30,228</u>	<u>45,751</u>
Total assets	<u>198,671,799</u>	<u>193,060,397</u>
Liabilities		
Accounts payable	179,781	140,124
Payable for securities purchased	<u>-</u>	<u>6,388</u>
Total liabilities	<u>179,781</u>	<u>146,512</u>
Fiduciary net position - restricted for pensions	<u>\$198,492,018</u>	<u>\$192,913,885</u>

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
As of December 31, 2024, and 2023 (Measurement Date)

	2024	2023
Additions		
Employer contributions	\$ 15,152,816	\$ 14,849,952
Investment income:		
Interest and dividends	1,311,324	1,254,943
Net appreciation on investments	14,651,483	16,094,346
Investment income	15,962,807	17,349,289
Less: investment expenses	(469,334)	(493,001)
Net investment income	15,493,473	16,856,288
Total additions	30,646,289	31,706,240
Deductions		
Paid to Plan members and beneficiaries	24,700,720	15,536,121
Administrative services	367,436	306,556
Total deductions	25,068,156	15,842,677
Changes in fiduciary net position	5,578,133	15,863,563
Fiduciary net position - restricted for pensions:		
Beginning of the year	192,913,885	177,050,322
End of the year	\$198,492,018	\$192,913,885

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

Metropolitan Transit Authority
Union OPEB Trust
Statements of Fiduciary Net Position
As of December 31, 2024, and 2023 (Measurement Date)

	2024	2023
Assets		
Cash and cash equivalent	\$ 90,808	\$ 1,250,000
Investment, at fair value		
Domestic equities	1,988,141	-
Fixed income	2,620,992	-
International equities	1,381,766	-
Real estate	446,053	-
Total Investments	6,436,952	-
Total assets	6,527,760	1,250,000
Assets restricted for postemployment benefits other than pensions	\$ 6,527,760	\$ 1,250,000

Metropolitan Transit Authority
Union OPEB Trust
Statements of Changes in Fiduciary Net Position
As of December 31, 2024, and 2023 (Measurement Date)

	2024	2023
Additions		
Employer contributions	\$ 5,042,987	\$ 1,250,000
Investment income:		
Interest and dividends	166,203	-
Net appreciation on investments	68,570	-
Net investment income	234,773	-
Total additions	5,277,760	1,250,000
Assets restricted for postemployment benefits other than pensions		
Beginning of the year	1,250,000	-
End of the year	\$ 6,527,760	\$ 1,250,000

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 and its component unit present their financial statements as 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*, GASB Statement 80, *Blending Requirements for Certain Component Units*, GASB Statement No. 90, *Majority Equity Interest-an amendment of GASB Statement No. 14 and No. 61*, and GASB Statement No. 84, *Fiduciary Activities*. Statement 84 requires the inclusion of the Non-Union Pension Plan and Trust financial statements, and the Union OPEB Trust financial statements since METRO's Board of Directors is deemed to have a fiduciary role with the plans.

GASB Statements 14, 39, 61 and 80 provides guidance in determining whether organizations are component units and the presentation of these component units in the financial statements. Component units that are blended generally include those in which 1) the component unit provides services entirely, or almost entirely, to the organization or otherwise exclusively, or almost exclusively, benefits the organization, 2) the component unit's governing body is substantively the same as the governing body of the organization and there is either a financial benefit or burden relationship between the organization and the component unit or management of the organization has operational responsibility for the component unit, or 3) the organization is the sole corporate member of the component unit. Based on the criteria set forth in GASB Statements 14, 39, 61, and 80, the Health and Welfare Trust (H&WT) has been determined to be blended component unit of METRO as METRO controls the H&WT and its services exclusively benefit METRO. See additional discussion on the H&WT in note 4.

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, 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 a 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 term. 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.

Union OPEB Trust

METRO has an irrevocable, Other Post Employment Benefit Trust (OPEB Trust) for retirees covered by the labor agreement. Funding requirements are updated annually based on calculations prepared by an independent actuary. The balance of the OPEB Trust as of December 31, 2024 and December 31, 2023 was \$6,527,760 and \$1,250,000 respectively. Funds placed into this trust can only be used to pay OPEB benefits, but currently it is management’s practice to cover such payments from operating funds in order to grow the OPEB Trust. The OPEB Trust is managed by an internal committee who monitors performance and hires professional which includes investment advisor, money manager, actuary, and asset custodian.

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

<u>New GASB statements that are being evaluated</u>	<u>Effective Date</u>
GASB Statement No. 103 <i>Financial Reporting Model Improvements</i>	FY2026
GASB Statement No. 104 <i>Disclosure of Certain Capital Assets</i>	FY2026
GASB Statement No. 105 Subsequent Events	FY2027

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 \$490,304,718 or 86.0 percent of total investments for FY2025 and \$818,873,401 or 79.0 percent of total investments for FY2024.

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, 2025 and 2024 included:

	2025		2024	
	Amount	Percentage of Investment Portfolio	Amount	Percentage of Investment Portfolio
Investments in Government Sponsored Enterprises				
Federal Home Loan Banks	\$ 79,703,906	13.98%	\$ 217,941,639	21.02%
Total	\$ 79,703,906		\$ 217,941,639	

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 bank and book balances for cash as of September 30, 2025 and 2024 were:

	Unrestricted	2025	2024
Bank balances		\$18,063,653	\$8,699,416
Book balances		21,045,512	8,586,987

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 as of September 30, 2025 and 2024 were:

FY2025 Fair Value Measurement Based on Reporting Hierarchy

Investments	Fair Value as of September 30, 2025	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	\$ 49,923,786	\$ 49,923,786	\$ –	\$ –
U.S. agencies	79,703,906	–	79,703,906	–
U.S. treasury mutual fund	8,629	8,629	–	–
Certificate of deposit	11,000,000	11,000,000	–	–
Total investment securities	\$140,636,321	\$ 60,932,415	\$ 79,703,906	\$ –
Local government investment pools measured at the net asset value	429,372,303			
Total investments measured at fair value	\$570,008,624			

FY2024 Fair Value Measurement Based on Reporting Hierarchy

Investments	Fair Value as of September 30, 2024	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	\$ 248,917,494	\$ 248,917,494	\$ –	\$ –
U.S. agencies	217,941,639	–	217,941,639	–
U.S. treasury mutual fund	99,350	99,350	–	–
Total investment securities	\$ 466,958,483	\$ 249,016,844	\$ 217,941,639	\$ –
Local government investment pools measured at the net asset value	569,856,557			
Total investments measured at fair value	\$1,036,815,040			

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, 2025 and 2024 are indicative of the type of investments made by METRO during each fiscal year and consist of the following:

	2025	2024	Credit Ratings
Unrestricted investments			
U.S. treasury notes	\$ 49,923,786	\$ 248,917,494	Aaa/AA+
U.S. agencies	79,703,906	217,941,639	Aaa/AA+
Local government investment pool	338,661,829	473,720,241	AAAM
U.S. treasury mutual fund	8,629	99,350	AAAm/Aaa-mf
Certificate of deposit	11,000,000	–	Collateral=Aaa
Total unrestricted investments	<u>479,298,150</u>	<u>940,678,724</u>	
Restricted investments			
Local government investment pool	<u>90,710,474</u>	<u>96,136,316</u>	AAAM
Total restricted assets	<u>90,710,474</u>	<u>96,136,316</u>	
Total Investments	<u>\$570,008,624</u>	<u>\$1,036,815,040</u>	

Investment by type and weighted average maturity consisted of the following:

	September 30, 2025	Less Than 1 Year	More Than 1 Year	Average Maturity
Investment securities:				
U.S. treasury notes	\$ 49,923,786	\$ 49,923,786	\$ -	15 days
U.S. agencies	79,703,906	79,703,906	-	35 days
Local government investment pool	429,372,303	429,372,303	-	51 days
U.S. treasury mutual fund	8,629	8,629	-	30 days
Certificate of deposit	11,000,000	11,000,000	-	120 days
Total Investments	<u>\$570,008,624</u>	<u>\$570,008,624</u>	<u>\$ -</u>	

	September 30, 2024	Less Than 1 Year	More Than 1 Year	Average Maturity
Investment securities:				
U.S. treasury notes	\$ 248,917,494	\$ 248,917,494	\$ -	52 days
U.S. agencies	217,941,639	217,941,639	-	76 days
Local government investment pool	569,856,557	569,856,557	-	43 days
U.S. treasury mutual fund	99,350	99,350	-	30 days
Total Investments	<u>\$1,036,815,040</u>	<u>\$1,036,815,040</u>	<u>\$ -</u>	

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 Investments

Based on GASB Statement 84, METRO is deemed to have a fiduciary role with the Non-Union Pension Plan and Trust (Pension Trust) and the Union OPEB Trust (OPEB Trust), which requires METRO to include the respective trusts' financial statements and selected notes in METRO's ACFR as METRO is deemed to have a fiduciary role with the respective trusts.

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

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

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

Pension Trust

Fair value of the Pension Trust’s investments by asset class, percentage of the portfolio and the change between December 31, 2024 and 2023 are as follows:

	2024	%	2023	%	Change
Domestic equities	\$ 79,858,742	41%	\$ 71,289,276	38%	\$ 8,569,466
International equities	43,638,201	22%	40,667,846	22%	2,970,355
Fixed income	50,836,976	26%	51,739,591	28%	(902,615)
Private Credit	1,405,023	1%	–	0%	1,405,023
Real estate	20,537,598	10%	23,169,434	12%	(2,631,836)
Total investments	<u>\$ 196,276,540</u>	<u>100%</u>	<u>\$ 186,866,147</u>	<u>100%</u>	<u>\$ 9,410,393</u>

Investments Returns

The money-weighted rate of return as calculated by the actuary for 2024 and 2023 was a positive 8.24 percent and a positive 9.55 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 positive 8.3 percent for 2024 and positive 9.5 percent for 2023.

The Pension Trust's investment policy limits concentration risk and the Pension Trust 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 Pension Trust 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 Pension Trust's asset custodian. Investments made by the domestic (non-commingled and index fund) money managers are held directly by the Pension Trust's asset custodian in the name of the Pension Trust. Investments made by mutual and commingled funds are held by their independent asset custodian with the net asset value reported to the Pension Trust'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 Non-Union Pension Plan ACFR.

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 Pension Trust 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 6.92 years while the benchmark (FTSE WGBI (USD)) was 6.89 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.

Rhumblin Core Bond Pooled Trust duration was 5.98 years while the benchmark (Bloomberg Barclays US Aggregate Bond index) duration was 6.04 years.

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 Pension Trust 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 Pension Trust 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 Pension Trust'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 Pension Trust's investments as of December 31, 2024 and 2023, using the reporting hierarchy are:

Investments measured at fair value	2024	Level 1	Level 2	Level 3
Common stocks	\$ 27,928,419	\$ 27,928,419	-	-
Mutual funds	6,630,867	6,630,867		
Total investments measured at fair value	\$ 34,559,286	\$ 34,559,286	-	-
Investments measured at net asset value (NAV)		Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Fixed Income				
Global Fixed Income Fund *1	\$ 13,209,082	None	Daily	3 Days
Core Fixed Income Fund *2	37,627,894	None	Daily	1 Day
Domestic Equity				
Large-Cap Core Fund *3	37,484,786	None	Daily	1 Day
Large-Cap Value Fund *4	9,924,427	None	Daily	1 Day
Small-Cap Core Fund *8	4,492,423	None	Daily	1 Day
International Equity				
Non-U.S. Large-Cap Core Fund *6	20,055,141	None	Daily	1 Day
Non-U.S. Small-Cap Core Fund *7	4,401,726	None	Daily	2 Days
Global Low Volatility Fund *5	12,579,154	None	Daily	5 Days
Private Credit				
Brightwood Capital Offshore Fund V*11	1,405,023	\$2,800,000	N/A	N/A
Domestic Real Estate Core Funds				
RREEF America REIT II Co *9	8,491,633	None	Quarterly	45 Days
UBS Trumbull Property Fund *10	12,045,965	None	Quarterly	60 Days
Total Investments measured at NAV	161,717,254			
Total investments at fair value	\$196,276,540			

UBS Trumbull Property Fund is limiting redemptions due to having approximately \$5 billion or 52.0% of their net assets in the redemption queue as of September 30, 2025.

Investments measured at fair value	2023	Level 1	Level 2	Level 3
Common stocks	\$ 23,924,912	\$ 23,924,912	-	-
Mutual funds	6,117,527	6,117,527		
Total investments measured at fair value	\$ 30,042,439	\$ 30,042,439	-	-
Investments measured at net asset value (NAV)		Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Fixed Income				
Global Fixed Income Fund *1	\$ 14,547,598	None	Daily	10 Days
Core Fixed Income Fund *2	37,191,993	None	Daily	1 Day
Domestic Equity				
Large-Cap Core Fund *3	34,636,672	None	Daily	1 Day
Large-Cap Value Fund *4	8,679,434	None	Daily	1 Day
Small-Cap Core Fund *8	4,027,106	None	Daily	1 Day
International Equity				
Non-U.S. Large-Cap Core Fund *6	19,003,189	None	Daily	1 Day
Non-U.S. Small-Cap Core Fund *7	4,323,280	None	Daily	2 Days
Global Low Volatility Fund *5	11,245,002	None	Daily	5 Days
Domestic Real Estate Core Funds				
RREEF America REIT II Co *9	9,506,369	None	Quarterly	30 Days
UBS Trumbull Property Fund *10	13,663,065	None	Quarterly	60 Days
Total Investments measured at NAV	156,823,708			
Total investments at fair value	\$186,866,147			

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 by investing in U.S. fixed income instruments and non-U.S. developed and emerging markets sovereign debt securities. The Fund concentrates its investment in bonds of countries having the best value in the form of high real interest rates.
- *2. Core Fixed Income Fund - Rhumblin 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 - Rhumblin Russell 1000 Pooled Index Trust 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 - Rhumblin Russell 1000 Pooled Value Index Trust 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 the market.
- *6. Non-U.S. Large-Cap Core Fund - SSGA MSCI ACWI ex U.S. Index (Fund) seeks an investment return that approximates 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 seeks an investment return that 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 seeks an investment return that approximates as close as practicable, before expenses, the performance of the Russell 2000 Index over the long term. The Fund may engage in securities lending activity.
- *9. Domestic Real Estate Core Fund - RREEF America II seeks to generate attractive investment returns from a portfolio of primarily equity investments in income-producing real property.
- *10. Domestic Real Estate Core Fund – UBS Trumbull Property Fund is a REIT based fund, structured as a Delaware limited partnership that offers participants an actively managed core portfolio of primarily equity real estate investments, located in the United States. Its return objective is to outperform the NFI-ODCE over a full market cycle.
- *11. Private Credit – Brightwood Capital Offshore Fund V is organized for the principal purposes of making investments in loans, notes and other debt instruments, total return swaps and other derivative instruments, participation interests, warrants, equity securities including common stock, preferred stock, direct equity investments, and structured equity products, portfolios of any of the foregoing and derivative instruments related to any of the foregoing investments, managing, supervising, and/or disposing of such investments, and engaging in such other activities incidental or ancillary thereto as the General Partner (Brightwood Capital Fund Managers V, LLC) deems necessary or advisable.

OPEB Trust

Union OPEB Trust (OPEB Trust)

The irrevocable Union OPEB Trust is part of a multiple employer pooled account trust arrangement (pooled arrangement) for governmental entities to fund their respective OPEB obligations. While the funds of each governmental entity are pooled for investment purposes, each governmental entity has a separate account as the funds are not available to meet the obligations of other entities in the pooled arrangement. Hilltop Securities Inc. is the asset custodian, record-keeper and disbursing agent for the pooled arrangement. The annual financial reports of the pooled arrangement are audited by PricewaterhouseCoopers LLP. The monthly fundings by METRO of the OPEB Trust started in October 2023, and no disbursements occurred as the OPEB Trust is in the asset accumulation phase.

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the OPEB Trust will not be able to recover the value of its investment or collateral securities that are in possession of an outside party. Mutual funds and external investment pools are not exposed to custodial credit risk. The OPEB Trust does not have a policy concerning custodial credit risk on investments. During Fiscal Years 2025 and 2024, the OPEB Trust invested only in mutual funds and as such is not exposed to custodial credit risk.

Fair Value Measurement

All investments, except for cash, consist of mutual funds that are actively traded on a nationally recognized stock exchange and measured using their prior day closing net asset value. The OPEB Trust categorizes its investments using the fair value hierarchy as established by U.S. GAAP. 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 significant other observable inputs; Level 3 inputs are significant unobservable inputs. In determining fair value, the OPEB Trust utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible in its assessment of fair value.

Open-end mutual fund investments held by the OPEB Trust as of December 30, 2024 are reported using their net asset value which approximates fair value and consist of:

Investment by Asset Class	Total
Open-end mutual funds:	
Domestic equities	\$1,988,141
Fixed income	2,620,992
International equities	1,381,766
Real estate	446,053
Total investments measured at fair value	\$6,436,952

Investment by Fund	Total	Percentage
Open-end mutual funds:		
Baird Aggregate Bond	\$ 982,866	15.27%
Dodge & Cox Income Fund	974,972	15.15%
Artisan Partners Funds High Income	663,154	10.30%
T. Rowe Price U.S. Equity Research 1	1,685,478	26.18%
Fidelity Mid-Cap Stock	302,663	4.70%
Fidelity International Index	1,063,131	16.52%
Fidelity International Small Cap	318,635	4.95%
Lazard Global Infrastructure	320,242	4.98%
Third Avenue International RE	125,811	1.95%
Measured at fair value	\$ 6,436,952	100.00%

Open-end mutual funds that own debt investments have been rated by Morning Star which is a recognized rating agency for mutual funds but not considered a nationally recognized statistical rating organization by the Security and Exchange Commission.

Interest rate risk is managed by the Investment Advisor and the OPEB Committee by monitoring both the duration and certain related debt investments held by money managers. Duration should generally not exceed 6 years.

Cash

Cash is fully insured by the Federal Deposit Insurance Corporation (FDIC) as amounts exceeding \$250,000 are swept daily into multiple preselected FDIC insured banks.

3. Capital Assets and Leased Assets

Capital Assets

Changes in capital assets (excluding capital leases discussed below) for fiscal year 2025 were as follows:

	September 30, 2024	Additions	Reductions and Retirements	Transfers and Completed Projects	September 30, 2025
Capital assets not depreciated:					
Land	\$ 286,027,291	\$ –	\$ –	\$ 7,817,448	\$ 293,844,739
Construction in progress	117,274,018	463,261,173	(5,160,653)	(385,394,680)	189,979,858
Total capital assets not depreciated	<u>403,301,309</u>	<u>463,261,173</u>	<u>(5,160,653)</u>	<u>(377,577,232)</u>	<u>483,824,597</u>
Capital assets depreciated:					
Administration and operating facilities	498,542,608	–	(8,018,730)	21,053,023	511,576,901
Park & Ride lots and transit centers	382,989,693	–	–	63,765,963	446,755,656
Buses and equipment	1,061,704,771	–	(119,003,269)	258,868,044	1,201,569,546
Rail cars	396,664,096	–	(31,691,206)	10,754,946	375,727,836
Rail infrastructure	2,063,573,347	–	(398,955)	6,282,034	2,069,456,426
Transitways/HOT lanes	608,076,251	–	–	5,918,687	613,994,938
Other property and equipment	72,687,583	–	(6,996,769)	10,934,535	76,625,349
Total capital assets depreciated	5,084,238,349	–	(166,108,929)	377,577,232	5,295,706,652
Less accumulated depreciation and amortization:					
Administration and operating facilities	(368,551,703)	(11,321,996)	8,018,730	–	(371,854,969)
Park & Ride lots and transit centers	(279,749,818)	(9,621,392)	–	–	(289,371,210)
Buses and equipment	(797,056,394)	(73,728,881)	118,352,488	–	(752,432,787)
Rail cars	(254,746,922)	(20,711,770)	31,492,875	–	(243,965,817)
Rail infrastructure	(645,620,838)	(56,948,915)	398,955	–	(702,170,798)
Transitways/HOT lanes	(527,364,213)	(11,146,704)	–	–	(538,510,917)
Other property and equipment	(45,281,610)	(10,036,089)	6,985,075	–	(48,332,624)
Total accumulated depreciation and amortization	<u>(2,918,371,498)</u>	<u>(193,515,747)</u>	<u>165,248,123</u>	<u>–</u>	<u>(2,946,639,122)</u>
Total capital assets being depreciated, net	<u>2,165,866,851</u>	<u>(193,515,747)</u>	<u>(860,806)</u>	<u>377,577,232</u>	<u>2,349,067,530</u>
Total capital assets, net	<u>\$2,569,168,160</u>	<u>\$ 269,745,426</u>	<u>\$ (6,021,459)</u>	<u>\$ –</u>	<u>\$2,832,892,127</u>

Changes in capital assets (excluding capital leases discussed below) for fiscal year 2024 were as follows:

	September 30, 2023	Additions	Reductions and Retirements	Transfers and Completed Projects	September 30, 2024
Capital assets not depreciated:					
Land	\$ 285,917,987	\$ -	\$ -	\$ 109,304	\$ 286,027,291
Construction in progress	90,767,925	189,079,684	(822,291)	(161,751,300)	117,274,018
Total capital assets not depreciated	<u>376,685,912</u>	<u>189,079,684</u>	<u>(822,291)</u>	<u>(161,641,996)</u>	<u>403,301,309</u>
Capital assets depreciated:					
Administration and operating facilities	458,742,100	-	-	39,800,508	498,542,608
Park & Ride lots and transit centers	381,075,681	-	-	1,914,012	382,989,693
Buses and equipment	1,000,293,092	-	(22,077,399)	83,489,078	1,061,704,771
Rail cars	382,684,092	-	-	13,980,004	396,664,096
Rail infrastructure	2,055,946,134	-	-	7,627,213	2,063,573,347
Transitways/HOT lanes	608,174,756	-	-	(98,505)	608,076,251
Other property and equipment	59,741,320	-	(1,983,423)	14,929,686	72,687,583
Total capital assets depreciated	4,946,657,175	-	(24,060,822)	161,641,996	5,084,238,349
Less accumulated depreciation and amortization:					
Administration and operating facilities	(354,849,664)	(13,702,039)	-	-	(368,551,703)
Park & Ride lots and transit centers	(271,309,117)	(8,440,701)	-	-	(279,749,818)
Buses and equipment	(759,997,577)	(59,024,407)	21,965,590	-	(797,056,394)
Rail cars	(234,866,596)	(19,880,326)	-	-	(254,746,922)
Rail infrastructure	(590,010,156)	(55,610,682)	-	-	(645,620,838)
Transitways/HOT lanes	(516,918,667)	(10,445,546)	-	-	(527,364,213)
Other property and equipment	(37,861,444)	(9,400,597)	1,980,431	-	(45,281,610)
Total accumulated depreciation and amortization	<u>(2,765,813,221)</u>	<u>(176,504,298)</u>	<u>23,946,021</u>	<u>-</u>	<u>(2,918,371,498)</u>
Total capital assets being depreciated, net	<u>2,180,843,954</u>	<u>(176,504,298)</u>	<u>(114,801)</u>	<u>161,641,996</u>	<u>2,165,866,851</u>
Total capital assets, net	<u>\$2,557,529,866</u>	<u>\$ 12,575,386</u>	<u>\$ (937,092)</u>	<u>\$ -</u>	<u>\$2,569,168,160</u>

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 term.

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

METRO is the lessee on eight 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 48 and 60 months with monthly rental cost declining, from approximately \$15,000 to \$8,000 during FY2025, as leases either expired or the vehicles were purchased. No new leases were entered into, and METRO is 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 \$4,900 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.

- Non-exclusive regional vanpool lease provides vanpool service across the eight-county Houston-Galveston region. It is active through May 2027 and includes a two year extension through May 2029. Total contract amount is not to exceed \$24,024,444. Service includes supply of vehicle, insurance, maintenance, and support services.
- Taser contract with Axon Enterprise Inc., which provide Metro Police Department (MPD) hardware, software, and service. The annual lease is \$1,039,000, with a five year lease term and is active through October 31, 2028. Total contract amount is not to exceed \$5,195,000.
- 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. 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 revert back to the lessor at the end of the lease term.

METRO is the lessor for two leases, which will enhance future cash inflows and 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 the 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 FY2025 totaled \$107,811 and related to calendar year 2024. Participation rents received in FY2024 totaled \$704,369 related to calendar years 2019 through 2023. Participation rent is 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 lease was initially through August 2024 with a monthly rent of \$2,489. The lease was extended through July 2029 with a monthly rent of \$1,210 that will increase 10% every year. Utilities, cleaning, and similar cost is paid for by METRO. Property rights return to METRO at the end of the lease term.

Changes in lease assets and lease obligations for FY2025 and FY2024 consisted of:

	FY2025 Changes in Leased Assets									
	Transit Center Facilities Lease				Hillcroft Transit Center Parking	DTC Parking (Hornberger)	Airport Van Rental (Vanpool)	Axon Enterprise Inc (MPD - Taser Contract)	A-S 155 Land	Total
	Land	Garage	Support Vehicles	Antenna Site						
Balance as of October 1, 2024	\$10,188,180	\$27,057,672	\$1,043,858	\$382,414	\$882,173	\$1,255,228	\$5,397,593	\$ -	\$ -	\$46,207,118
Additions	-	-	-	-	-	-	-	4,955,236	8,002,603	12,957,839
Retirements	-	-	(638,132)	-	-	-	-	-	-	(638,132)
Leased assets before amortization	10,188,180	27,057,672	405,726	382,414	882,173	1,255,228	5,397,593	4,955,236	8,002,603	58,526,825
Beginning Amortization	(783,707)	(2,081,358)	(596,399)	(203,956)	(392,076)	(196,129)	(449,799)	-	-	(4,703,424)
Additions	(195,927)	(520,340)	(153,251)	(50,989)	(98,019)	(117,678)	(1,079,519)	(1,982,094)	(150,992)	(4,348,809)
Retirements	-	-	546,786	-	-	-	-	-	-	546,786
Ending amortization	(979,634)	(2,601,698)	(202,864)	(254,945)	(490,095)	(313,807)	(1,529,318)	(1,982,094)	(150,992)	(8,505,447)
Net leased assets as of September 30, 2025	\$9,208,546	\$24,455,974	\$ 202,862	\$127,469	\$392,078	\$941,421	\$3,868,275	\$2,973,142	\$7,851,611	\$50,021,378

	FY2025 Changes in Lease Obligations									
	Transit Center Facilities Lease				Hillcroft Transit Center Parking	DTC Parking (Hornberger)	Airport Van Rental (Vanpool)	Axon Enterprise Inc (MPD - Taser Contract)	A-S 155 Land	Total
	Land	Garage	Support Vehicles	Antenna Site						
Balance as of October 1, 2024	\$9,951,189	\$26,270,223	\$457,045	\$205,515	\$492,349	\$1,103,713	\$5,211,482	\$ -	\$ -	\$43,691,516
Current year activity										
New leased asset	-	-	-	-	-	-	-	4,955,236	8,002,603	12,957,839
Principal Payments	(66,127)	(214,673)	(154,020)	(53,333)	(98,017)	(95,439)	(1,088,321)	(1,911,305)	(44,074)	(3,725,309)
Retirements	-	-	(95,481)	-	-	-	-	-	-	(95,481)
Lease obligations as of September 30, 2025	\$9,885,062	\$26,055,550	\$207,544	\$152,182	\$394,332	\$1,008,274	\$4,123,161	\$3,043,931	\$7,958,529	\$52,828,565

FY2024 Changes in Leased Assets

Transit Center Facilities Lease								
	Land	Garage	Support Vehicles	Antenna Site	Hillcroft Transit Center Parking	DTC Parking (Hornberger)	Airport Van Rental (Vanpool)	Total
Balance as of October 1, 2023	\$10,188,180	\$27,057,672	\$1,219,196	\$382,414	\$882,173	\$1,255,228	\$ -	\$40,984,863
Additions	-	-	405,726	-	-	-	5,397,593	5,803,319
Retirements	-	-	(581,064)	-	-	-	-	(581,064)
Leased assets before amortization	10,188,180	27,057,672	1,043,858	382,414	882,173	1,255,228	5,397,593	46,207,118
Beginning amortization	(587,780)	(1,561,019)	(804,289)	(152,967)	(294,057)	(78,451)	-	(3,478,563)
Additions	(195,927)	(520,339)	(373,174)	(50,989)	(98,019)	(117,678)	(449,799)	(1,805,925)
Retirements	-	-	581,064	-	-	-	-	581,064
Ending amortization	(783,707)	(2,081,358)	(596,399)	(203,956)	(392,076)	(196,129)	(449,799)	(4,703,424)
Net leased assets as of September 30, 2024	\$9,404,473	\$24,976,314	\$447,459	\$178,458	\$490,097	\$1,059,099	\$4,947,794	\$41,503,694

FY2024 Changes in Lease Obligations

Transit Center Facilities Lease								
	Land	Garage	Support Vehicles	Antenna Site	Hillcroft Transit Center Parking	DTC Parking (Hornberger)	Airport Van Rental (Vanpool)	Total
Balance as of October 1, 2023	\$10,015,045	\$26,477,523	\$428,255	\$254,926	\$590,141	\$1,195,727	\$ -	\$38,961,617
Additions	-	-	405,726	-	-	-	5,397,593	5,803,319
Principal Payments	(63,856)	(207,300)	(376,936)	(49,411)	(97,792)	(92,014)	(186,111)	(1,073,420)
Lease obligation as of September 30, 2024	\$9,951,189	\$26,270,223	\$457,045	\$205,515	\$492,349	\$1,103,713	\$5,211,482	\$43,691,516

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

Fiscal Year	Land		Garage		Support Vehicles	
	Principal	Interest	Principal	Interest	Principal	Interest
2026	\$68,479	\$278,808	\$222,308	\$905,112	\$102,575	\$3,509
2027	70,915	276,373	230,215	897,205	104,969	1,114
2028	77,109	287,543	238,403	889,017	-	-
2029	79,851	284,801	246,882	880,538	-	-
2030	82,691	281,961	255,663	871,757	-	-
2031-2035	473,992	1,403,965	1,421,354	4,215,746	-	-
2036-2040	592,722	1,379,133	1,692,751	3,944,349	-	-
2041-2045	718,878	1,291,265	2,015,970	3,621,130	-	-
2046-2050	882,719	1,187,729	2,400,905	3,236,195	-	-
2051-2055	1,070,598	1,040,052	2,859,341	2,777,760	-	-
2056-2060	1,314,600	859,370	3,405,311	2,231,789	-	-
2061-2065	1,594,401	621,782	4,055,531	1,581,569	-	-
2066-2070	1,957,784	324,885	4,829,905	807,195	-	-
2071-2072	900,323	30,475	2,181,011	73,827	-	-
	<u>\$9,885,062</u>	<u>\$9,548,142</u>	<u>\$26,055,550</u>	<u>\$26,933,189</u>	<u>\$207,544</u>	<u>\$4,623</u>

Fiscal Year	Antenna Site		Hillcroft Transit Center Parking		DTC Parking	
	Principal	Interest	Principal	Interest	Principal	Interest
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	-	-	98,924	-	128,121	22,663
2030	-	-	-	-	132,890	17,894
2031-2035	-	-	-	-	429,091	23,262
2036-2040	-	-	-	-	-	-
2041-2045	-	-	-	-	-	-
2046-2050	-	-	-	-	-	-
2051-2055	-	-	-	-	-	-
2056-2060	-	-	-	-	-	-
2061-2065	-	-	-	-	-	-
2066-2070	-	-	-	-	-	-
2071-2072	-	-	-	-	-	-
	<u>\$152,182</u>	<u>\$5,025</u>	<u>\$394,332</u>	<u>\$1,361</u>	<u>\$1,008,274</u>	<u>\$147,771</u>

Fiscal Year	Airport Van Rental		Axon Enterprise		A-S 155 Land	
	Principal	Interest	Principal	Interest	Principal	Interest
2026	\$1,114,952	\$85,048	\$990,481	\$48,519	\$67,085	\$257,915
2027	1,142,235	57,765	1,014,450	24,550	69,895	255,105
2028	1,170,186	29,814	1,039,000	-	72,822	252,178
2029	695,788	4,212	-	-	75,872	249,128
2030	-	-	-	-	83,002	258,248
2031-2035	-	-	-	-	475,257	1,248,055
2036-2040	-	-	-	-	612,651	1,196,827
2041-2045	-	-	-	-	789,764	1,110,188
2046-2050	-	-	-	-	1,018,079	976,870
2051-2055	-	-	-	-	1,312,399	782,298
2056-2060	-	-	-	-	1,691,805	507,627
2061-2065	-	-	-	-	1,689,898	139,335
2066-2070	-	-	-	-	-	-
2071-2072	-	-	-	-	-	-
	<u>\$4,123,161</u>	<u>\$176,839</u>	<u>\$3,043,931</u>	<u>\$73,069</u>	<u>\$7,958,529</u>	<u>\$7,233,774</u>

Fiscal Year	Total	
	Principal	Interest
2026	\$ 2,820,679	\$ 1,613,785
2027	2,895,957	1,541,543
2028	2,845,205	1,484,585
2029	1,325,438	1,441,342
2030	554,246	1,429,860
2031-2035	2,799,694	6,891,028
2036-2040	2,898,124	6,520,309
2041-2045	3,524,612	6,022,583
2046-2050	4,301,703	5,400,794
2051-2055	5,242,338	4,600,110
2056-2060	6,411,716	3,598,786
2061-2065	7,339,830	2,342,686
2066-2070	6,787,689	1,132,080
2071-2072	3,081,334	104,302
	<u>\$52,828,565</u>	<u>\$44,123,793</u>

Changes in lease receivable and deferred inflows for FY2025 and FY2024 are reflected in the following tables with amortization of deferred inflows reported as rental income.

	FY2025 Changes in Lease Receivable and Deferred Inflows		
	Park and Ride Ground Lease Agreement	1900 Main Office Space	Total
<u>Lease Receivables</u>			
Balance as of October 1, 2024	\$1,615,656	\$ 74,377	\$1,690,033
Less current year amortization	(5,428)	(12,100)	(17,528)
Ending Balance September 30, 2025	<u>\$1,610,228</u>	<u>\$ 62,277</u>	<u>\$1,672,505</u>
<u>Deferred Inflows</u>			
Balance as of October 1, 2024	\$1,615,656	\$ 74,377	\$1,690,033
Less current year amortization	(5,428)	(12,100)	(17,528)
Ending Balance September 30, 2025	<u>\$1,610,228</u>	<u>\$ 62,277</u>	<u>\$1,672,505</u>
FY2025 interest income related to leases receivables	<u>\$ 44,572</u>	<u>\$ 1,320</u>	<u>\$ 45,892</u>

	FY2024 Changes in Lease Receivable and Deferred Inflows		
	Park and Ride Ground Lease Agreement	1900 Main Office Space	Total
<u>Lease Receivables</u>			
Balance as of October 1, 2023	\$1,620,936	\$ 12,389	\$1,633,325
Lease Renewal	-	76,332	76,332
Less current year amortization	(5,280)	(14,344)	(19,624)
Ending Balance September 30, 2024	<u>\$1,615,656</u>	<u>\$ 74,377</u>	<u>\$1,690,033</u>
<u>Deferred Inflows</u>			
Balance as of October 1, 2023	\$1,620,936	\$ 12,389	\$1,633,325
Lease Renewal	-	76,332	76,332
Less current year amortization	(5,280)	(14,344)	(19,624)
Ending Balance September 30, 2024	<u>\$1,615,656</u>	<u>\$ 74,377</u>	<u>\$1,690,033</u>
FY2024 interest income related to leases receivables	<u>\$ 44,720</u>	<u>\$ 245</u>	<u>\$ 44,965</u>

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, but a separate irrevocable trust has also been established to additionally fund the Union OPEB plan.

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 FY2025 and FY2024 for the TWUPP and the NUPP consisted of:

FY2025	
TWUPP	NUPP
<p>The salary increase assumption has been updated from 4.575% for 2023, 3.25% for 2024, 3.75% for 2025, 3.25% for 2026, 3.75% for 2027, and 3.00% thereafter, with an additional 0.25% for 2025, 1.25% for 2026, and 1.50% for 2027 for bus operators hired after June 1, 1999, to 3.50% for 2024, 4.00% for 2025, 3.50% for 2026, 4.00% for 2027, and 3.25% thereafter, with an additional 0.25% for 2025, 1.25% for 2026, and 1.50% for 2027 for bus operators hired after June 1, 1999. These adjusted rates reflect the most recent pension experience study dated March 14, 2025, the current budget, and the most recent bargaining agreement.</p> <p>The Union retirement, termination, and disability rates have been updated based on the most recent pension experience study dated March 14, 2025.</p>	<p>The salary increase assumption has been updated from 8.62% for 2023 and 3.00% thereafter to 3.25% for 2024 and thereafter. These adjusted rates reflect the most recent pension experience study dated March 14, 2025 and the current budget.</p> <p>The Non-Union retirement and termination rates have been updated based on the most recent pension experience study dated March 14, 2025.</p> <p>The Non-Union optional forms election assumptions have been updated based on the most recent pension experience study dated March 14, 2025.</p>

The change in the salary scale assumption, listed above, along with other economic and demographic gains/losses increased the TWUPP net pension liability by \$5,750,929 and decreased the NUPP net pension liability by \$7,824,059 during FY2025. 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.

FY2024	
TWUPP	NUPP
The salary scale assumption was updated from 4.85% for 2023, 4.25% for 2024, 4.275% for 2025, and 3.00% per year thereafter to 4.575% for 2023, 3.25% for 2024, 3.75% for 2025, 3.25% for 2026, 3.75% for 2027 and 3.00% per year thereafter, with an additional 0.25% for 2025, 1.25% for 2026, and 1.50% for 2027 for bus operators hired after June 1, 1999.	No Change
Inflation was updated from 2.33% to 2.30%.	Inflation was updated from 2.33% to 2.30%.

The change in the salary scale assumption, listed above, along with other economic and demographic gains/losses decreased the TWUPP net pension liability by \$2,209,877 and increased the NUPP net pension liability by \$10,861,194 during FY2024. 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.

The net pension liability, as of September 30, 2025, for both defined benefit pension plans was measured as of December 31, 2024 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation dated January 1, 2024. The actuarial valuation was based on the discount rate and actuarial assumptions listed below and projected forward to the measurement date, December 31, 2024, 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, 2025 are reflected later in this report.

Changes in the combined net pension liability for both defined benefit pension plans as of September 30, 2025 and September 30, 2024 were:

Net Pension Liability	TWUPP	NUPP	Total
Ending September 30, 2024	\$ 150,628,070	\$138,274,550	\$ 288,902,620
Current year changes	2,446,279	(14,924,739)	(12,478,460)
Ending September 30, 2025	<u>\$ 153,074,349</u>	<u>\$123,349,811</u>	<u>\$ 276,424,160</u>

Net Pension Liability	TWUPP	NUPP	Total
Ending September 30, 2023	\$ 161,576,452	\$ 136,358,071	\$ 297,934,523
Current year changes	(10,948,382)	1,916,479	(9,031,903)
Ending September 30, 2024	\$ 150,628,070	\$ 138,274,550	\$ 288,902,620
Pension Expenses			
Fiscal Year	TWUPP	NUPP	Total
2025	\$ 21,163,947	\$ 18,769,747	\$ 39,933,694
2024	\$ 9,054,850	\$ 19,463,292	\$ 28,518,142

The ending net pension liabilities are 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, 2025 and September 30, 2024 were:

Deferred outflows for FY2025	TWUPP	NUPP	Total
Contributions between January 1, 2025 through September 30, 2025	\$ 11,261,779	\$ 13,397,824	\$ 24,659,603
Difference between expected and actual economic/demographic experience	–	5,336,077	5,336,077
Change of assumption	3,559,667	–	3,559,667
Net difference between projected and actual earnings on pension investments	17,423,266	8,470,803	25,894,069
Total deferred outflows September 30, 2025	\$ 32,244,712	\$ 27,204,704	\$ 59,449,416
Deferred inflows for FY2025	TWUPP	NUPP	Total
Difference between expected and actual economic/demographic experience	\$ 1,296,870	\$ –	\$ 1,296,870
Change of assumption	–	7,358,987	7,358,987
Net difference between projected and actual earnings on pension investments	–	–	–
Total deferred inflows September 30, 2025	\$ 1,296,870	\$ 7,358,987	\$ 8,655,857
Deferred outflows for FY2024	TWUPP	NUPP	Total
Contributions between January 1, 2024 through September 30, 2024	\$ 10,771,661	\$ 11,350,637	\$ 22,122,298
Difference between expected and actual economic/demographic experience	–	7,905,682	7,905,682
Change of assumption	6,866	2,209,454	2,216,320
Net difference between projected and actual earnings on pension investments	26,530,186	14,875,047	41,405,233
Total deferred outflows September 30, 2024	\$ 37,308,713	\$ 36,340,820	\$ 73,649,533

Deferred inflows for FY2024	TWUPP	NUPP	Total
Difference between expected and actual economic/demographic experience	\$ 2,359,038	\$ —	\$ 2,359,038
Change of assumption	136,498	620	137,118
Net difference between projected and actual earnings on pension investments	—	—	—
Total deferred inflows September 30, 2024	<u>\$ 2,495,536</u>	<u>\$ 620</u>	<u>\$ 2,496,156</u>

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	2.30% per year	2.30% per year
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	3.50% for 2024, 4.00% for 2025, 3.50% for 2026, 4.00% for 2027 and 3.25% thereafter, with an additional 0.25% for 2025, 1.25% for 2026, and 1.5% for 2027 for bus operators hired after June 1, 1999	3.25%
Assumed annual retirement rate	Varying percentage ranging from 0.00% to 100.00% for ages 55 and under through 72 and over.	Varying percentage ranging from 5.00% to 100.00% for ages 55 through 72 and over
Mortality and disabled mortality	Pub-2010 Mortality, projected forward (fully generational) with MP-2021	Pub-2010 Mortality, projected forward (fully generational) with MP-2021
Open to new members	No (as of October 1, 2012)	No (as of October 1, 2007)

TWUPP Defined Benefit Pension Plan

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, with required \$3 dollar contributions from employees for each pay period, 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.

Benefit payment upon retirement is fixed and calculated based on years of service multiplied by a fixed rate. The fixed rate for active employees will normally increase during labor negotiations with no change occurring to employees who have already retired.

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 through September 30, 2025	68
October 1, 2025 to present	70

Participants can only receive monthly distributions unless their 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, 2024 and January 1, 2023 were:

Participants	2024	2023	Change
Active	841	948	(107)
Terminated and vested	520	550	(30)
Retired	1,789	1,726	63
Disabled	163	168	(5)
Beneficiaries	411	400	11
Total for all participants	3,724	3,792	(68)

Changes in the Net Pension Liability for the TWUPP is based on a measurement date of December 31, 2024 with the amounts reported on METRO’s September 30, 2025 financial statements. Activities for the last two years consisted of:

	For the Years Ending September 30, (Reporting Dates)	
	2025	2024
Total pension liability		
Changes for the year:		
Service cost	\$ 2,684,766	\$ 3,154,530
Interest on total pension liability	27,356,427	27,527,976
Changes of benefit terms	2,624,992	–
Difference between expected and actual experience	(2,892,461)	(2,222,985)
Changes of assumption	8,643,390	13,108
Benefit payments	(31,365,050)	(30,148,705)
Net change in total pension liability	7,052,064	(1,676,076)
Total pension liability beginning	450,462,920	452,138,996
Total pension liability ending	457,514,984	450,462,920
Plan fiduciary net position:		
Contributions from the employer	\$ 14,362,215	\$ 14,557,542
Members contributions	85,319	103,386
Net investment income	21,945,282	25,163,169
Benefit payments	(31,365,050)	(30,148,705)
Administrative expenses	(421,981)	(403,086)
Net change in plan fiduciary net position	4,605,785	9,272,306
Plan fiduciary net position - beginning	299,834,850	290,562,544
Plan fiduciary net position - ending	304,440,635	299,834,850
METRO’s net pension liability	\$ 153,074,349	\$ 150,628,070

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, 2025.

	1% Decrease to 5.25%	Current Discount Rate 6.25%	1% Increase to 7.25%
Net pension liability	\$199,596,066	\$ 153,074,349	\$ 113,474,928

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, 2025 are listed below:

Asset Class	Index	Target Allocation	Long-Term Expected Geometric Real Rate of Return
US Core Fixed Income (Aggregate)	Bloomberg Barclays Aggregate	32.00%	2.21%
Private Credit	CDL Index	4.00%	5.69%
Global Bonds	FTSE WGBI USD	12.00%	0.61%
US Large & Mid Cap Equity	Russell 1000 TR USD	11.00%	3.65%
US Large & Mid Cap Value Equity	Russell 1000 Value TR USD	4.00%	3.70%
US Mid Cap Growth Equity	Russell Mid Cap Growth TR USD	2.50%	3.06%
US Mid Cap Value Equity	Russell Mid Cap Value TR USD	2.50%	3.40%
US Small Cap Equity	Russell 2000 TR USD	6.00%	4.24%
Global Equity	MSCI ACWI NR USD	4.50%	4.43%
Non-US Equity	MSCI ACWI Ex USA NR USD	6.00%	5.75%
Non-US Small Cap Equity	MSCI EAFE Small Cap NR	3.50%	5.21%
US REITs	FTSE Nareit All Equity REITs TR USD	8.00%	4.61%
Private Equity	Cambridge Associates US Private Equity	4.00%	6.16%
Assumed Inflation – Mean			2.30%
Assumed Inflation – Standard Deviation			1.46%
Portfolio Real Mean Return			3.98%
Portfolio Nominal Mean Return			6.39%
Portfolio Standard Deviation			10.32%
Long-Term Expected Rate of Return			6.25%

Pension Plan Expense and Deferred Outflows and Inflows

Pension expense for FY2025 and FY2024 totaled \$21,163,947 and \$9,054,850, respectively, and was reported on the Statement of Changes in Net Position for each fiscal year. The increase in pension expense for FY2025 primarily relates to the amortization of deferred outflows.

A deferred outflow of \$32,244,712 and a deferred inflow of \$1,296,870 was reported on the statement of net position as of September 30, 2025. Included in the deferred outflow are contributions by METRO, totaling \$11,261,779 for the period January 1, 2025 through September 30, 2025. 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
2026	\$ 10,720,558
2027	11,959,620
2028	(2,246,264)
2029	(747,851)
Total	\$ 19,686,063

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, 2024 and January 1, 2023 were:

<u>Participants</u>	<u>2024</u>	<u>2023</u>	<u>Change</u>
Active	298	319	(21)
Terminated and vested	75	74	1
Retired	338	333	5
Disabled	–	–	–
Beneficiaries	64	65	(1)
Total participants	<u>775</u>	<u>791</u>	<u>(16)</u>

Changes in the Net Pension Liability for the NUPP is based on a measurement date of December 31, 2024 with amounts reported on METRO’s September 30, 2025 financial statements. Activities for the last two years consisted of:

	For the Years Ended September 30, (Reporting Dates)	
	2025	2024
Total pension liability		
Changes for the year		
Service cost	\$ 3,048,560	\$ 3,148,320
Interest on total pension liability	20,129,613	19,306,649
Difference between expected and actual experience	3,407,659	10,862,159
Changes of assumption	(11,231,718)	(965)
Benefit payments	(24,700,720)	(15,536,121)
Net change in total pension liability	(9,346,606)	17,780,042
Total pension liability beginning	331,188,435	313,408,393
Total pension liability ending	321,841,829	331,188,435
Plan fiduciary net position		
Contributions from the employer	15,152,816	14,849,952
Net investment income	15,493,473	16,856,288
Benefit payments	(24,700,720)	(15,536,121)
Administrative expenses	(367,436)	(306,556)
Net change in plan fiduciary net position	5,578,133	15,863,563
Plan fiduciary net position – beginning	192,913,885	177,050,322
Plan fiduciary net position – ending	198,492,018	192,913,885
METRO’s net pension liability ending	\$ 123,349,811	\$ 138,274,550

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, 2025.

	1% Decrease to 5.25%	Current Discount Rate of 6.25%	1% Increase to 7.25%
Net pension liability	\$ 152,941,834	\$ 123,349,811	\$ 97,756,076

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, 2025, are listed below.

Asset Class	Index	Target Allocation	Long-Term Expected Geometric Real Rate of Return
US Core Fixed Income (Aggregate)	Bloomberg Barclays Aggregate	32.00%	2.21%
Private Credit	CDL Index	4.00%	5.69%
Global Bonds	FTSE WGBI USD	12.00%	0.61%
US Large & Mid Cap Equity	Russell 1000 TR USD	11.00%	3.65%
US Large & Mid Cap Value Equity	Russell 1000 Value TR USD	4.00%	3.70%
US Mid Cap Growth Equity	Russell Mid Cap Growth TR USD	5.00%	3.06%
US Small Cap Equity	Russell 2000 TR USD	2.00%	4.24%
US Small & Mid Cap Equity	Russell 2500 TR USD	4.00%	3.57%
Global Equity	MSCI ACWI NR USD	4.00%	4.43%
Non-US Equity	MSCI ACWI Ex USA NR USD	6.50%	5.75%
Non-US Small Cap Equity	MSCI EAFE Small Cap NR	3.50%	5.21%
US REITs	FTSE Nareit All Equity REITs TR USD	8.00%	4.61%
Private Equity	Cambridge Associates US Private Equity	4.00%	6.16%
Assumed Inflation – Mean			2.30%
Assumed Inflation – Standard Deviation			1.46%
Portfolio Real Mean Return			3.96%
Portfolio Nominal Mean Return			6.37%
Portfolio Standard Deviation			10.41%
Long-Term Expected Rate of Return			6.25%

Pension Plan Expense and Deferred Outflows and Inflows

Pension expense for FY2025 and FY2024 totaled \$18,769,747 and \$19,463,292 and was reported on the statement of changes in net position for each fiscal year. The decrease in pension expense for FY2025 primarily relates to the amortization of deferred outflows.

A deferred outflow of \$27,204,704 and a deferred inflow of \$7,358,987 were reported on the statement of net position as of September 30, 2025. Included in the deferred outflow are contributions by METRO totaling \$13,397,824 for the period January 1, 2025 through September 30, 2025. 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
2026	\$ 4,929,917
2027	4,178,820
2028	(1,912,542)
2029	(748,302)
Total	\$ 6,447,893

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 4% 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 \$21,512,591, \$13,901,440, and \$12,245,466, with employees contributing \$14,717,246, \$13,025,399, and \$11,092,054.

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 Union OPEB plan benefits for employees covered under the labor agreement are paid by the Transport Workers Union Metropolitan Transit Authority Health & Welfare Trust (Trust) based on contributions from METRO and retirees. The Non-Union OPEB Plan is managed by METRO with pre-65 retirees contribution based on years of service and post-65 retirees eligible to participate in the health care reimbursement account program. 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.

The Union OPEB Plan was previously managed by the Transport Workers Union Metropolitan Transit Authority Health & Welfare Trust (H&WT) which provided health care benefits through 3rd party service organizations for both active and retirees. To ensure no disruption in health care benefit, METRO assumed control from the Trust during FY2025. In addition to funding current payments for retirees, METRO established an irrevocable Union OPEB Trust (OPEB Trust) and has a balance of \$11,671,902 as of September 30, 2025. Funds in the irrevocable Union OPEB Trust are not available to pay current benefits and employees do not contribute to this OPEB Trust. Eligibility requirements remain unchanged which include (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.

METRO intends to close the H&WT in FY2026 and has appointed an internal committee who is responsible for monitoring performance, hiring independent specialists to assist in managing health care benefits and redirecting contracts with 3rd party service organizations from the H&WT to METRO for review and payment. Costs related to the H&WT are paid for by METRO and participants. Financial activity for the H&WT for FY2025 has been included in METRO’s financial report.

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 \$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. No irrevocable Trust has been established to fund the Non-Union OPEB Plan.

Employees covered by the OPEB Plans as of January 1, 2024 consisted of:

	Union OPEB Plan	Non-Union OPEB Plan
Active	2,831	1,533
Retirees	1,213	682
Beneficiaries	129	55
Total of all participants	4,173	2,270

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, 2024	December 31, 2024
Valuation date	January 1, 2024	January 1, 2024
Reporting date	September 30, 2025	September 30, 2025
Cost method	Entry age normal – Level percent of pay	Entry age normal – Level percent of pay
Investment rate of return	December 31, 2023: 6.25% December 31, 2024: 6.25%	N/A
Discount rate for valuing liabilities	December 31, 2023: 3.26% December 31, 2024: 6.02%	December 31, 2023: 3.26% December 31, 2024: 4.08%
Medical benefits inflation	December 31, 2023: 2.30% per annum, December 31, 2024: 2.30% per annum	December 31, 2023: 2.30% per annum, December 31, 2024: 2.30% per annum
Funding policy	Pay-as-you-go	Pay-as-you-go
Assumed annual retirement rate	Varying percentage ranging from 0.00% to 100.00% for age 55 and under through 72 and over	Varying percentage ranging from 5.00% to 100.00% for ages 55 through 72 and over
Coverage assumption	80.00% of active employees eligible for retiree medical benefits are assumed to elect continued medical and dental coverage in retirement; no current retirees with only life insurance benefits are assumed to elect retiree medical or dental coverage immediately. Retirees are assumed to elect plans based on current active and retiree enrollment.	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. Active currently not electing medical coverage or who are electing a plan not available to retirees are assumed to choose the PPO Basic plan.
Spousal coverage	Upon retirement, 45.00% of future retirees are assumed to have a 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, 40.00% 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.
Demographic Assumption	Except where noted, all demographic assumptions are based on Milliman’s Demographic Assumptions Study for the Metropolitan Transit Authority Pension Plan for Union Employees dated March 14, 2025 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 Metropolitan Transit Authority Pension Plan Non-Union Employees dated March 14, 2025 and on the actuary’s judgment and continual review of experience.

	Union OPEB Plan	Non-Union OPEB Plan
Inflation for economic assumption	December 31, 2023: 2.30% per annum December 31, 2024: 2.30% per annum	December 31, 2023: 2.30% per annum December 31, 2024: 2.30% per annum
Salary increase	December 31, 2023: 4.575% for 2023, 3.25% for 2024, 3.75% for 2025, 3.25% for 2026, 3.75% for 2027, and 3.00% thereafter for December 31, 2023 measurement; in addition, operators hired after June 1, 1999 will receive enhancements of an additional 0.25% for 2025, 1.25% for 2026, and 1.5% for 2027 December 31, 2024: 3.50% for 2024, 4.00% for 2025, 3.50% for 2026, 4.00% for 2027, and 3.25% thereafter for December 31, 2023 measurement; in addition, bus operators hired after June 1, 1999 will receive wage enhancements of an additional 0.25% for 2025, 1.25% for 2026, and 1.5% for 2027	December 31, 2023: 8.617% for 2023, and 3.00% per annum thereafter December 31, 2024: 3.25% per annum for 2024 and thereafter
Disability	Varying percentage ranging from 0.030% to 0.604% for age 25 through 60 and over	None assumed
Withdrawal rates	Varying percentage ranging from 0.00% to 8.00% for service year 4 and under through 28 and over	Varying percentage ranging from 5.00% to 2.00% for service year 15 and under through 24 and over
Mortality basis after normal retirement	December 31, 2023: PubG. H-2010 projected forward (fully generational) with MP-2021. Pub-2010 tables for disabled lives and contingent survivors were also used. December 31, 2024: PubG. H-2010 projected forward (fully generational) with MP-2021. Pub-2010 tables for disabled lives and contingent survivors were also used.	December 31, 2023: PubG. H-2010 projected forward (fully generational) with MP-2021. Pub-2010 tables for disabled lives and Contingent Survivors were also used. December 31, 2024: 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 FY2025 OPEB valuation consisted of:

	Union OPEB Plan	Non-Union OPEB Plan
Discount rate	Moved from 3.26% to 6.02%	Moved from 3.26% to 4.08%
Salary increase	Updated from 4.58% for 2023, 3.25% for 2024, 3.75 for 2025, 3.25% for 2026, 3.75% for 2027, and 3.00% thereafter, with an additional 0.25% for 2025, 1.25% for 2026, and 1.5% for 2027 for bus operators hired after June 1, 1999, to 3.50% for 2024, 4.00% for 2025, 3.50% for 2026, 4.00% for 2027, and 3.25% thereafter, with additional 0.25% for 2025, 1.25% for 2026, and 1.5% for 2027 for bus operators hired after June 1, 1999.	Updated from 8.62% for 2023 and 3.00% thereafter to 3.25% for 2024 and thereafter.
Retirement rates	Updated based on the most recent pension experience study dated March 14, 2025	Updated based on the most recent pension experience study dated March 14, 2025
Spouse coverage	Spouse electing coverage decreased from 65% to 45%	Spouse electing coverage decreased from 45% to 40%

Change in the Total OPEB Liability for FY2025 consist of:

	Union OPEB Plan	Non-Union OPEB Plan	Total
Total OPEB liability			
Change for the year			
Service cost	34,654,269	1,544,118	36,198,387
Interest on total OPEB liability	12,258,512	2,640,681	14,899,193
Plan changes	3,254,387	-	3,254,387
Economic/demographic losses	(12,674,966)	(4,527,566)	(17,202,532)
Assumption changes or inputs	(47,569,593)	(12,100,587)	(59,670,180)
Benefit payments	(8,581,518)	(2,578,045)	(11,159,563)
Net Change in total OPEB liability	(18,658,909)	(15,021,399)	(33,680,308)
Total OPEB liability beginning	351,875,473	80,737,051	432,612,524
Total OPEB liability ending	333,216,564	65,715,652	398,932,216
OPEB Trust fiduciary net position			
Contributions from the employer	5,042,987		5,042,987
Net investment (loss) income	234,773		234,773
Benefit payments	-		-
Net change in OPEB Trust fiduciary net position	5,277,760		5,277,760
OPEB Trust fiduciary net position-beginning	1,250,000		1,250,000
OPEB Trust fiduciary net position-ending	6,527,760		6,527,760
METRO's net OPEB liability ending	326,688,804	65,715,652	392,404,456

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

Union OPEB Plan		
1% Decrease	Current Rate	1% Increase
5.02%	6.02%	7.02%
\$ 367,133,137	\$ 326,688,804	\$ 292,916,560

Non-Union OPEB Plan		
1% Decrease	Current Rate	1% Increase
3.08%	4.08%	5.08%
\$ 72,782,253	\$ 65,715,652	\$ 59,725,826

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

Union OPEB Plan		
1% Decrease	Current Trend Rates	1% Increase
\$ 289,522,180	\$ 326,688,804	\$ 372,120,444

Non-Union OPEB Plan		
1% Decrease	Current Trend Rates	1% Increase
\$ 63,665,508	\$ 65,715,652	\$ 68,094,935

During FY2025, METRO recognized OPEB cost totaling \$(10,860,224) of which \$(11,454,502) related to the Union and \$594,278 related to the Non-Union plan. During FY2024, METRO recognized OPEB cost totaling \$(15,373,517) of which \$(18,078,530) related to the Union and \$2,705,013 related to the Non-Union plan.

Deferred outflows and inflows consisted of:

Deferred outflows for FY2025	Union OPEB Plan	Non-Union OPEB Plan	Total
Contributions between January 1, 2025 through September 30, 2025	\$10,554,526	\$ 2,370,291	\$12,924,817
Difference between expected and actual economic/demographic experience	4,545,789	1,576,463	6,122,252
Change of assumption	66,298,053	6,055,813	72,353,866
Investment (gains)/losses	3,925	-	3,925
Total deferred outflows September 30, 2025	\$81,402,293	\$ 10,002,567	\$91,404,860

Deferred inflows for FY2025	Union OPEB Plan	Non-Union OPEB Plan	Total
Difference between expected and actual economic/demographic experience	\$ 43,706,620	\$ 6,725,986	\$ 50,432,606
Change of assumption	280,742,760	19,656,304	300,399,064
Total deferred inflows September 30, 2025	\$324,449,380	\$ 26,382,290	\$350,831,670

Deferred outflows for FY2024	Union OPEB Plan	Non-Union OPEB Plan	Total
Contributions between January 1, 2024 through September 30, 2024	\$ 10,236,364	\$ 1,862,903	\$ 12,099,267
Difference between expected and actual economic/demographic experience	5,923,302	2,226,867	8,150,169
Change of assumption	85,873,081	8,643,479	94,516,560
Total deferred outflows September 30, 2024	<u>\$102,032,747</u>	<u>\$ 12,733,249</u>	<u>\$114,765,996</u>

Deferred inflows for FY2024	Union OPEB Plan	Non-Union OPEB Plan	Total
Difference between expected and actual economic/demographic experience	\$ 42,167,396	\$ 4,635,075	\$ 46,802,471
Change of assumption	302,856,367	11,947,653	314,804,020
Total deferred inflows September 30, 2024	<u>\$345,023,763</u>	<u>\$ 16,582,728</u>	<u>\$361,606,491</u>

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
2026	\$ (51,538,789)	\$ (3,590,521)	\$ (55,129,310)
2027	(49,494,586)	(3,144,683)	(52,639,269)
2028	(51,237,715)	(4,271,295)	(55,509,010)
2029	(60,685,720)	(2,380,066)	(63,065,786)
2030	(34,146,609)	(2,037,818)	(36,184,427)
Thereafter	(6,498,193)	(3,325,631)	(9,823,824)
Total	<u>\$(253,601,612)</u>	<u>\$ (18,750,014)</u>	<u>\$(272,351,626)</u>

No actuarially determined contribution amount is developed for the Non-Union OPEB Plan as METRO funds OPEB cost on a pay-as-you-go basis. See discussion above within the section 'The Union OPEB Plan' related to the Union OPEB Trust.

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 FY2025 and FY2024 were:

	<u>Balance at the Beginning of the Fiscal Year</u>	<u>Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at the End of the Fiscal Year</u>
October 1, 2024 - September 30, 2025	\$ 22,426,140	\$ 18,341,927	\$ (14,116,485)	\$ 26,651,582
October 1, 2023 - September 30, 2024	\$ 21,805,836	\$ 14,481,938	\$ (13,861,634)	\$ 22,426,140

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, 2025 was approximately \$391 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 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 FY2025 totaled \$126,349,484. 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. As of September 30, 2025 and 2024, \$120,130,355 and \$123,390,458 of funding requests have been received and not yet paid, which are included in trade payables in the Statements of Net Position.

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 FY2025 and FY2024 totaled \$2,441,103 and \$2,214,416, 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 FY2025 and FY2024 totaled \$3,538,313 and \$3,142,939, respectively.

Debt

Debt consists of commercial paper, bonds, and contractual obligations, which are supported by sales and use tax revenues. During FY2023, METRO retired its outstanding commercial paper balance. 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 is reported as current or long-term depending on credit support arrangements, which allows for financing on a long-term basis if needed.

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. No commercial paper has been outstanding since FY2023.

Bonds and Contractual Obligations

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:

Fiscal Year	Sales and Use Tax Bonds and Contractual Obligations					
	Contractual Obligations Series 2015B (Buses)		Sales and Use Tax Refunding Bonds Series 2016A		Sales and Use Tax Refunding Contractual Obligations Series 2016B	
	Principal	Interest	Principal	Interest	Principal	Interest
2026	\$ 6,110,000	\$ 811,500	\$ 17,315,000	\$ 4,362,875	\$ 1,770,000	\$ 896,925
2027	6,425,000	498,125	18,210,000	3,474,750	1,860,000	806,175
2028	6,750,000	168,750	19,135,000	2,541,125	1,960,000	710,675
2029	–	–	20,110,000	1,560,000	2,060,000	610,175
2030	–	–	21,145,000	528,628	2,165,000	504,550
2031-2035	–	–	–	–	9,685,000	980,463
	<u>\$19,285,000</u>	<u>\$ 1,478,375</u>	<u>\$95,915,000</u>	<u>\$12,467,378</u>	<u>\$19,500,000</u>	<u>\$4,508,963</u>

Fiscal Year	Sales and Use Tax Bonds and Contractual Obligations					
	Sales and Use Tax Bonds Series 2016D (Buses)		Sales and Use Tax Refunding Bonds Series 2017A		Sales and Use Tax Refunding Contractual Obligations Series 2017B	
	Principal	Interest	Principal	Interest	Principal	Interest
2026	\$ 4,445,000	\$ 777,625	\$ 3,220,000	\$ 80,500	\$6,605,000	\$ 1,489,875
2027	4,445,000	555,375	–	–	6,135,000	1,171,375
2028	4,445,000	333,125	–	–	6,450,000	856,750
2029	4,440,000	111,000	–	–	6,780,000	526,000
2030	–	–	–	–	7,130,000	178,250
2031-2035	–	–	–	–	–	–
	<u>\$17,775,000</u>	<u>\$ 1,777,125</u>	<u>\$ 3,220,000</u>	<u>\$ 80,500</u>	<u>\$33,100,000</u>	<u>\$ 4,222,250</u>

Sales and Use Tax Bonds and Contractual Obligations

Fiscal Year	Direct Placement Refunding Bonds Series 2017C		Sales and Use Tax Contractual Obligations Series 2018		Sales and Use Tax Refunding Bonds Series 2019A	
	Principal	Interest	Principal	Interest	Principal	Interest
	2026	\$ 540,000	\$ 496,535	\$ 11,740,000	\$ 4,171,500	\$ –
2027	10,490,000	369,138	12,380,000	3,568,500	–	3,206,000
2028	10,735,000	123,989	12,950,000	2,935,250	–	3,206,000
2029	–	–	13,630,000	2,270,750	–	3,206,000
2030	–	–	14,360,000	1,505,000	–	3,206,000
2031-2035	–	–	20,730,000	2,063,250	32,175,000	12,163,125
2036-2040	–	–	1,755,000	666,875	31,945,000	3,290,375
2041-2045	–	–	1,755,000	180,875	–	–
	<u>\$ 21,765,000</u>	<u>\$ 989,662</u>	<u>\$ 89,300,000</u>	<u>\$17,362,000</u>	<u>\$64,120,000</u>	<u>\$ 31,483,500</u>

Sales and Use Tax Bonds and Contractual Obligations

Fiscal Year	Sales and Use Tax Refunding Bonds Series 2019B		Sales and Use Tax Refunding Bonds Taxable Series 2020A		Sales and Use Tax Refunding Bonds Taxable Series 2021A	
	Principal	Interest	Principal	Interest	Principal	Interest
	2026	\$ 1,510,000	\$ 456,707	\$ 2,000,000	\$ 7,744,723	\$ 10,605,000
2027	1,510,000	428,606	2,035,000	7,707,288	540,000	459,948
2028	1,610,000	398,103	2,075,000	7,666,815	550,000	451,508
2029	1,610,000	365,323	2,120,000	7,623,618	11,860,000	339,176
2030	1,610,000	331,336	2,165,000	7,577,565	12,085,000	115,714
2031-2035	13,885,000	156,970	83,290,000	33,605,722	–	–
2036-2040	–	–	121,980,000	20,416,846	–	–
2041-2045	–	–	72,600,000	2,184,110	–	–
	<u>\$ 21,735,000</u>	<u>\$2,137,045</u>	<u>\$288,265,000</u>	<u>\$94,526,687</u>	<u>\$35,640,000</u>	<u>\$1,893,674</u>

Total Sales and Use Tax Bonds and Contractual Obligations

Fiscal Year	Public Placement		Direct Placement		Total		
	Principal	Interest	Principal	Interest	Principal	Interest	Total
	2026	\$ 65,320,000	\$24,525,558	\$ 540,000	\$ 496,535	\$ 65,860,000	\$ 25,022,093
2027	53,540,000	21,876,142	10,490,000	369,138	64,030,000	22,245,280	86,275,280
2028	55,925,000	19,268,101	10,735,000	123,989	66,660,000	19,392,090	86,052,090
2029	62,610,000	16,612,042	–	–	62,610,000	16,612,042	79,222,042
2030	60,660,000	13,947,043	–	–	60,660,000	13,947,043	74,607,043
2031-2035	159,765,000	48,969,530	–	–	159,765,000	48,969,530	208,734,530
2036-2040	155,680,000	24,374,096	–	–	155,680,000	24,374,096	180,054,096
2041-2045	74,355,000	2,364,985	–	–	74,355,000	2,364,985	76,719,985
	<u>\$687,855,000</u>	<u>\$171,937,497</u>	<u>\$21,765,000</u>	<u>\$989,662</u>	<u>\$709,620,000</u>	<u>\$172,927,159</u>	<u>\$882,547,159</u>

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 FY2025 and FY2024 included:

	<u>Scheduled Principal Payments</u>	
	<u>FY2025</u>	<u>FY2024</u>
Contractual Obligations Series 2014	\$ –	\$ 9,400,000
Contractual Obligations Series 2015B	6,110,000	5,810,000
Sales and Use Tax Bonds Series 2016A (Refunding)	17,315,000	16,470,000
Contractual Obligations Series 2016B	1,770,000	1,685,000
Sales and Use Tax Bonds Series 2016D	4,445,000	4,445,000
Refunding Bonds Series 2017A	3,220,000	3,065,000
Contractual Obligations Series 2017B	6,605,000	14,550,000
Direct Place Refunding Bonds Series 2017C	540,000	525,000
Contractual Obligations Series 2018	11,740,000	11,230,000
Refunding Bonds Series 2019B	1,510,000	–
Refunding Bonds Taxable Series 2020A	2,000,000	1,965,000
Refunding Bonds Taxable Series 2021A	10,605,000	900,000
Total	<u>\$ 65,860,000</u>	<u>\$ 70,045,000</u>

Changes for FY2025 (including refunding) consisted of:

Series	Changes in Bonds and Contractual Obligations			Changes in Premium or Discount		Combined Balance September 30, 2025
	October 1, 2024 Principal	Additions	Principal Payments	October 1, 2024 Unamortized Premium or (Discount)	Current Year Addition and Amortization of (Premium) and Discount	
Public Placement						
2014	\$ 9,400,000	\$ –	\$ (9,400,000)	\$ 1,067,170	\$ (1,067,170)	\$ –
2015B	25,095,000	–	(5,810,000)	2,655,853	(885,284)	21,055,569
2016A	112,385,000	–	(16,470,000)	13,098,692	(2,183,115)	106,830,577
2016B	21,185,000	–	(1,685,000)	3,109,073	(345,453)	22,263,620
2016D	22,220,000	–	(4,445,000)	2,892,937	(578,587)	20,089,350
2017A	6,285,000	–	(3,065,000)	1,194,395	(597,197)	3,817,198
2017B	47,650,000	–	(14,550,000)	9,166,615	(1,527,769)	40,738,846
2018	100,530,000	–	(11,230,000)	10,872,717	(1,532,908)	98,639,809
2019A	64,120,000	–	–	14,793,316	(986,221)	77,927,095
2019B	21,735,000	–	–	–	–	21,735,000
2020A	290,230,000	–	(1,965,000)	–	–	288,265,000
2021A	36,540,000	–	(900,000)	–	–	35,640,000
Subtotal	\$ 757,375,000	\$ –	\$ (69,520,000)	\$ 58,850,768	\$ (9,703,704)	\$ 737,002,064
Direct Placement						
2017C	22,290,000	–	(525,000)	–	–	21,765,000
Subtotal	\$ 22,290,000	\$ –	\$ (525,000)	\$ –	\$ –	\$ 21,765,000
Total	\$ 779,665,000	\$ –	\$ (70,045,000)	\$ 58,850,768	\$ (9,703,704)	\$ 758,767,064

Changes for FY2024 (including refunding) consisted of:

Series	Changes in Bonds and Contractual Obligations			Changes in Premium or Discount		Combined Balance September 30, 2024
	October 1, 2023 Principal	Additions	Principal Payments	October 1, 2023 Unamortized Premium or (Discount)	Current Year Addition and Amortization of (Premium) and Discount	
Public Placement						
2014	\$ 18,345,000	\$ –	\$ (8,945,000)	\$ 2,134,339	\$ (1,067,169)	\$ 10,467,170
2015B	30,625,000	–	(5,530,000)	3,541,137	(885,284)	27,750,853
2016A	112,385,000	–	–	15,281,808	(2,183,116)	125,483,692
2016B	22,785,000	–	(1,600,000)	3,454,526	(345,453)	24,294,073
2016D	26,665,000	–	(4,445,000)	3,471,524	(578,587)	25,112,937
2017A	20,145,000	–	(13,860,000)	1,791,592	(597,197)	7,479,395
2017B	65,800,000	–	(18,150,000)	10,694,384	(1,527,769)	56,816,615
2018	110,015,000	–	(9,485,000)	12,405,625	(1,532,908)	111,402,717
2019A	64,120,000	–	–	15,779,537	(986,221)	78,913,316
2019B	21,735,000	–	–	–	–	21,735,000
2020A	292,160,000	–	(1,930,000)	–	–	290,230,000
2021A	37,435,000	–	(895,000)	–	–	36,540,000
Subtotal	\$ 822,215,000	\$ –	\$ (64,840,000)	\$ 68,554,472	\$ (9,703,704)	\$ 816,225,768
Direct Placement						
2017C	22,805,000	–	(515,000)	–	–	22,290,000
Subtotal	\$ 22,805,000	\$ –	\$ (515,000)	\$ –	\$ –	\$ 22,290,000
Total	\$ 845,020,000	\$ –	\$ (65,355,000)	\$ 68,554,472	\$ (9,703,704)	\$ 838,515,768

Changes in deferred outflows and inflows for FY2025 and FY2024 relating to in-substance debt refunding activity include:

	Changes in FY2025 Deferred Outflows from In-substance Debt Refunding			Ending Balance as of September 30, 2025
	Ending Balance as of September 30, 2024	Addition	Amortization	
Sales and Use Tax Refunding Bonds Series 2019A	\$ 2,308,158	\$ –	\$ (2,308,158)	\$ –
Sales and Use Tax Refunding Bonds Series 2019B	41,271	–	(41,271)	–
Sales and Use Tax Refunding Bonds Series 2021A	105,472	–	(105,472)	–
	<u>\$ 2,454,901</u>	<u>\$ –</u>	<u>\$ (2,454,901)</u>	<u>\$ –</u>

	Changes in FY2025 Deferred Inflows from In-substance Debt Refunding			Ending Balance as of September 30, 2025
	Ending Balance as of September 30, 2024	Addition	Amortization	
Sales and Use Tax Refunding Contractual Obligations Series 2020A	\$ (688,944)	\$ –	\$ 688,944	\$ –
	<u>\$ (688,944)</u>	<u>\$ –</u>	<u>\$ 688,944</u>	<u>\$ –</u>

	Changes in FY2024 Deferred Outflows from In-substance Debt Refunding			Ending Balance as of September 30, 2024
	Ending Balance as of September 30, 2023	Addition	Amortization	
Sales and Use Tax Refunding Bonds Series 2017C	\$ 91,750	\$ –	\$ (91,750)	\$ –
Sales and Use Tax Refunding Bonds Series 2019A	2,521,932	–	(213,774)	2,308,158
Sales and Use Tax Refunding Bonds Series 2019B	50,230	–	(8,959)	41,271
Sales and Use Tax Refunding Bonds Series 2021A	132,011	–	(26,539)	105,472
	<u>\$ 2,795,923</u>	<u>\$ –</u>	<u>\$ (341,022)</u>	<u>\$ 2,454,901</u>

	Changes in FY2024 Deferred Inflows from In-substance Debt Refunding			Ending Balance as of September 30, 2024
	Ending Balance as of September 30, 2023	Addition	Amortization	
Sales and Use Tax Refunding				
Contractual Obligations Series 2020A	\$ (740,378)	\$ –	\$ 51,434	\$ (688,944)
	<u>\$ (740,378)</u>	<u>\$ –</u>	<u>\$ 51,434</u>	<u>\$ (688,944)</u>

In years prior to FY2024 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. There is no remaining outstanding par value as of September 30, 2025, from debts related to in-substance defeasances.

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 twenty six diesel fuel swaps totaling 9,786,000 gallons outstanding as of September 30, 2025, of which twenty four swaps totaling 3,234,000 gallons will settle in FY2026 and two swaps totaling 6,552,000 gallons will settle in FY2027.

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 \$514,032 for FY2025 and a negative value of \$3,157,214 for FY2024. Both amounts are reported on the Statements of Net Position as a deferred inflow of resources and a deferred outflow of resources.

Swaps which settled during the last two fiscal years decreased diesel fuel cost by \$2,084,748 for FY2025 and \$1,929,428 for FY2024. 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 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 December 31. 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 for all employees, both those covered by the labor agreement and those not, were:

	<u>Beginning Balance</u>	<u>Net Change</u>	<u>Ending Balance</u>
October 1, 2024 -September 30, 2025	\$ 23,466,073	\$ 3,549,828	\$ 27,015,901
October 1, 2023 -September 30, 2024	\$ 22,412,564	\$ 1,053,509	\$ 23,466,073

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 funded by federal and state grants are subject to audit and review by the granting agencies, including the Federal Transit Administration (FTA). These audits assess compliance with applicable federal and state regulations, grant terms, and financial management standards. Based on prior audit outcomes and current compliance practices, management believes no material liabilities are anticipated as a result of such reviews.

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 near 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

In October 2025 METRO's Board of Directors authorized a 5-year commercial paper program totaling \$400 million to finance both 2019 referendum-related and non-referendum related capital projects. The commercial paper is supported by a pledge of 75% of sales tax and bank liquidity agreements. In February 2026 METRO received approval from the Texas Office of the Attorney General to issue up to \$200 million of commercial paper to fund projects related to the 2019 referendum. Any outstanding referendum-related commercial paper balance must be paid off or transferred to long-term debt within five years from the original issue date. Additionally, the Texas Office of the Attorney General approved for METRO to issue up to \$200 million of commercial paper to fund projects not related to the 2019 referendum. Any outstanding non-referendum related commercial paper balances must be paid off by February 20, 2031 (five years from the creation of the program). On February 20, 2026, METRO initially drew \$35 million referendum-related and \$31 million of non-referendum related commercial paper.

During January 2026 METRO's Board of Directors authorized the transfer of administrative responsibilities for health-care benefits for union employees from the H&WT to METRO.

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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) For the Years Ending September 30 (Unaudited)

	2025	2024	2023	2022	2021
Total pension liability					
Service cost	\$ 2,684,766	\$ 3,154,530	\$ 4,415,715	\$ 4,675,028	\$ 5,230,632
Interest on total pension liability	27,356,427	27,527,976	27,387,593	26,720,481	26,440,458
Changes of benefit terms	2,624,992	–	7,798,168	5,234,477	–
Difference between expected and actual experience	(2,892,461)	(2,222,985)	(7,167,707)	(1,472,895)	(1,065,945)
Changes of assumption	8,643,390	13,108	(818,994)	865,954	(1,880,019)
Benefit payments	(31,365,050)	(30,148,705)	(26,127,147)	(24,083,715)	(23,306,331)
Net change in total pension liability	7,052,064	(1,676,076)	5,487,628	11,939,330	5,418,795
Total pension liability - beginning	450,462,920	452,138,996	446,651,368	434,712,038	429,293,243
Total pension liability - ending	457,514,984	450,462,920	452,138,996	446,651,368	434,712,038
Plan fiduciary net position					
Contributions from the employer	14,362,215	14,557,542	15,668,399	15,836,027	17,078,683
Member contributions	85,319	103,386	142,951	164,295	184,148
Recognized Gain/(Loss)	–	–	–	–	–
Net investment (loss) income	21,945,282	25,163,169	(49,439,021)	37,364,231	33,666,900
Benefit payments	(31,365,050)	(30,148,705)	(26,127,147)	(24,083,715)	(23,306,331)
Administrative expenses	(421,981)	(403,086)	(411,191)	(417,525)	(388,022)
Net change in plan fiduciary net position	4,605,785	9,272,306	(60,166,009)	28,863,313	27,235,378
Plan fiduciary net position –beginning	299,834,850	290,562,544	350,728,553	321,865,240	294,629,862
Plan fiduciary net position – ending	304,440,635	299,834,850	290,562,544	350,728,553	321,865,240
METRO’s ending net pension liability	\$153,074,349	\$150,628,070	\$161,576,452	\$ 95,922,815	\$112,846,798
Plan fiduciary net position as a percentage of the total pension liability	67%	67%	64%	79%	74%
Covered-employee payroll	\$ 68,024,515	\$ 69,436,381	\$ 82,656,722	\$ 81,886,809	\$ 90,601,821
METRO’s net pension liability as a percentage of covered-employee payroll	225.03%	216.93%	195.48%	117.14%	124.55%

Required Supplementary Information (Unaudited)

Schedule of Changes in the Net Pension Liability
For the Transport Workers Union Pension Plan, Local 260, AFL-CIO (TWUPP)
For the Years Ending September 30
(Unaudited)

	2020	2019	2018	2017	2016
Total pension liability					
Service cost	\$ 4,955,904	\$ 4,647,472	\$ 4,930,225	\$ 5,328,754	\$ 5,549,985
Interest on total pension liability	27,493,889	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	(1,881,792)	(4,970,092)	(2,012,736)	(10,556,008)	(2,780,567)
Changes of assumption	(8,162,008)	22,299,060	(2,089,318)	(5,369,295)	25,679,785
Benefit payments	(21,934,190)	(19,795,197)	(18,799,540)	(17,656,524)	(16,567,409)
Net change in total pension liability	471,803	41,811,660	7,104,045	(3,663,588)	36,667,939
Total pension liability - beginning	428,821,440	387,009,780	379,905,735	383,569,323	346,901,384
Total pension liability - ending	429,293,243	428,821,440	387,009,780	379,905,735	383,569,323
Plan fiduciary net position					
Contributions from the employer	17,805,961	15,680,817	15,413,823	16,565,280	19,062,423
Member contributions	199,644	–	–	–	–
Recognized Gain/(Loss)	–	(20,344,177)	39,154,613	–	–
Net investment (loss) income	44,495,454	(18,516,579)	40,369,630	17,696,392	(7,809,891)
Benefit payments	(21,934,190)	(19,795,197)	(18,799,540)	(17,656,524)	(16,567,409)
Administrative expenses	(337,196)	(326,240)	(314,986)	(277,833)	(314,046)
Net change in plan fiduciary net position	40,229,673	(22,957,199)	36,668,927	16,327,315	(5,628,923)
Plan fiduciary net position – beginning	254,400,189	277,357,388	240,688,461	224,361,146	229,990,069
Plan fiduciary net position – ending	294,629,862	254,400,189	277,357,388	240,688,461	224,361,146
METRO’s ending net pension liability	\$ 134,663,381	\$ 174,421,251	\$ 109,652,392	\$ 139,217,274	\$ 159,208,177
Plan fiduciary net position as a percentage of the total pension liability	69%	59%	72%	63%	58%
Covered-employee payroll	\$ 94,602,405	\$ 97,251,000	\$ 103,246,000	\$ 106,575,000	\$ 93,228,000
METRO’s net pension liability as a percentage of covered-employee payroll	142.35%	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.

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
The net effect of updating actuarial/ demographic assumptions	Increase	Decrease	Decrease	Decrease	Decrease	Decrease	Increase	Decrease	Decrease	Increase
Investment income	Decrease	Decrease	Increase	Decrease	Decrease	Decrease	Increase	Decrease	Decrease	Increase
Open to new participants	No	No	No	No	No	No	No	No	No	No
Pension benefits	Increase	No Change	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	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	Contribution as a % of Covered- employee Payroll
2025	\$ 14,362,215	\$ 14,362,215	\$ –	\$ 70,099,061	20.49%
2024	14,557,542	14,557,542	–	71,122,108	20.47%
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%

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 1 st , 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 at 1/1/2024	19 years
Inflation	2.30%
Salary increase	3.50% for 2024, 4.00% for 2025, 3.50% for 2026, 4.00% for 2027 and 3.25% thereafter, with an additional 0.25% for 2025, 1.25% for 2026, and 1.5% for 2027 for bus operators hired after June 1, 1999
Investment rate of return	6.25%
Cost of living adjustments	None
Assumed annual retirement rate	Varying percentage ranging from 0.00% to 100.00% for ages 55 and under through 72 and over
Turnover	Varying percentage ranging from 8.00% to 0.00% for service years 4 and under through 28 and over
Mortality and disabled mortality	Pub-2010 Mortality, projected forward (fully generational) with MP-2021

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)

	2025	2024	2023	2022	2021
Total pension liability					
Service cost	\$ 3,048,560	\$ 3,148,320	\$ 2,980,128	\$ 3,167,837	\$ 3,829,781
Interest on total pension liability	20,129,613	19,306,649	18,437,014	18,405,328	18,554,860
Changes of benefit terms	–	–	–	–	1,503,176
Difference between expected and actual experience	3,407,659	10,862,159	2,366,449	2,144,763	(1,527,960)
Changes of assumption	(11,231,718)	(965)	6,543,592	452,087	(1,143,852)
Benefit payments	(24,700,720)	(15,536,121)	(17,595,120)	(29,179,951)	(16,899,341)
Net change in total pension liability	(9,346,606)	17,780,042	12,732,063	(5,009,936)	4,316,664
Total pension liability - beginning	331,188,435	313,408,393	300,676,330	305,686,266	301,369,602
Total pension liability - ending	321,841,829	331,188,435	313,408,393	300,676,330	305,686,266
Plan fiduciary net position					
Contributions from the employer	15,152,816	14,849,952	13,308,196	13,447,958	14,236,592
Net investment (loss) income	15,493,473	16,856,288	(29,540,815)	22,699,453	20,882,287
Benefit payments	(24,700,720)	(15,536,121)	(17,595,120)	(29,179,951)	(16,899,341)
Administrative expenses	(367,436)	(306,556)	(278,324)	(324,750)	(351,276)
Net change in plan fiduciary net position	5,578,133	15,863,563	(34,106,063)	6,642,710	17,868,262
Plan fiduciary net position – beginning	192,913,885	177,050,322	211,156,385	204,513,675	186,645,413
Plan fiduciary net position – ending	198,492,018	192,913,885	177,050,322	211,156,385	204,513,675
METRO’s ending net pension liability	\$123,349,811	\$138,274,550	\$136,358,071	\$ 89,519,945	\$101,172,591
Plan fiduciary net position as a percentage of the total pension liability	62%	58%	56%	70%	67%
Covered-employee payroll	\$ 34,688,798	\$ 35,588,197	\$ 33,304,789	\$ 39,184,431	\$ 39,026,869
METRO’s net pension liability as a percentage of covered-employee payroll	355.59%	388.54%	409.42%	228.46%	259.24%

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)

	2020	2019	2018	2017	2016
Total pension liability					
Service cost	\$ 3,105,642	\$ 3,034,984	\$ 3,210,922	\$ 3,465,270	\$ 2,782,533
Interest on total pension liability	17,962,017	17,395,632	16,923,319	16,607,887	15,165,652
Changes of benefit terms	–	–	–	–	–
Difference between expected and actual experience	3,547,049	872,882	(2,443,045)	9,768,147	6,720,589
Changes of assumption	11,310,122	11,269,963	(948,458)	2,530,507	12,232,736
Benefit payments	(15,335,194)	(12,735,227)	(13,179,671)	(10,374,582)	(8,777,750)
Net change in total pension liability	20,589,636	19,838,234	3,563,067	21,997,229	28,123,760
Total pension liability - beginning	280,779,967	260,941,732	257,378,665	235,381,436	207,257,676
Total pension liability - ending	301,369,603	280,779,966	260,941,732	257,378,665	235,381,436
Plan fiduciary net position					
Contributions from the employer	12,647,252	11,073,254	11,307,275	11,181,136	11,248,671
Net investment (loss) income	27,048,695	(11,548,267)	25,029,850	9,971,104	(5,890,916)
Benefit payments	(15,335,194)	(12,735,227)	(13,179,671)	(10,374,582)	(8,777,750)
Administrative expenses	(280,380)	(241,979)	(243,606)	(226,067)	(235,357)
Net change in plan fiduciary net position	24,080,373	(13,452,219)	22,913,848	10,551,591	(3,655,352)
Plan fiduciary net position – beginning	162,565,040	176,017,259	153,103,411	142,551,820	146,207,172
Plan fiduciary net position – ending	186,645,413	162,565,040	176,017,259	153,103,411	142,551,820
METRO's ending net pension liability	\$114,724,190	\$118,214,926	\$ 84,924,473	\$104,275,254	\$ 92,829,616
Plan fiduciary net position as a percentage of the total pension liability	62%	58%	67%	59%	61%
Covered-employee payroll	\$ 40,747,394	\$ 41,769,919	\$ 43,479,995	\$ 46,853,004	\$ 44,837,816
METRO's net pension liability as a percentage of covered-employee payroll	281.55%	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.

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
The net effect of updating actuarial/ demographic assumptions	Decrease	Increase	Increase	Increase	Decrease	Increase	Increase	Decrease	Increase	Increase
Investment income	Decrease	Decrease	Increase	Decrease	Decrease	Decrease	Increase	Decrease	Decrease	Increase
Open to new participants	No	No	No	No	No	No	No	No	No	No
Pension benefits	No change	No change	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	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
2025	\$15,134,183	\$15,152,816	\$ (18,633)	\$35,530,948	42.65%
2024	14,831,319	14,849,952	(18,633)	36,385,966	40.81%
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%

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 1 st , 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 at 19 years 1/1/2024	
Inflation	2.30%
Salary increase	3.25%
Investment rate of return	6.25%
Cost of living adjustments	None
Assumed annual retirement rate	Varying percentage ranging from 5.00% to 100.00% for ages 55 through 72 and over
Turnover	Varying percentage ranging from 5.00% to 2.00% for service years 12 and under through 24 and over
Mortality and disabled mortality	Pub-2010 Mortality, projected forward (fully generational) with MP-2021
Lump Sum Election	30.00% of participants are assumed to take a lump sum distribution at termination.

Required Supplementary Information (Unaudited)

Schedule of Changes in the Total OPEB Liability For the Union Plan
(Unaudited)

	2025	2024	2023	2022	2021	2020	2019	2018
Total OPEB liability								
Service cost	\$ 34,654,269	\$ 21,208,403	\$ 41,373,622	\$ 37,561,017	\$ 28,699,491	\$ 23,157,395	\$ 21,125,691	\$ 21,070,017
Interest on total OPEB liability	12,258,512	11,948,240	14,324,541	14,067,306	16,014,096	19,848,654	18,390,206	19,338,046
Plan changes	3,254,387	-	-	6,729,862	-	-	5,155,155	-
Economic/demographic (gains)/losses	(12,674,966)	-	(25,155,168)	(27,838,697)	11,433,354	(15,094,587)	(3,585,114)	-
Assumption changes or inputs	(47,569,593)	20,396,822	(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	-	-	-	-	(11,937,218)	-	-	-
Benefit payments	(8,581,518)	(7,193,971)	(14,532,840)	(14,219,270)	(13,433,660)	(12,566,703)	(12,141,084)	(11,793,604)
Net Change in total OPEB liability	(18,658,909)	46,359,494	(380,860,998)	25,474,774	97,895,900	80,990,186	(41,061,522)	26,717,038
Total OPEB liability - beginning	351,875,473	305,515,979	686,376,977	660,902,203	563,006,303	482,016,117	523,077,639	496,360,601
Total OPEB liability - ending	333,216,564	351,875,473	305,515,979	686,376,977	660,902,203	563,006,303	482,016,117	523,077,639
OPEB Trust fiduciary net position								
Contributions from the employer	5,042,987	1,250,000	-	-	-	-	-	-
Net investment (loss) income	234,773	-	-	-	-	-	-	-
Benefit payments	-	-	-	-	-	-	-	-
Net change in OPEB Trust fiduciary net position	5,277,760	1,250,000	-	-	-	-	-	-
OPEB Trust fiduciary net position - beginning	1,250,000	-	-	-	-	-	-	-
OPEB Trust fiduciary net position - ending	6,527,760	1,250,000	-	-	-	-	-	-
METRO's ending net OPEB liability	<u>\$326,688,804</u>	<u>\$350,625,473</u>	<u>\$305,515,979</u>	<u>\$686,376,977</u>	<u>\$660,902,203</u>	<u>\$563,006,303</u>	<u>\$482,016,117</u>	<u>\$523,077,639</u>
OPEB Trust fiduciary net position as a percentage of the total Union OPEB liability	1.96%	0.36%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Covered-employee payroll	\$169,396,636	\$143,231,890	\$136,965,709	\$123,182,360	\$139,838,479	\$121,276,540	131,311,637	\$ 84,138, 690
METRO's net Union OPEB liability as a percentage of covered-employee payroll	192.85%	244.80%	223.06%	557.20%	472.62%	464.23%	367.08%	621.69%

Required Supplementary Information (Unaudited)

**Schedule of Changes in the Total OPEB Liability For the Non-Union Plan
(Unaudited)**

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability								
Service cost	\$ 1,544,118	\$ 1,428,446	\$ 2,023,474	\$ 1,753,709	\$ 1,844,880	\$ 1,259,886	\$ 1,473,992	\$ 1,774,146
Interest on total OPEB liability	2,640,681	2,816,953	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	(4,527,566)	-	1,533,125	(4,429,161)	2,808,652	(7,942,052)	(2,140,599)	(507,329)
Assumption changes or inputs	(12,100,587)	3,764,695	(17,504,701)	814,289	9,941,899	2,967,113	(6,373,888)	(3,328,881)
Benefit payments	(2,578,045)	(3,109,910)	(3,349,939)	(3,738,677)	(3,066,119)	(2,869,717)	(4,025,079)	(3,273,947)
Net Change in total OPEB liability	<u>(15,021,399)</u>	<u>4,900,184</u>	<u>(15,380,034)</u>	<u>(1,943)</u>	<u>13,737,943</u>	<u>(707,957)</u>	<u>(8,185,861)</u>	<u>(1,990,063)</u>
Total OPEB liability - beginning	<u>80,737,051</u>	<u>75,836,867</u>	<u>91,216,901</u>	<u>91,218,844</u>	<u>77,480,901</u>	<u>78,188,858</u>	<u>86,374,719</u>	<u>88,364,782</u>
Total OPEB liability - ending	<u>65,715,652</u>	<u>80,737,051</u>	<u>75,836,867</u>	<u>91,216,901</u>	<u>91,218,844</u>	<u>77,480,901</u>	<u>78,188,858</u>	<u>86,374,719</u>
METRO's ending non-union total OPEB liability	<u>\$ 65,715,652</u>	<u>\$ 80,737,051</u>	<u>\$ 75,836,867</u>	<u>\$ 91,216,901</u>	<u>\$ 91,218,844</u>	<u>\$ 77,480,901</u>	<u>\$ 78,188,858</u>	<u>\$ 86,374,719</u>
Covered-employee payroll	\$137,113,673	\$119,531,907	\$110,048,986	\$104,588,309	\$107,647,622	\$92,383,938	\$94,847,245	\$68,838,771
METRO's non-union total OPEB liability as a percentage of covered- employee payroll	47.93%	67.54%	68.91%	87.22%	84.74%	83.87%	82.44%	125.47%

Notes to the Schedule

An annual valuation report to calculate the contribution requirement is prepared for the Union OPEB plan as there is a separate trust, OPEB Trust, used to accumulate assets. However, there is no annual valuation report for the non-union OPEB since it is funded on a pay-as-you-go basis. No assets were accumulated in a trust for METRO OPEB plans as of September 30, 2024. 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							
	2025	2024	2023	2022	2021	2020	2019	2018
The net effect of updating actuarial/ demographic assumptions	Decrease	Increase	Decrease	Decrease	Increase	Decrease	Decrease	Decrease
Open to new participants	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
OPEB Benefits	Increase	No change	No change	Increase	No change	No change	Increase	No change
Pay-as-you-go	N/A	No change	No change	No change	No change	No change	No change	No change
100% funding of the actuarially determined contribution	Yes	N/A	N/A	N/A	N/A	N/A	N/A	N/A

	Non-Union							
	2025	2024	2023	2022	2021	2020	2019	2018
The net effect of updating actuarial/ demographic assumptions	Decrease	Increase	Decrease	Decrease	Increase	Decrease	Decrease	Decrease
Open to new participants	No	No	No	No	No	No	No	No
OPEB Benefits	No change	No change	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	No change	No change

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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, 2025 and the Last Ten Fiscal Years (Reporting Date)
(Unaudited)

	2025	2024	2023	2022
Assets				
Cash	\$ 21,045,512	\$ 8,586,987	\$ 39,811,604	\$ 7,986,555
Investments	479,298,150	940,678,724	834,463,453	812,603,961
Investments - restricted	71,617,442	76,935,911	74,052,233	69,637,438
Receivables				
Sales tax	177,364,744	174,984,542	171,120,156	167,306,634
Federal government - Federal Transit Administration	43,209,561	10,913,995	7,516,977	3,166,118
Bus passes and other receivables	7,304,393	8,060,052	9,763,050	19,427,520
Total receivables	227,878,698	193,958,589	188,400,183	189,900,272
Material and supplies inventory	56,313,245	55,132,597	50,939,952	46,106,776
Derivative instrument – diesel fuel swaps	514,032	–	5,142,234	–
Total current assets	856,667,079	1,275,292,808	1,192,809,659	1,126,235,002
Noncurrent assets				
Investments – restricted	19,093,032	19,200,405	19,183,345	27,013,768
Capital assets, net of depreciation	2,832,892,127	2,569,168,160	2,557,529,866	2,598,663,652
Capital lease assets, net of depreciation	50,021,378	41,503,694	37,506,300	37,766,117
Prepaid pension	–	–	–	–
Other noncurrent assets	8,950,263	6,737,405	7,331,831	3,358,847
Prepaid rental payments	–	–	–	–
Total noncurrent assets	2,910,956,800	2,636,609,664	2,621,551,342	2,666,802,384
Total assets	3,767,623,879	3,911,902,472	3,814,361,001	3,793,037,386
Deferred outflow of resources				
Diesel fuel swaps	–	3,157,214	–	1,378,049
Pension	59,449,416	73,649,533	84,897,096	28,287,770
OPEB	91,404,860	114,765,996	109,992,305	135,403,128
Debt refunding	–	2,454,901	2,795,923	3,140,878
Total deferred outflow of resources	150,854,276	194,027,644	197,685,324	168,209,825
Liabilities				
Current liabilities				
Trade payables	211,989,177	189,477,178	70,729,327	66,148,287
Accrued compensation and benefits	46,249,498	38,398,376	42,449,385	34,271,577
Liabilities for injuries and damages	14,116,485	13,861,634	10,519,563	9,514,672
Other current liabilities	4,172,619	7,948,548	10,395,805	9,748,297
Lease obligations	2,820,679	1,859,099	789,362	930,324
Commercial paper	–	–	–	83,550,000
Debt payable	65,860,000	70,045,000	65,355,000	59,535,000
Debt interest payable	10,977,615	12,385,549	13,605,659	14,983,625
Derivative instrument – diesel fuel swaps	–	3,157,214	–	1,378,049
Total current liabilities	356,186,073	337,132,598	213,844,101	280,059,831
Noncurrent liabilities				
Liabilities for injuries and damages	12,535,097	8,564,506	11,286,273	9,257,440
Commercial paper	–	–	–	–
Deferred rental payments	–	–	–	–
Lease obligations	–	–	–	–
Debt payable	692,907,064	768,470,768	848,219,472	923,278,177
Net OPEB liability	392,404,456	431,362,524	381,352,846	777,593,878
Net pension liability	276,424,160	288,902,620	297,934,523	185,442,760
Capital lease obligations	50,007,886	41,832,417	38,172,255	37,819,982
Total noncurrent liabilities	1,424,278,663	1,539,132,835	1,576,965,369	1,933,392,237
Total liabilities	1,780,464,736	1,876,265,433	1,790,809,470	2,213,452,068
Deferred inflow of resources pension	8,655,857	2,496,156	5,681,822	47,859,243
Deferred inflow of resources OPEB	350,831,670	361,606,491	438,572,661	77,510,364
Deferred inflow of resources bonds	–	688,944	740,378	792,346
Deferred inflow of resources diesel fuel swaps	514,032	–	5,142,234	–
Deferred inflow of resources lease	1,672,505	1,690,033	1,633,325	2,073,931
Total deferred inflow of resources	361,674,064	366,481,624	451,770,420	128,235,884
Net position				
Net Investment in capital assets	2,021,682,723	1,728,464,570	1,642,500,077	1,624,047,626
Restricted assets – debt payments	90,710,474	96,136,316	93,235,578	88,454,055
Unrestricted assets	(336,053,842)	38,582,173	33,730,780	(92,942,422)
Total net position	\$ 1,776,339,355	\$ 1,863,183,059	\$ 1,769,466,435	\$ 1,619,559,259

Metropolitan Transit Authority of Harris County, Texas
 Statements of Net Position September 30, 2025 and the Last Ten Fiscal Years (Reporting Date)
 (Unaudited)

2021	2020	2019	2018	2017	2016
\$ 8,824,981	\$ 10,433,095	\$ 19,380,709	\$ 6,103,062	\$ 5,741,909	\$ 6,290,165
605,405,807	497,023,144	351,422,195	369,969,496	313,417,478	321,815,619
77,599,586	62,320,071	40,765,567	51,655,159	57,582,105	57,233,949
153,116,359	126,006,222	129,554,693	124,326,094	113,506,648	114,167,276
306,221,678	5,280,107	5,825,675	5,781,255	7,916,108	11,844,152
6,363,579	3,278,447	8,689,553	11,142,730	13,886,887	10,408,552
465,701,616	134,564,776	144,069,921	141,250,079	135,309,643	136,419,980
42,378,938	41,339,021	35,928,117	34,861,544	34,802,548	32,775,189
7,127,948	-	-	7,344,809	3,805,801	-
1,207,038,876	745,680,107	591,566,509	611,184,149	550,659,484	554,534,902
28,017,293	59,624,894	107,760,712	26,128,756	38,563,709	42,358,586
2,678,420,032	2,772,201,186	2,818,552,642	2,861,518,553	2,932,274,940	3,039,197,023
38,991,470	-	-	-	-	-
-	-	-	-	-	-
3,816,504	6,048,165	5,641,114	3,509,785	3,481,911	3,450,057
-	-	-	-	2,213,152	4,426,306
2,749,245,299	2,837,874,245	2,931,954,468	2,891,157,094	2,976,533,712	3,089,431,972
3,956,284,175	3,583,554,352	3,523,520,977	3,502,341,243	3,527,193,196	3,643,966,874
-	8,255,586	908,127	-	-	1,394,262
32,507,699	48,166,504	83,468,033	38,190,329	77,554,921	92,324,541
146,098,986	72,751,190	11,550,659	12,231,472	-	-
3,465,865	5,934,840	8,637,643	10,284,073	12,279,043	16,991,634
182,072,550	135,108,120	104,564,462	60,705,874	89,833,964	110,710,437
61,529,323	85,187,006	111,669,469	98,385,337	71,830,312	114,035,870
37,233,227	37,568,224	31,981,480	35,455,552	34,964,584	29,491,550
8,996,998	9,199,548	7,413,175	5,849,687	6,060,315	4,800,475
9,517,319	9,954,323	11,773,356	11,623,183	11,766,741	10,574,928
975,680	-	-	-	-	77,311
-	-	-	-	-	-
65,305,000	58,180,000	52,250,000	50,870,000	54,570,000	44,155,000
16,436,215	17,449,094	19,356,209	20,095,911	19,883,931	19,579,295
-	8,255,586	908,127	-	-	1,394,262
199,993,762	225,793,781	235,351,816	222,279,670	199,075,883	224,108,691
9,285,475	10,241,652	11,709,406	9,772,064	9,194,897	8,466,099
109,500,000	115,800,000	116,100,000	116,100,000	116,400,000	117,400,000
-	-	-	-	2,213,152	4,426,306
-	-	-	-	-	-
992,207,854	1,068,419,981	1,145,291,217	1,069,362,657	1,064,656,499	1,077,655,925
752,121,047	640,487,204	560,204,975	609,452,358	291,375,150	260,783,392
214,019,389	249,387,571	292,636,177	194,576,865	243,492,528	252,037,793
38,517,344	-	-	-	-	-
2,115,651,109	2,084,336,408	2,125,941,775	1,999,263,944	1,727,332,226	1,720,769,515
2,315,644,871	2,310,130,189	2,361,293,591	2,221,543,614	1,926,408,109	1,944,878,206
39,277,335	26,872,109	11,652,976	29,880,277	13,681,779	2,168,916
65,003,333	80,871,003	73,702,034	4,610,118	-	-
844,849	1,131,663	871,033	2,489,751	-	-
7,127,948	-	-	7,344,809	3,805,801	-
2,636,124	-	-	-	-	-
114,889,589	108,874,775	86,226,043	44,324,955	17,487,580	2,168,916
1,630,157,148	1,681,643,197	1,703,033,487	1,741,285,896	1,822,890,974	1,920,547,528
96,366,910	85,902,973	65,994,756	77,783,915	86,303,282	85,736,440
(18,701,793)	(467,888,662)	(588,462,438)	(521,891,263)	(236,062,785)	(198,653,779)
\$ 1,707,822,265	\$ 1,299,657,508	\$ 1,180,565,805	\$ 1,297,178,548	\$ 1,673,131,471	\$ 1,807,630,189

Metropolitan Transit Authority of Harris County, Texas
Statements of Revenues, Expenses, and Changes in Net Position September 30, 2025 and the Last Ten Fiscal Years
(Unaudited)

	2025	2024	2023	2022
Operating revenues:				
Transportation fares	\$ 48,783,117	\$ 49,806,367	\$ 45,251,588	\$ 38,906,973
Operating expenses:				
Scheduled services - fixed route				
Bus and rail operations – direct	285,390,711	250,290,174	261,078,196	240,198,071
Contract service	72,438,921	68,574,799	73,042,020	56,400,483
Material distribution	8,583,224	7,419,812	8,228,190	8,383,618
Preventative maintenance	106,913,867	93,971,705	92,992,802	90,501,940
Central shop and maintenance support	33,789,182	34,271,652	30,316,446	29,418,580
Safety and training	15,297,411	12,986,156	7,897,289	6,443,085
Subtotal scheduled services - fixed route	522,413,316	467,514,298	473,554,943	431,345,777
Non-scheduled services-special				
METROLift	99,681,687	93,427,314	80,661,252	66,022,641
METRO Vanpool	4,561,394	5,983,759	5,629,183	4,789,973
HOT lanes and special events	8,207,109	7,708,721	7,756,713	6,253,410
Subtotal non-scheduled services – special	112,450,190	107,119,794	94,047,148	77,066,024
Service support				
Service planning and evaluation	16,966,933	34,955,646	55,878,312	37,938,377
Marketing	14,165,654	16,083,651	18,129,678	9,321,138
Transit security and traffic management	50,494,486	39,425,515	38,400,199	32,072,552
Insurance and claims	11,021,119	9,964,255	9,270,132	8,362,794
Ticket and fare collection	4,540,610	3,698,154	3,769,661	3,649,385
Facility maintenance	56,064,459	48,402,627	47,299,900	43,905,269
Subtotal service support	153,253,261	152,529,848	172,747,882	135,249,515
Organizational support				
Business, community, and governmental development	13,545,295	12,544,826	12,035,712	12,220,838
Administrative, financial, and personnel	29,217,729	26,133,096	24,408,880	20,678,632
Information systems	32,697,397	29,906,645	26,384,293	27,072,782
Purchasing	6,333,272	5,666,877	5,492,574	4,896,052
Oversight, audit, and legal	8,509,806	8,688,158	8,589,218	7,998,334
Subtotal organizational support	90,303,499	82,939,602	76,910,677	72,866,638
Depreciation and amortization	197,860,422	178,310,223	183,347,365	188,376,058
Total operating expenses	1,076,280,688	988,413,765	1,000,608,015	904,904,012
Operating loss	(1,027,497,571)	(938,607,398)	(955,356,427)	(865,997,039)
Nonoperating revenues (expenses):				
Sales tax	1,085,962,032	1,033,601,693	1,027,963,765	969,533,523
Investment income	37,834,253	55,407,748	43,819,810	10,227,377
Inter-government revenue	–	–	–	–
Noncapitalized interest expense	(20,491,659)	(22,210,097)	(25,959,732)	(29,469,689)
Other income	2,419,126	2,372,291	2,877,817	2,933,979
Grant proceeds	25,472,724	158,766,237	221,319,361	4,602,766
Local infrastructure assistance	(326,879,480)	(249,892,980)	(193,162,887)	(194,541,069)
Loss for asset impairments	–	–	–	–
Funds passed to subrecipients	(872,484)	(811,675)	(385,836)	(312,877)
Loss/(gain) on sale or disposal of assets	(5,902,532)	(635,832)	651,722	(77,029)
Recovery/(loss) from declared disaster	–	494,918	(2,160,017)	(8,666,225)
Total nonoperating revenues (expenses)	797,541,980	977,092,303	1,074,964,003	754,230,756
Net increase/(decrease) before capital grants	(229,955,591)	38,484,905	119,607,576	(111,766,283)
Capital grant proceeds	143,111,887	55,231,719	30,299,600	23,503,277
Changes in net position	(86,843,704)	93,716,624	149,907,176	(88,263,006)
Net position - beginning of the year 15 and 18 restated	1,863,183,059	1,769,466,435	1,619,559,259	1,707,822,265
Net position-end of the year	\$1,776,339,355	\$1,863,183,059	\$1,769,466,435	\$1,619,559,259

Metropolitan Transit Authority of Harris County, Texas
 Statements of Revenues, Expenses, and Changes in Net Position September 30, 2025 and the Last Ten Fiscal Years
 (Unaudited)

2021	2020	2019	2018	2017	2016
<u>\$ 26,694,634</u>	<u>\$ 42,790,171</u>	<u>\$ 75,294,678</u>	<u>\$ 74,837,624</u>	<u>\$ 72,817,352</u>	<u>\$ 72,052,304</u>
205,396,128	238,004,728	248,520,136	223,139,611	224,741,506	222,625,961
49,763,382	52,644,668	48,963,055	46,217,396	45,623,522	47,355,960
7,306,794	7,622,300	7,601,492	7,241,607	7,389,679	7,042,407
74,727,065	80,898,262	80,756,840	76,101,739	75,330,114	69,716,267
25,440,616	29,729,438	29,662,492	27,614,092	26,416,417	24,284,783
5,290,127	5,883,540	5,251,606	4,699,939	4,627,538	4,433,619
<u>367,924,112</u>	<u>414,782,936</u>	<u>420,755,621</u>	<u>385,014,384</u>	<u>384,128,776</u>	<u>375,458,997</u>
55,606,053	63,552,152	63,234,017	60,542,541	56,512,060	55,892,156
4,291,596	7,767,882	10,253,334	10,095,148	9,274,464	5,947,081
5,495,866	6,175,768	6,081,620	7,762,167	9,130,525	8,200,762
<u>65,393,515</u>	<u>77,495,802</u>	<u>79,568,971</u>	<u>78,399,856</u>	<u>74,917,049</u>	<u>70,039,999</u>
17,096,886	5,365,509	7,072,677	7,309,286	8,153,583	4,376,730
7,706,175	13,170,174	18,254,038	11,274,543	11,444,811	10,383,266
29,188,052	32,888,745	27,619,687	25,404,549	25,737,412	22,149,262
7,600,775	6,797,001	6,187,926	5,733,368	5,796,480	5,614,731
3,354,835	3,707,300	4,184,001	4,079,350	4,218,988	4,208,388
39,332,120	38,778,902	33,819,659	31,834,924	29,826,031	30,168,111
<u>104,278,843</u>	<u>100,707,631</u>	<u>97,137,988</u>	<u>85,636,020</u>	<u>85,177,305</u>	<u>76,900,488</u>
7,530,400	7,861,620	7,168,351	4,330,137	4,384,576	3,343,274
18,845,857	20,424,704	19,648,796	18,572,642	17,902,790	16,352,030
24,279,234	24,885,137	22,583,471	22,766,588	21,260,567	18,228,842
4,258,416	4,655,107	4,394,874	4,195,061	4,051,118	3,697,391
7,005,588	6,897,824	8,511,539	8,497,420	8,441,512	6,850,065
<u>61,919,495</u>	<u>64,724,392</u>	<u>62,307,031</u>	<u>58,361,848</u>	<u>56,040,563</u>	<u>48,471,602</u>
<u>188,891,867</u>	<u>189,722,704</u>	<u>194,565,477</u>	<u>203,727,711</u>	<u>206,753,917</u>	<u>212,338,159</u>
<u>788,407,832</u>	<u>847,433,465</u>	<u>854,335,088</u>	<u>811,139,819</u>	<u>807,017,610</u>	<u>783,209,245</u>
<u>(761,713,198)</u>	<u>(804,643,294)</u>	<u>(779,040,410)</u>	<u>(736,302,195)</u>	<u>(734,200,258)</u>	<u>(711,156,941)</u>
843,425,291	764,679,590	775,392,664	759,063,519	690,929,011	686,101,655
218,826	6,750,760	12,040,338	6,413,959	3,551,729	1,220,156
50,042	–	1,676,986	1,855,372	1,849,413	1,956,596
(33,799,148)	(35,087,736)	(46,371,218)	(46,704,097)	(46,539,847)	(43,109,587)
1,609,717	2,333,071	3,344,132	2,988,122	3,349,776	2,585,147
538,377,367	305,648,022	72,704,334	65,175,440	82,009,861	77,117,133
<u>(186,949,035)</u>	<u>–</u>	<u>(196,427,664)</u>	<u>(151,755,726)</u>	<u>(149,838,694)</u>	<u>(209,464,879)</u>
–	–	–	–	–	–
(157,989)	(449,489)	(1,302,158)	(1,849,932)	(2,605,361)	(1,887,750)
(238,396)	(70,165)	876,612	(9,112)	(34,041)	(7,155,654)
<u>(7,631,926)</u>	<u>(8,501,572)</u>	<u>1,778,236</u>	<u>(489,435)</u>	<u>(13,634,631)</u>	<u>–</u>
<u>1,154,904,749</u>	<u>884,679,858</u>	<u>623,712,262</u>	<u>634,688,110</u>	<u>569,037,216</u>	<u>507,362,817</u>
393,191,551	80,036,564	(155,328,148)	(101,614,085)	(165,163,042)	(203,794,124)
14,973,206	39,055,139	38,715,405	8,061,354	30,664,324	28,330,693
408,164,757	119,091,703	(116,612,743)	(93,552,731)	(134,498,718)	(175,463,431)
1,299,657,508	1,180,565,805	1,297,178,548	1,390,731,279	1,807,630,189	1,983,093,620
<u>\$1,707,822,265</u>	<u>\$1,299,657,508</u>	<u>\$1,180,565,805</u>	<u>\$1,297,178,548</u>	<u>\$1,673,131,471</u>	<u>\$1,807,630,189</u>

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

	<u>Full Fare</u>	<u>Discounted Fare*</u>
Local Bus/ Bus Rapid/ METRORail/curb2curb	\$1.25	\$0.60
Park & Ride Zone 1	\$2.00	\$1.00
Park & Ride Zone 2	\$3.25	\$1.60
Park & Ride Zone 3	\$3.75	\$1.85
Park & Ride Zone 4	\$4.50	\$2.25
Park & Ride Zone 7**	\$8.00	\$4.00
Day Pass (Local Bus, METRORapid, curb2curb, & METRORail Only)	\$3.00	\$1.50

* Students, seniors aged 65-69, Medicare cardholders, and people with qualifying disabilities are eligible to receive discounted fares when using the appropriate Q card.

** Zone 7 is the Conroe Park & Ride, operated by METRO, which ran April 2019 – February 2025.

Seniors 70 years or older are eligible to ride for free.

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 (%)*
2025	7,948.4	\$ 77,272	\$1,085,962,032	5.0
2024	7,651.7	74,877	1,033,601,693	4.5
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

* Annual except 2025, which is through August due to the government shutdown

Sources:

Population, 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 – Bureau of Labor Statistics

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

2024	2023	2022
AT&T Baker Hughes CenterPoint Energy ConocoPhillips Enterprise Products Partners EOG Resources ExxonMobil Group 1 Automotive Halliburton Kinder Morgan	Amazon CHI St. Luke's Health ExxonMobil HCA Houston Healthcare HEB Houston Methodist Kroger Memorial Hermann Health System Schlumberger Walmart	CHI St. Luke's Health ExxonMobil HCA Houston Healthcare HEB Houston Methodist Kroger Memorial Hermann Health System Schlumberger UT MD Anderson Cancer Center Walmart
2021	2020	2019
ExxonMobil HEB HCA Houston Healthcare Houston Methodist Kroger Memorial Hermann Health System Schlumberger UT MD Anderson Cancer Center United Airlines Walmart	Exxon Mobil HEB HCA Houston Healthcare Houston Methodist Kroger Memorial Hermann Health System Shell Oil Company UT MD Anderson Cancer Center United Airlines Walmart	HEB Houston Methodist Kroger McDonald's Corp Memorial Hermann Health System Schlumberger Shell Oil Company UT MD Anderson Cancer Center United Airlines Walmart
2018	2017	2016
Exxon Mobil HEB Houston Methodist Kroger Company McDonald's Corp Memorial Hermann Health System Texas Children Hospital UT MD Anderson Cancer Center United Airlines Walmart	HEB Houston Methodist Kroger Company McDonald's Corp Memorial Hermann Health System UT MD Anderson Cancer Center United Airlines Schlumberger Limited Shell Oil Company Walmart	ExxonMobil Houston Methodist Hospital System Kroger Company Memorial Hermann Health System National Oilwell Varco Schlumberger Limited Shell Oil Company UTMB Health UT MD Anderson Cancer Center United Airlines
2015		
Cameron International ExxonMobil HEB Houston Methodist Kroger Memorial Hermann Health System National Oilwell Varco Shell Oil Company UT MD Anderson Cancer Center United Airlines		

Sources: City of Houston annual report based on Greater Houston Partnership 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 current fiscal year 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	Leased Liabilities	Total
2025	\$ –	\$ 70,045,000	\$ 3,725,309	\$ 73,770,309
2024	–	65,355,000	1,073,420	66,428,420
2023	83,550,000	59,535,000	1,043,917	144,128,917
2022	25,950,000	132,195,000	975,680	159,120,680
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	–	45,155,000
2016	3,900,000	192,500,000	–	196,400,000

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)	Leased Liabilities	Total Outstanding Obligations
2025	\$ –	\$ 758,767,064	\$ 52,828,565	\$ 811,595,629
2024	–	838,515,768	43,691,516	882,207,284
2023	–	913,574,472	38,961,617	952,536,089
2022	83,550,000	982,813,177	38,750,306	1,105,113,483
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	–	1,239,210,925

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)

Fiscal Year	Net Sales Tax Revenue (1)	Operating Revenues	Operating Grants	Less Operating Expenses Net of Depreciation	Net Available Revenue	Payments for Sales and Use Tax Bonds and Contractual Obligations				Coverage Ratio
						Principal (2)	Interest	Less IRS Interest Subsidy	Total	
2025	\$864,961,676	\$ 48,783,117	\$25,472,724	\$878,420,266	\$60,797,251	\$ 70,045,000	\$ 28,141,375	\$ –	\$ 98,186,375	0.62
2024	818,871,148	49,806,367	158,766,237	810,103,542	217,340,210	65,355,000	31,365,046	–	96,720,046	2.25
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

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)

Fiscal Year	HOV Ridership Cars, Vans and Non-METRO Buses	Transit Boarding *	Revenue Vehicle Miles *	Passenger Miles Transit *	Passenger-Miles Carpool/ METRO Vanpool Non-METRO Buses on Transitways	Number of						Directional Route Miles			Total Actual Rail Passenger Car Revenue Miles
						Emp.	Available Transit Vehicles*	Rail Cars	BOF	TC	P&R	Rail	HOV Lanes	Service Area (sq. miles)	
2025	23,345,784	78,642,439	70,777,633	484,903,683	240,695,033	4,779	2,266	79	6	21	27	45.4	192.5	1307	3,231,898
2024	19,063,316	75,858,775	68,272,355	467,739,809	196,542,788	4,627	1,960	87	6	21	27	45.4	192.5	1309	3,117,500
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

Source: Metropolitan Transit Authority Office of Management and Budgets

BOF = Bus Operating Facility

TC = Transit Centers

P&R = Park & Ride Lots

*Includes METROLift

METRO operates 105.3 miles in the 192.5 miles regional HOV/HOT lane system.

*Start reporting Available Transit Vehicles in FY2023

(Final Page of the Annual Comprehensive Financial Report)