Metropolitan Transit Authority of Harris County, Texas
Comprehensive Annual Financial Report
For the Years Ended
September 30, 2020 and 2019

(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

This section provides an overview of METRO's 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.

2020 OUTSTANDING PUBLIC TRANSPORTATION SYSTEM
APTA AWARD WINNER

Mission Statement

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

March 25, 2021

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 Comprehensive Annual Financial Report (CAFR) for the year ended September 30, 2020 (FY2020). 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.

METRO operates 1,444 transit vehicles, 75 rail cars and manages various mobility programs which includes, METRO STAR Vanpool, METROLift, High Occupancy Vehicle/High Occupancy Toll Lanes, Bikes-on-Bus/Train program, and Park & Ride lots. In addition to these programs, METRO provides funding to local governments under the General Mobility Program for their road improvements and congestion mitigation activities. Payments under these two programs are reported as 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. During 2019, voters approved a referendum, which continues the General Mobility Program through 2040. Under this program, 25% of the annual sales tax proceeds, adjusted for certain limits established in FY2014, will be used to fund General Mobility activities of local governments.

METRO's daily focus is on providing safe, clean, reliable, accessible and friendly public transportation services to our region and during FY2020, METRO experienced a decline in ridership due to COVID-19. In addition to the daily focus, METRO is working with governmental agencies, local leaders and our customers in developing integrated transportation solutions and mobility programs that meet the current and future needs of the region and our customers. This process continued even during the COVID-19 pandemic.

During FY2020 METRO's primary focus was on reducing the spread of COVID-19 and on the safety of our customers and employees. Some of the actions taken included:

- Worked closely with local governments to ensure METRO supported the regional goal of reducing the spread of COVID-19.
- Suspended transit service followed by implementing limited service.
- Implemented new and extensive methods of cleaning transit vehicles and facilities.
- Required temperature checks by everyone who entered METRO facilities.
- Developed methods of identifying, contact tracing, reporting, and providing care for employees who contracted COVID-19.
- Required social distancing and the wearing of masks at METRO's facilities and for customers when riding transit vehicles.

Metropolitan Transit Authority of Harris County, Texas
1900 Main • P.O. Box 61429 Houston, Texas 77208-1429 • 713-635-4000 • RideMETRO.org

Financial Transparency - A key to good governance

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

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

METRO's commitment to financial transparency goes beyond monthly financial reporting at Board/Committee meetings and is reflected in the type, quality and location of financial information, including awards, listed on METRO's Web page. Financial reporting awards include: the Certificate of Achievement for Excellence in Financial Reporting for METRO's Comprehensive Annual Financial Report for 28 consecutive years, eight consecutive years for METRO's two defined benefit pension plans, and three consecutive years for the Distinguished Budget Presentation award. In addition, METRO has earned the highest grade available from the Texas Comptroller Leadership Circle program for financial transparency for the past nine years.

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 Standard 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 CAFR 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 CAFR. 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 agency.

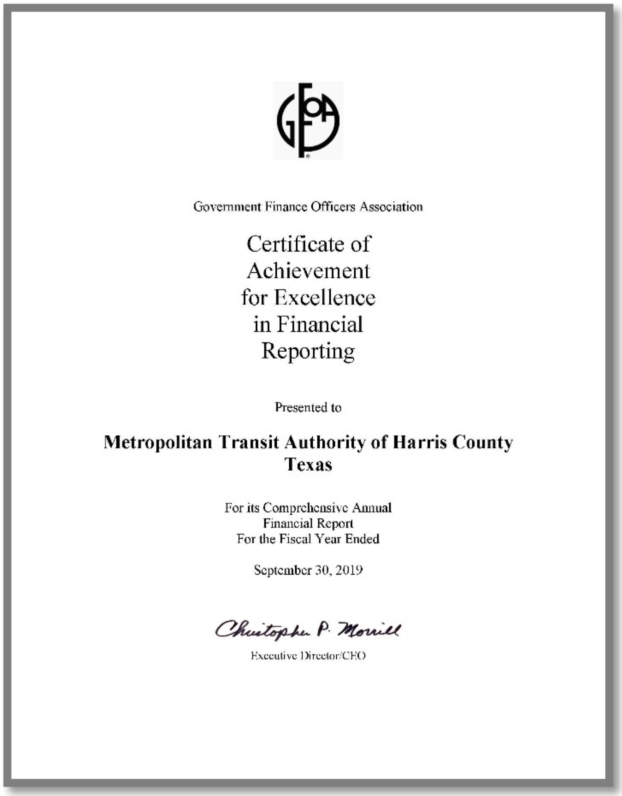
METRO uses a single fund to account for all financial activity, which includes transit operations, traffic management, infrastructure assistance (which includes General Mobility) capital programs, grant revenues, sales tax, and related activity.

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, 2019 CAFR. To win this award you must publish an easily readable and efficiently organized CAFR which meets both generally accepted accounting principles and applicable legal requirements.



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Metropolitan Transit Authority of Harris County Texas

For its Comprehensive Annual Financial Report For the Fiscal Year Ended

September 30, 2019

Christopher P. Morrill

Executive Director/CEO

The Certificate of Achievement is valid for a period of one year. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

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, which starts on page 10.

Arthur C. Smiley III
Chief Financial Officer

FY2020 METRO's Board of Directors

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

Carrin F. Patman,
Chair (C)

Jim Robinson, CFE
First Vice-Chair (H)

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

Troi Taylor
Secretary (C)

Lex Frieden (C)

Bob Fry (M)

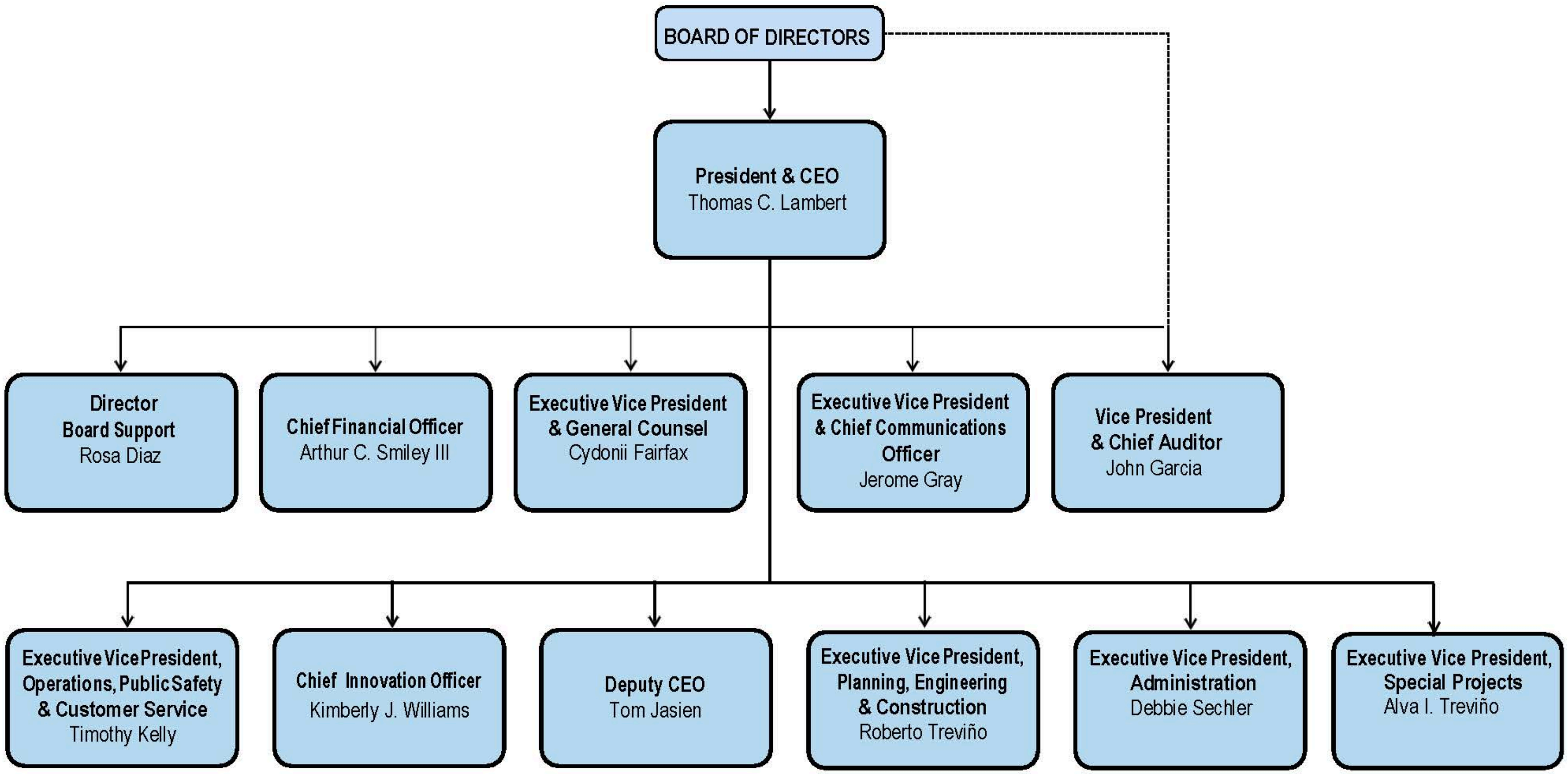
Lisa Gonzales Castañeda,
P.E. (H)

Terry Morales (C)

Sanjay Ramabhadran (Ram),
P.E. (C)

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

METROPOLITAN TRANSIT AUTHORITY OF HARRIS COUNTY, TEXAS
FY2020 Executive Leadership Team
Organization Chart



METRO

Comprehensive Financial Section

The Governmental Accounting Standards Board (GASB) believes that every governmental entity should prepare and publish, as a matter of public record, a comprehensive annual financial report (CAFR). The CAFR 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 CAFR 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.*

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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 Financial Statements

We have audited the accompanying financial statements of the Metropolitan Transit Authority of Harris County, Texas (METRO) as of September 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise METRO's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Metropolitan Transit Authority of Harris County, Texas as of September 30, 2020 and 2019, and the respective changes in financial position and cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis and required supplemental information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise METRO's basic financial statements. The introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2021, 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 25, 2021

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.

This section of the CAFR presents a discussion and analysis of METRO's financial performance during FY2018 through FY2020. Please read it in conjunction with the introductory section of the report and METRO's financial statements which immediately follow this section. Numbers presented in the Management's Discussion and Analysis tables are rounded and may differ slightly from the financial statements.

FINANCIAL HIGHLIGHTS

METRO's net position declined by $91.0 million or 6.5 percent during the last three years. This decline was expected and primarily relates to implementing, during FY2018, GASB Statement number 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB), depreciation expense exceeding new capital additions each year, increase in local infrastructure assistance in FY2019, and cost associated with Covid-19 during FY2020. This decline was significantly offset by the $248.8 million Covid-19 operating grant received during FY2020.

- *Total Resources* reported on schedule A-1 totaled $ 1,161.2 million for FY2020 which is a $242.8 million or 26.4 percent increase from FY2018. This increase primarily relates to activity during FY2020 which included the receipt of $248.8 million operating grant for Covid-19 offset by reductions in transportation fares, sales tax and investment income.

- *Total Operating Expenses* reported on schedule A-1 totaled $847.4 million for FY2020 which represents an increase of $36.3 million or 4.5 percent from FY2018. This increase relates to expanding METROLift services, maintenance of capital assets, and employee benefit expenses offset by lower energy and depreciation expenses.

- *Total Nonoperating Expenses* reported on schedule A-1 totaled $194.7 million for FY2020. Cost was relatively consistent except for an increase in FY2019 for infrastructure payments and cost associated with managing Covid-19 during FY2020.

- *Total Assets and Deferred Outflows* reported on schedule A-2 totaled $3,718.7 million for FY2020 which represents an increase of $155.7 million or 4.4 percent when compared to FY2018. This increase is primarily due to investments along with deferred outflows consisting of diesel fuel and pension/OPEB benefits plans. The increase was reduced as depreciation exceeded capital additions in each of the last three years.

- *Total Liabilities and Deferred Inflows,* as reported on schedule A-2, totaled $2,419.0 million for FY2020 which represents an increase of $153.2 million or 6.8 percent since FY2018. This increase is primarily due to diesel fuel hedges, pension/OPEB benefit plans and their related deferred inflows.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

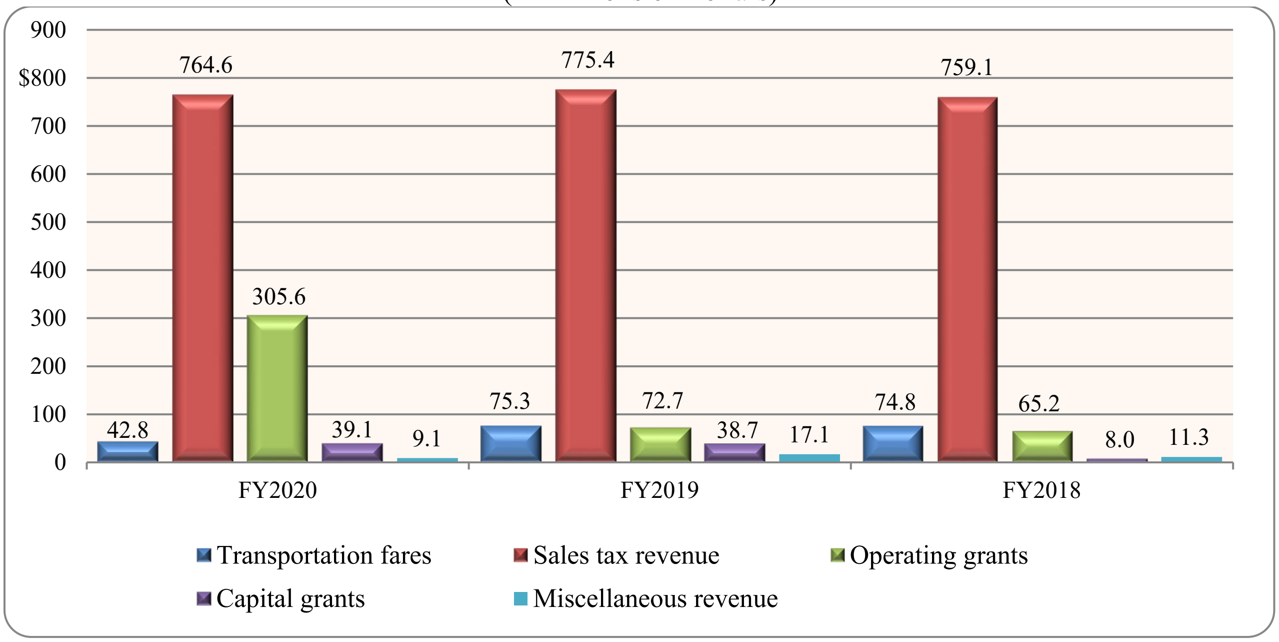
FINANCIAL ANALYSIS OF METRO

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

	FY2020	FY2019	Change	Percentage Change	FY2018
Resources					
Transportation fares	$ 42.8	$ 75.3	$ (32.5)	(43.2) %	$ 74.8
Sales tax	764.6	775.4	(10.8)	(1.4) %	759.1
Investment income	6.8	12.0	(5.2)	(43.3) %	6.4
Intergovernmental revenue	–	1.7	(1.7)	(100.0) %	1.9
Other income	2.3	3.4	(1.1)	(32.4) %	3.0
Grant proceeds (includes capital grants used for maintaining assets)	305.6	72.7	232.9	320.4 %	65.2
Grant proceeds (capital)	39.1	38.7	0.4	1.0 %	8.0
Total resources	1,161.2	979.2	182.0	18.6 %	918.4
Expenses					
Operating					
Scheduled service	414.8	420.8	(6.0)	(1.4) %	385.0
Nonscheduled service	77.5	79.6	(2.1)	(2.6) %	78.4
Service support	100.7	97.1	3.6	3.7 %	85.6
Organizational support	64.7	62.3	2.4	3.9 %	58.4
Depreciation and amortization	189.7	194.6	(4.9)	(2.5) %	203.7
Total operating expenses	847.4	854.4	(7.0)	(0.8) %	811.1
Nonoperating					
Noncapitalized interest cost	35.1	46.4	(11.3)	(24.4) %	46.7
Loss/(gain) on sale of assets/impairment	0.1	(0.9)	1.0	(107.8) %	–
Funds passed to subrecipients	0.4	1.3	(0.9)	(69.2) %	1.8
Local infrastructure assistance	150.6	196.4	(45.8)	(23.3) %	151.8
Net loss/(recovery) from declared disasters	8.5	(1.8)	10.3	(572.2) %	0.5
Total nonoperating	194.7	241.4	(46.7)	(19.4) %	200.8
Total expenses	1,042.1	1,095.8	(53.7)	(4.9) %	1,011.9
Change in net position	119.1	(116.6)	235.7	202.2 %	(93.5)
Net position - beginning of year	1,180.6	1,297.2	(116.6)	(9.0) %	1,390.7
Net position - end of year	$1,299.7	$1,180.6	$ 119.1	10.1 %	$1,297.2

Increases to Net Position (Revenues) with Related Discussions

(In Millions of Dollars)



Transportation fares include revenue from transit customers, METRO STAR Vanpool, and HOT lanes. Fares revenue were relatively consistent between FY2018 and FY2019 but decreased in FY2020 due to the temporary suspension which was followed by transit service reductions due to Covid-19.

Sales tax revenue is 1% of taxable sales within METRO's service area which is collected by the Texas Comptroller Office and distributed monthly to METRO. Sales tax increased during FY2018 and FY2019 but experienced a slight decline in FY2020 due to Covid-19.

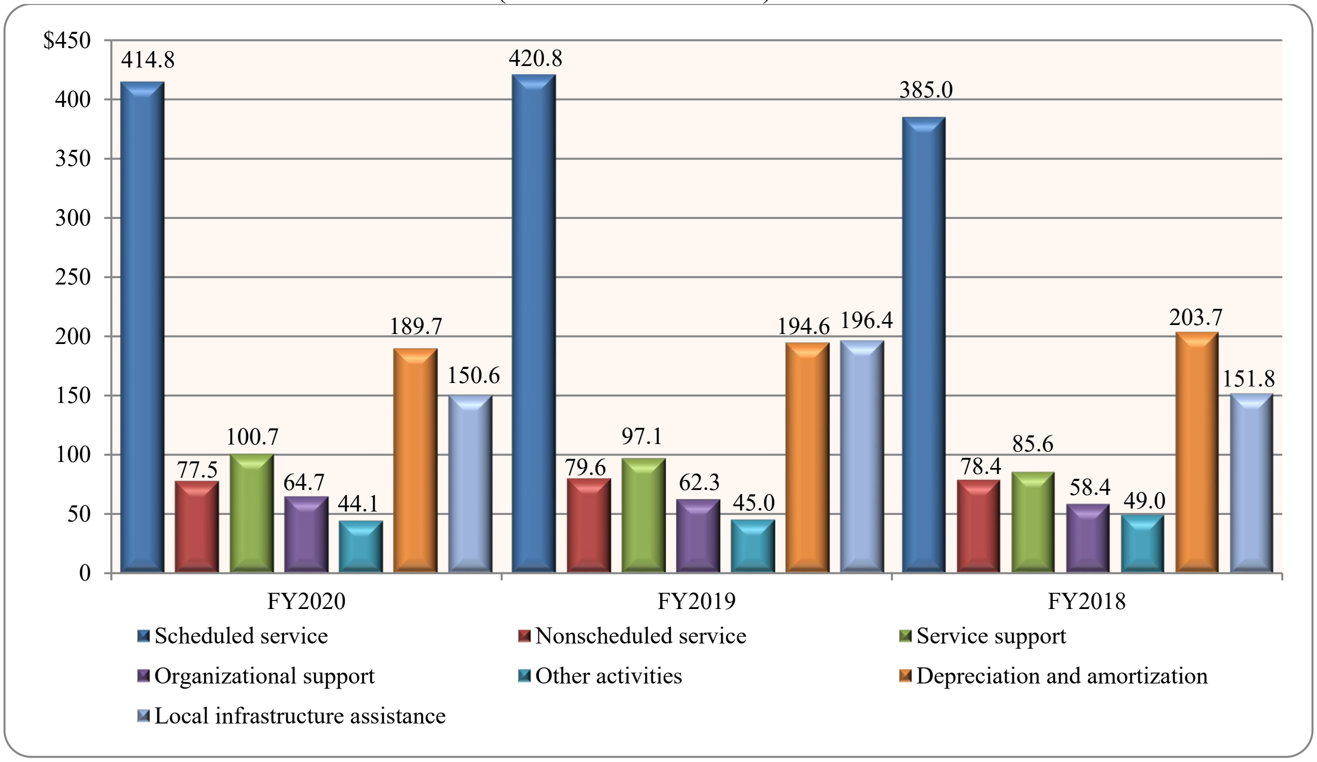
Operating grants Operating grant (includes capital grants authorized by the FTA for use in maintaining capital assets) are primarily used to maintain transit vehicles and operating specific transit programs such as METROLift and METRO STAR Vanpool. Grants funds are contingent on appropriations from the federal government and subsequent award of grant dollars by the FTA, which is METRO's primary federal oversight agency. Amounts reported each year will vary and is based on the timing of allowable expenditures and when funds become available for reimbursement to METRO. Generally, the amount of funds has increased during the last three years with an additional $248.8 received in FY2020 to assist with managing Covid-19.

Capital grants are provided by the FTA and are used to help fund the design, construction, purchase, and enhancement of capital assets. Grants funds are contingent on appropriations from the federal government and subsequent award of grant dollars by the FTA. Funds are collected on a reimbursement basis and based on varying level of eligible capital activity. Reimbursements increased during FY2020 and FY2019 and was primarily related to rail and facilities.

Miscellaneous revenue consists of investment income, intergovernmental revenue, real estate, parking revenue, and other nonoperating activities. Revenues from these categories will vary slightly each year depending on the local economy and the impact of changing interest rates. The decrease over the last three years generally relate to lower interest rates and the decline and elimination in FY2020 of the interest rate subsidy received from the U.S. Treasury for the Build American Bonds.

Decreases to Net Position (Expenses) and Related Discussions

(In Millions of Dollars)



Scheduled service consists of bus/light-rail services and includes vehicle operations, maintenance, safety, and training expenses. Increases in cost from FY2018 to FY2019 primarily consisted of employees' salary and benefits with the decrease in FY2020 primarily related to temporary service suspension followed by reduced service levels due to Covid-19.

Nonscheduled service includes METROLift, METRO STAR Vanpool, and HOT lanes. The increase in cost for FY2019 related to additional METROLift services and the inclusion of METRO Star Vanpool which was previously privatized. The decrease in FY2020 primarily related to temporary service suspension followed by reduced service levels due to Covid-19.

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

Organizational support includes business, community/governmental development, administrative, finance, personnel, information systems, purchasing, executive oversight, audit, and legal. Increases during the last three years primarily relate to working with the community on developing METRONext.

Other activities include interest expense, funds passed to grant subrecipients, gain/loss on sale of assets, and cost related to Covid-19 which occurred during FY2020. The decrease in interest expenses during the last three years was primarily due to bond refunding with funds passed to grant subrecipients and gain (loss) on disposal of assets being lower due to decreased activity.

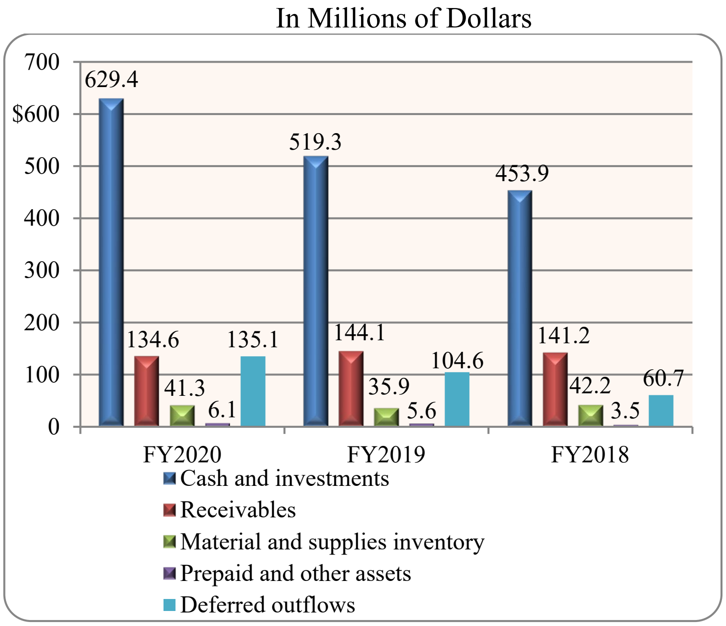
Depreciation and amortization decreased slightly over the last three years as new assets replaced those retired and certain fully depreciated assets were able to remain in service.

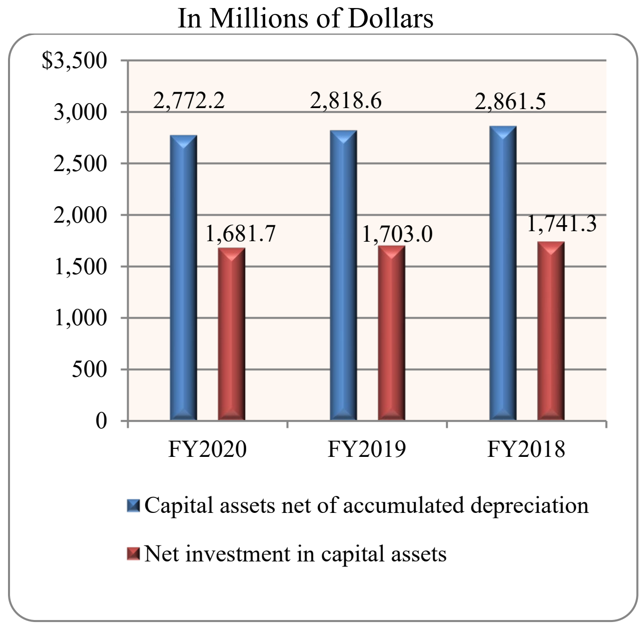
Local infrastructure assistance provides funding to local governments in METRO's service area for street, sidewalks, bridges, and congestion mitigation activities. This voter approved program established a cap of 25% of FY2014 sales tax revenues with any sales tax growth shared equally between METRO and these local governments. Expenses reported for this program will vary each year depending on reimbursement requests and funds distributed to local governments. Additional information can be found in Note 7 to the basic financial statements.

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

	FY2020	FY2019	Amount of Change	Percentage Change	FY2018
Assets and deferred outflows					
Cash and investments	$ 629.4	$ 519.3	$ 110.1	21.2 %	$ 453.9
Receivables	134.6	144.1	(9.5)	(6.6) %	141.2
Material and supplies inventory	41.3	35.9	5.4	15.0 %	42.2
Capital assets net of depreciation	2,772.2	2,818.6	(46.4)	(1.6) %	2,861.5
Prepaid and other assets	6.1	5.6	0.5	8.9 %	3.5
Total assets	3,583.6	3,523.5	60.1	1.7 %	3,502.3
Deferred outflows of resources	135.1	104.6	30.5	29.2 %	60.7
Total assets and deferred outflows	3,718.7	3,628.1	90.6	2.5 %	3,563.0
Liabilities and deferred inflows					
Payables and other liabilities	160.4	175.5	(15.1)	(8.6) %	161.1
Commercial paper	115.8	116.1	(0.3)	(0.3) %	116.1
Debt payables	1,144.0	1,216.9	(72.9)	(6.0) %	1,140.3
Net pension liability	249.4	292.6	(43.2)	(14.8) %	194.5
Net OPEB liability	640.5	560.2	80.3	14.3 %	609.5
Total liabilities	2,310.1	2,361.3	(51.2)	(2.2) %	2,221.5
Deferred inflows of resources	108.9	86.2	22.7	26.3 %	44.3
Total liabilities and deferred inflows	2,419.0	2,447.5	(28.5)	(1.2) %	2,265.8
Net position:					
Net investment in capital assets	1,681.7	1,703.0	(21.3)	(1.3) %	1,741.3
Restricted assets, debt payments	85.9	66.1	19.8	30.0 %	77.8
Unrestricted assets	(467.9)	(588.5)	120.6	(20.5) %	(521.9)
Total net position	$ 1,299.7	$ 1,180.6	$ 119.1	10.1 %	$ 1,297.2

Assets and Net Investments in Capital Assets





Cash and investments consist of demand deposits and investments. Changes during the last three years were primarily related to the timing of various activities which include: cash receipts from sales tax collections, issuance of new debt, grant reimbursements, reduced by payments for operating, capital, and local infrastructure assistance. 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. Changes during the last two years were relatively consistent with declines in FY2020 related to Covid-19.

Material and supplies inventory consist of fuel and parts needed to maintain transit and support vehicles. Increase during FY2020 primarily relates to lower maintenance activity due to the temporary suspension in March 2020 followed by reduction in service levels because of Covid-19.

Prepaid and other assets consist of insurance, extended vehicle warranties, prepaid rent and favorable fuel hedges. Changes during the last three years relate the timing of new purchases, subsequent amortization and the clearing of favorable fuel hedges.

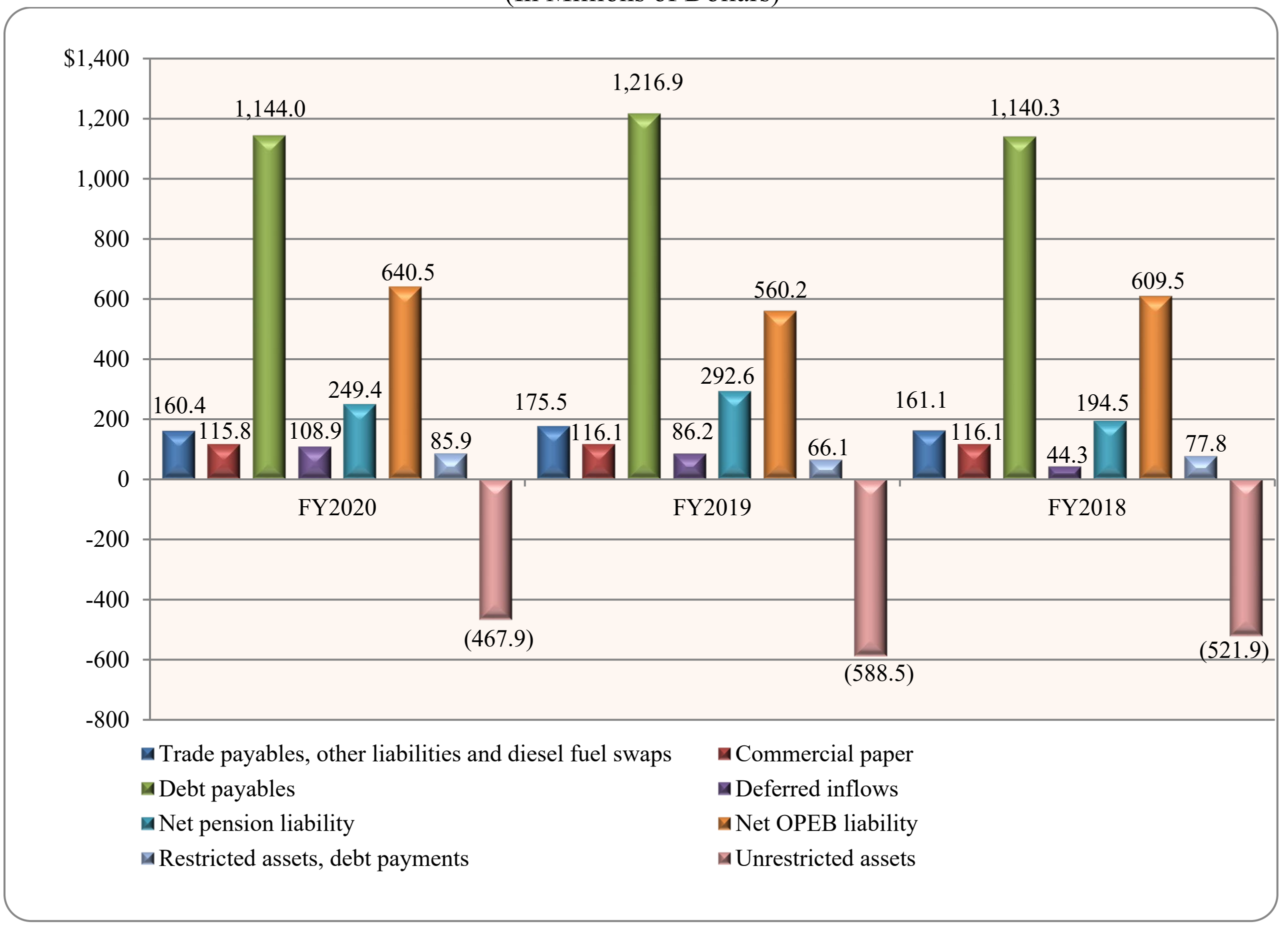
Deferred outflows primarily consist of unfavorable experience when compared to actuarial assumptions used to value the two defined benefit pension plans, the two OPEB plans, related contributions for the period January 1 through September 30, of each year, the refunding of previous outstanding debts and diesel fuel swaps. Changes can vary significantly between years and primarily relate to the benefit plans ability to meet their actuarial assumptions including investment returns and changes in diesel fuel prices. The increase in FY2020 primarily related to the OPEB activity as METRO lowered the discount rate and used the updated mortality table. This increase was slightly offset by improvement in both pension plan investment returns and the normal amortization of deferred outflows. Additional information is available in Note 4 and Note 7 to the basic financial statements.

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

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

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. The changes during the last three years were primarily related to trade payables.

Commercial paper was used to fund general mobility payments due to local governments and is part of METRO's long-term debt strategy as payments are rolled over when due. The slight decline during the last three years were planned with additional information reflected in Note 7 to the basic financial statements.

Debt payables consist of bonds, contractual obligations, accrued interest and related premiums/discounts. Proceeds received from the issuance of these obligations were used to fund light-rail expansion and bus replacements. The debt payable balance remained relatively consistent during the last three years due to the offsetting characteristic of principal payment, debt refunding (used to reduce interest cost) and the amortization of premium/discount. Additional information on outstanding debt and related changes are reflected in Note 7 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 the market price. Increase during the last several years generally relate to favorable actuarial experience primarily for the OPEB Plans as reflected in Note 4 to the basic financial statements.

Net pension liability increase during the last three years and is primarily due to the investment rate of return being reduced from 6.50% to 6.25%, updating the mortality tables, increasing the life insurance benefit and not meeting certain actuarial assumptions. Both plans are closed to new members and additional information is reported in Note 1 and Note 4 to the basic financial statements.

Net OPEB liability consist of two plans which provide medical, dental, and life insurance benefits for eligible retirees as discussed in Note 1 and Note 4 to the basic financial statements. The plan covering OPEB for Non-Union employees was closed on January 1, 2010 (except for life insurance) while the plan for employees covered by the Transport Workers Union Metropolitan Transit Authority Health & Welfare Trust (Trust) collective bargaining agreement remains open to new participants. The decline in FY2019 primarily related to updating the assumptions used in valuing METRO's liability to the Trust. The increase in FY2020 is related to change in discount rate from 4.1% to 2.74% with interest and service cost exceeding payments.

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 is 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 local government investment pools as authorized under the Texas Public Funds Investment Act.

Unrestricted assets remain negative with some improvements occurring in FY2020 related to the additional funds totaling $248.8 million received from the FTA to assist in managing Covid-19. The negative balance is primarily from the expansion of transportation services and the accounting for OPEB expenses. 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 which are available to expand or implement new and innovative programs.

Subsequent Events which are reported in Note 9 to the Basic Financial Statements consists of METRO being awarded an additional $154 million from the FTA which will be used during FY2021 to manage issues relating to COVID-19.

In March 2021 METRO entered a new revolving line of credit for the commercial paper program which allows this debt to be reported as long-term.

After the measurement date and METRO's fiscal year-end reporting date of September 30, 2020, an updated mortality table became available for use in the OPEB Union Plan. This updated table will be reflected in the next valuation report in accordance with generally accepted accounting principles. The updated mortality table if used in the FY2020 valuation would have reduced the OPEB Union Plan liability and expenses by approximately $8.5 million.

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 $132 million for FY2020 and $257 million for FY2019. 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 29 was taken from the *Mid-Year Outlook for METRO's Sales Tax Revenues: 2019-2026* Dated June 2020 and prepared by Dr. Robert W. (Bill) Gilmer, C.T. Bauer College of Business/Institute for Regional Forecasting.

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 2026.

Figure 29: METRO Sales Tax Revenue: 2019 to 2026
By Date of Allocation, Current $

Year	Low	Medium	High
2019	778,995,819	778,995,819	778,995,819
% y/y	2.0%	2.0%	2.0%
% q4/q4	3.8%	3.8%	3.8%
2020	753,054,282	764,474,147	778,422,098
% y/y	-3.3%	-1.9%	-0.1%
% q4/q4	-8.7%	-7.2%	-4.9%
2021	765,012,711	769,152,823	772,663,764
% y/y	1.6%	0.6%	-0.7%
% q4/q4	7.6%	6.4%	4.3%
2022	818,591,905	828,016,609	836,446,669
% y/y	7.0%	7.7%	8.3%
% q4/q4	7.8%	9.6%	10.7%
2023	875,666,641	908,048,231	932,506,127
% y/y	7.0%	9.7%	11.5%
% q4/q4	6.2%	8.6%	10.8%
2024	925,649,630	975,702,906	1,023,832,214
% y/y	5.7%	7.5%	9.8%
% q4/q4	5.5%	6.9%	9.2%
2025	975,647,170	1,039,176,658	1,112,874,167
% y/y	5.4%	6.5%	8.7%
% q4/q4	5.4%	6.5%	8.5%
2026	1,029,989,967	1,109,088,598	1,208,531,544
% y/y	5.6%	6.7%	8.6%
% q4/q4	5.7%	6.9%	8.7%

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 a comprehensive annual 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, 2020 and 2019

	2020	2019
Assets		
Current assets		
Cash	$ 10,433,095	$ 19,380,709
Investments	497,023,144	351,422,195
Investments – restricted	62,320,071	40,765,567
Receivables		
Sales tax	126,006,222	129,554,693
Federal government - Federal Transit Administration	5,280,107	5,825,675
Bus passes and other receivables	3,278,447	8,689,553
Total receivables	134,564,776	144,069,921
Material and supplies inventory	41,339,021	35,928,117
Total current assets	745,680,107	591,566,509
Noncurrent assets		
Investments – restricted	59,624,894	107,760,712
Capital assets, net of depreciation	2,772,201,186	2,818,552,642
Other noncurrent assets	6,048,165	5,641,114
Total noncurrent assets	2,837,874,245	2,931,954,468
Total assets	3,583,554,352	3,523,520,977
Deferred outflow of resources		
Diesel fuel swaps	8,255,586	908,127
Pension	48,166,504	83,468,033
OPEB	72,751,190	11,550,659
Debt refunding	5,934,840	8,637,643
Total deferred outflows of resources	135,108,120	104,564,462
Liabilities		
Current liabilities		
Trade payables	85,187,006	111,669,469
Accrued compensation and benefits	37,568,224	31,981,480
Liabilities for injuries and damages	9,199,548	7,413,175
Other current liabilities	9,954,323	11,773,356
Debts payable	58,180,000	52,250,000
Debt interest payable	17,449,094	19,356,209
Derivative instrument – diesel fuel swaps	8,255,586	908,127
Total current liabilities	225,793,781	235,351,816
Noncurrent liabilities		
Liabilities for injuries and damages	10,241,652	11,709,406
Commercial paper	115,800,000	116,100,000
Debts payable	1,068,419,981	1,145,291,217
Net OPEB liability	640,487,204	560,204,975
Net pension liability	249,387,571	292,636,177
Total noncurrent liabilities	2,084,336,408	2,125,941,775
Total liabilities	2,310,130,189	2,361,293,591
Deferred inflows		
Pension	26,872,109	11,652,976
OPEB	80,871,003	73,702,034
Debt refunding	1,131,663	871,033
Total deferred inflow	108,874,775	86,226,043
Net position		
Net investment in capital assets	1,681,643,197	1,703,033,487
Restricted assets – debt payments	85,902,973	65,994,756
Unrestricted assets	(467,888,662)	(588,462,438)
Total net position	$ 1,299,657,508	$ 1,180,565,805

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, 2020 and 2019

	2020	2019
Operating revenues		
Transportation fares	$ 42,790,171	$ 75,294,678
Operating expenses		
Scheduled services - fixed route		
Bus and rail operations – direct	238,004,728	248,520,136
Contract service	52,644,668	48,963,055
Material distribution	7,622,300	7,601,492
Preventative maintenance	80,898,262	80,756,840
Central shop and maintenance support	29,729,438	29,662,492
Safety and training	5,883,540	5,251,606
Subtotal scheduled services - fixed route	414,782,936	420,755,621
Nonscheduled services –special		
METROLift	63,552,152	63,234,017
METRO Vanpool	7,767,882	10,253,334
HOT lanes and special events	6,175,768	6,081,620
Subtotal non-scheduled services – special	77,495,802	79,568,971
Service support		
Service planning and evaluation	5,365,509	7,072,677
Marketing	13,170,174	18,254,038
Transit security and traffic management	32,888,745	27,619,687
Insurance and claims	6,797,001	6,187,926
Ticket and fare collection	3,707,300	4,184,001
Facility maintenance	38,778,902	33,819,659
Subtotal service support	100,707,631	97,137,988
Organizational support		
Business, community, and governmental development	7,861,620	7,168,351
Administrative, financial, and personnel	20,424,704	19,648,796
Information systems	24,885,137	22,583,471
Purchasing	4,655,107	4,394,874
Oversight, audit, and legal	6,897,824	8,511,539
Subtotal organizational support	64,724,392	62,307,031
Depreciation and amortization	189,722,704	194,565,477
Total operating expenses	847,433,465	854,335,088
Operating loss	(804,643,294)	(779,040,410)
Nonoperating revenues (expenses)		
Sales tax	764,679,590	775,392,664
Investment income	6,750,760	12,040,338
Intergovernmental revenue	–	1,676,986
Noncapitalized interest expense	(35,087,736)	(46,371,218)
Other income	2,333,071	3,344,132
Grant proceeds	305,648,022	72,704,334
Local infrastructure assistance	(150,622,623)	(196,427,664)
Funds passed to subrecipients	(449,489)	(1,302,158)
(Loss)/gain on sale or disposal of assets	(70,165)	876,612
(Loss)/recovery from declared disaster	(8,501,572)	1,778,236
Total nonoperating revenues	884,679,858	623,712,262
Net increase and decrease before capital grants	80,036,564	(155,328,148)
Capital grant proceeds	39,055,139	38,715,405
Changes in net position	119,091,703	(116,612,743)
Net position beginning of year	1,180,565,805	1,297,178,548
Net position end of year	$ 1,299,657,508	$ 1,180,565,805

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, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Receipts from transportation fares	$ 45,381,542	$ 75,496,231
Payments to employees	(384,468,750)	(372,110,536)
Payments to suppliers for goods and services	(253,662,577)	(232,531,832)
Net cash used in operating activities	(592,749,785)	(529,146,137)
Cash flows from noncapital financing activities:		
Proceeds from Sales tax	767,771,850	769,734,816
Proceeds from grants	305,198,533	71,402,176
Payments for local infrastructure assistance	(150,622,623)	(196,427,664)
(Payment)/recovery for natural disaster	(8,501,572)	1,778,236
Net cash provided by noncapital financing activities	913,846,188	646,487,564
Cash flows from capital and related financing activities:		
Proceeds from grants	39,640,554	42,612,796
Proceeds from sale of sales tax bonds	304,130,000	241,516,445
Principal payments related to commercial papers	(300,000)	–
Principal payments related to debts	(361,687,434)	(155,280,000)
Interest payments related to debts	(47,415,219)	(56,011,094)
Purchase of investments for debt services	(186,734,435)	(243,349,762)
Sale of investments for debt services	213,315,749	172,607,398
Interest rebates from Build America Bonds	–	1,676,986
Proceeds from sale and use of assets	3,942,209	3,793,942
Capital purchases	(157,682,302)	(141,934,515)
Net cash flows used by capital and related financing activities	(192,790,878)	(134,367,804)
Cash flows from investing activities:		
Proceeds from sale and maturities of investments	786,221,346	826,409,358
Purchase of investments	(931,566,509)	(806,018,058)
Interest income	8,092,024	9,912,724
(Decrease) increase from investing activities	(137,253,139)	30,304,024
Net change in cash	(8,947,614)	13,277,647
Cash at beginning of year	19,380,709	6,103,062
Cash at end of year	$ 10,433,095	$ 19,380,709
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	$ (804,643,294)	$ (779,040,410)
Depreciation and amortization	189,722,704	194,565,477
Changes in assets and liabilities:		
Decrease in accounts receivable	4,130,354	95,780
(Increase) in inventory and other assets	(6,039,306)	(792,457)
(Decrease) increase in net pension liability	(43,248,606)	98,059,312
Decrease (increase) in deferred outflows – defined benefit pension plans	35,301,529	(45,277,704)
Increase (decrease) in deferred inflows – defined benefit pension plans	15,219,133	(18,227,301)
Increase (decrease) in accrued compensation and benefits	5,586,744	(3,474,073)
Increase (decrease) in net OPEB liability	80,282,229	(49,247,382)
(Increase) decrease in deferred outflows – OPEB	(61,200,531)	680,813
Increase in deferred inflows - OPEB	7,168,969	69,091,916
Increase in liabilities for injuries and damages	318,619	3,500,829
(Decrease) increase in trade payables and other liabilities	(15,348,329)	919,063
Cash used in operating activities	$ (592,749,785)	$ (529,146,137)
Noncash investing activities:		
Net increase in fair value of investments	$ 88,076	$ 1,125,236
Inflows from reissuance of commercial paper	443,650,000	667,400,000
Outflows from reissuance of commercial paper	(443,950,000)	(667,400,000)

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

1. Summary of Significant Accounting Policies

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

Reporting Entity

METRO is a stand-alone governmental entity as defined by GASB Statement No. 14, *The Financial Reporting Entity,* amended by GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units* and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus-An Amendment of GASB Statement No. 14 and No. 34* and Statement No. 90, *Majority Equity Interest-an amendment of GASB Statement No. 14 and No. 61*.

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

Related Organizations

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

Nature of Operating and Nonoperating Activities

Operating

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

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

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

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

Nonoperating

Nonoperating revenue and expenses include the 1% sales tax levied in METRO's service area, investment income, intergovernmental revenue, 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 and cash equivalent consist 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: the Board of Directors adopt a written investment policy and strategies that comply with TPFIA; they 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 from 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, including capital leases, 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. Liabilities relating to capital leases are reflected separately in the Statements of Net Position. METRO has no donated assets.

Compensated Absences

Compensated absences are earned by full-time and part-time employees with part-time employees earning benefits at a reduced rate based on hours worked. Employees covered by the collective bargaining agreement earn vacation hours each December 31 based on years of service. A maximum of 200 vacation hours per year can be earned. Earned vacation hours must be used in the next calendar year or paid to the employees upon their termination. These employees also accumulate 8 sick hours per month up to a maximum of 240 hours based on date of hire and years of service. Accumulated sick pay in excess of 64 hours may be sold each September 30 back to METRO at various rates based on attendance. Vacation and sick pay for these employees are expensed when earned, with unpaid balances being reported as part of accrued compensation and benefits (a liability) on the Statements of Net Position.

Full-time employees not covered by the collective bargaining agreement can earn up to 16.67 vacation hours each month and can accumulate up to 600 hours based on years of service and hire date. Vacation expense is recorded when earned, with the unused balance reported as part of accrued compensation and benefits (a liability) in the Statements of Net Position. Employees are paid for their unused vacation time upon termination. In addition, these employees receive 80 hours of sick leave per year at the beginning of each calendar year. Unused sick leave cannot be carried forward to subsequent years and there is no payment at the end of a calendar year or when the employee terminates. Sick leave for Non-Union employees is expensed when incurred.

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. Comprehensive Annual Financial Reports (CAFR) for the defined benefit pension plans are located on METRO's Website with certain information taken from these CAFRs located in Note 4.

Commercial Paper

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

Sales Tax

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

Use of Estimates

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

New Accounting and Reporting Standards

New GASB statements adopted during FY2020	Effect on financial Reporting
Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*	No change required

New GASB statements that are being evaluated	Effective Date
Statement No. 87, *Leases*	FY2022
Statement No.84, *Fiduciary Activities*	FY2021
Statement No.92, *Omnibus 2020*	FY2022
Statement No.93, *Replacement of Interbank Offered Rates*	FY2021 and 2022
Statement No.94, *Public-Private and Public-Public Partnerships* and *Availability Payment Arrangements*	FY2023

2. Deposits and Investments Securities:

Deposits and Investments Including Compliance with the Texas Public Fund Investment Act (TPFIA)
METRO's deposit and investment activity complies with the TPFIA or policies (if more restrictive) established by the Board of Directors. Some items required by the TPFIA include written investment policies, designation of adequately trained investment officers, submissions (at least quarterly) of investment reports to the Board of Directors, and compliance reviews performed annually by the external auditors as part of the financial statement audit. In addition, the investment policy must be approved by the Board of Directors annually, which includes a list of authorized broker/dealers and investments, which are limited to obligations of the United States of America, its agencies; 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. 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 $573,932,844 or 92.7 percent of total investments for FY2020 and $385,209,135 or 77.0 percent for FY2019.

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, 2020 and 2019 included:

	Fiscal 2020		Fiscal 2019	
Investments in Government Sponsored Enterprises	Amount	Percentage of Investment Portfolio	Amount	Percentage of Investment Portfolio
Federal Home Loan Banks	$ 34,993,315	5.65%	$ 44,751,339	8.95%
Federal Farm Credit Banks Funding Corporation	–	–	–	–
Federal Home Loan Mortgage Corporation	–	–	35,004,700	7.00%
Total	$ 34,993,315		$ 79,756,039	

Custodial Credit Risk

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

Deposits

METRO's checking accounts and book balances for cash as of September 30, 2020 and 2019 were:

	Fiscal 2020	Fiscal 2019
Unrestricted		
Bank balances	$ 10,275,008	$ 18,999,278
Book balances	10,433,095	19,380,709

Investments

Fair Value Measurement

METRO has consistently categorized its fair value measurements within the fair value hierarchy established by U.S. generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are quoted prices for similar assets or liabilities in active markets; Level 3 inputs are significant unobservable inputs. METRO uses information provided by Wells Fargo Bank, N.A., the asset custodian, when reporting the fair value of its investments. Fair value of METRO's investments for FY2020 and FY2019 were:

FY2020 Fair Value Measurement Based on Reporting Hierarchy

Investments	Fair Value as of September 30, 2020	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	$ 220,355,350	$ 220,355,350	$ –	$ –
U.S. agencies	45,035,265	–	45,035,265	–
Certificate of deposits	–	–	–	–
Total debt securities	$ 265,390,615	$ 220,355,350	$ 45,035,265	$ –
Local government investment pools measured at the net asset value	353,577,494			
Total investments measured at fair value	$ 618,968,109			

FY2019 Fair Value Measurement Based on Reporting Hierarchy

Investments	Fair Value as of September 30, 2019	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	$ 157,973,047	$ 157,973,047	$ –	$ –
U.S. agencies	94,739,339	–	94,739,339	–
Certificate of deposits	20,000,000	–	20,000,000	–
Total debt securities	$ 272,712,386	$ 157,973,047	$ 114,739,339	$ –
Local government investment pools measured at the net asset value	227,236,088			
Total investments measured at fair value	$ 499,948,474			

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 fair value of METRO's investments held at September 30, 2020 and 2019 are indicative of the type of investments made by METRO during each fiscal year and consist of the following:

	Fiscal 2020 Fair Value	Fiscal 2019 Fair Value	Credit Ratings
Unrestricted investments			
U.S. treasury notes	$ 220,355,350	$ 99,105,490	
U.S. agencies	45,035,265	94,739,339	Aaa/AA+
Local government investment pool	231,632,529	137,577,366	AAAm
Certificate of deposit	-	20,000,000	Collateral =Aaa
Total unrestricted investments	497,023,144	351,422,195	
Restricted investments			
Local government investment pool	121,944,965	89,658,722	AAAm
U.S. treasuries	-	58,867,557	
Total restricted assets	121,944,965	148,526,279	
Total Investments	$ 618,968,109	$ 499,948,474	

Investment by type and weighted average maturity as of September 30, 2020 consisted of the following:

Investment securities:	Fiscal 2020 Fair Value	Less Than 1 Year	More Than 1 Year	Average Maturity
U.S. treasury notes	$ 220,355,350	$ 220,355,350	$ -	100 days
U.S. agencies	45,035,265	45,035,265	-	86 days
Local government investment pool	353,577,494	353,577,494	-	46 days
Certificate of deposits	-	-	-	0 days
Total Investments	$ 618,968,109	$ 618,968,109	$ -	

Investment by type and weighted average maturity as of September 30, 2019 consisted of the following:

Investment securities:	Fiscal 2019 Fair Value	Less Than 1 Year	More Than 1 Year	Average Maturity
U.S. treasury notes	$ 157,973,047	$ 137,780,897	$ 20,192,150	227 days
U.S. agencies	94,739,339	89,700,589	5,038,750	164 days
Local government investment pool	227,236,088	227,236,088	-	33 days
Certificate of deposits	20,000,000	20,000,000	-	110 days
Total Investments	$ 499,948,474	$ 474,717,574	$ 25,230,900	

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 three 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.

3. Capital Assets

Changes in capital assets for fiscal year 2020 were as follows:

	October 1, 2019	Additions	Reductions and Retirements	Transfers and Completed Projects	September 30, 2020
Capital assets not depreciated:					
Land	$ 268,846,920	$ –	$ (1,292,508)	$ 100	$ 267,554,512
Construction in progress	86,343,060	145,019,691	–	(70,923,140)	160,439,611
Total capital assets not depreciated	355,189,980	145,019,691	(1,292,508)	(70,923,040)	427,994,123
Capital assets depreciated:					
Administration and operating facilities	453,366,689	–	–	3,747,053	457,113,742
Park & Ride lots and transit centers	329,151,003	–	–	3,932,872	333,083,875
Buses and equipment	970,520,793	–	(51,949,307)	46,405,562	964,977,048
Rail cars	289,246,830	–	–	365,291	289,612,121
Rail infrastructure	2,018,903,862	–	–	8,067,793	2,026,971,655
Transitways/HOT lanes	584,571,569	–	–	2,297,197	586,868,766
Other property and equipment	70,833,919	–	(443,671)	6,107,272	76,497,520
Total capital assets depreciated	4,716,594,665	–	(52,392,978)	70,923,040	4,735,124,727
Less accumulated depreciation and amortization:					
Administration and operating facilities	(325,542,956)	(10,935,343)	–	–	(336,478,299)
Park & Ride lots and transit centers	(230,955,623)	(9,914,273)	–	–	(240,869,896)
Buses and equipment	(679,828,108)	(67,638,355)	51,627,782	–	(695,838,681)
Rail cars	(159,843,161)	(19,202,602)	–	–	(179,045,763)
Rail infrastructure	(366,013,272)	(55,555,093)	–	–	(421,568,365)
Transitways/HOT lanes	(449,206,593)	(17,238,558)	–	–	(466,445,151)
Other property and equipment	(41,842,290)	(9,238,480)	409,261	–	(50,671,509)
Total accumulated depreciation and amortization	(2,253,232,003)	(189,722,704)	52,037,043	–	(2,390,917,664)
Total capital assets being depreciated, net	2,463,362,662	(189,722,704)	(355,935)	70,923,040	2,344,207,063
Total capital assets, net	$2,818,552,642	$ (44,703,013)	$ (1,648,443)	$ –	$ 2,772,201,186

Changes in capital assets for fiscal year 2019 were as follows:

	October 1, 2018	Additions	Reductions and Retirements	Transfers and Completed Projects	September 30, 2019
Capital assets not depreciated:					
Land	$ 269,234,582	$ –	$ (387,662)	$ –	$ 268,846,920
Construction in progress	32,214,869	153,005,979	(386,406)	(98,491,382)	86,343,060
Total capital assets not depreciated	301,449,451	153,005,979	(774,068)	(98,491,382)	355,189,980
Capital assets depreciated:					
Administration and operating facilities	452,388,270	–	–	978,419	453,366,689
Park & Ride lots and transit centers	318,450,621	–	(1,816,080)	12,516,462	329,151,003
Buses and equipment	946,403,553	–	(43,878,845)	67,996,085	970,520,793
Rail cars	284,117,974	–	–	5,128,856	289,246,830
Rail infrastructure	2,014,594,476	–	(132,453)	4,441,839	2,018,903,862
Transitways/HOT lanes	582,745,101	–	–	1,826,468	584,571,569
Other property and equipment	69,580,108	–	(4,349,442)	5,603,253	70,833,919
Total capital assets depreciated	4,668,280,103	–	(50,176,820)	98,491,382	4,716,594,665
Less accumulated depreciation and amortization:					
Administration and operating facilities	(314,371,943)	(11,171,013)	–	–	(325,542,956)
Park & Ride lots and transit centers	(223,503,425)	(9,212,618)	1,760,420	–	(230,955,623)
Buses and equipment	(652,568,832)	(70,690,908)	43,431,632	–	(679,828,108)
Rail cars	(138,289,522)	(21,553,639)	–	–	(159,843,161)
Rail infrastructure	(310,552,601)	(55,470,605)	9,934	–	(366,013,272)
Transitways/HOT lanes	(431,891,391)	(17,315,202)	–	–	(449,206,593)
Other property and equipment	(37,033,287)	(9,151,492)	4,342,489	–	(41,842,290)
Total accumulated depreciation and amortization	(2,108,211,001)	(194,565,477)	49,544,475	–	(2,253,232,003)
Total capital assets being depreciated, net	2,560,069,102	(194,565,477)	(632,345)	98,491,382	2,463,362,662
Total capital assets, net	$2,861,518,553	$ (41,559,498)	$ (1,406,413)	$ –	$ 2,818,552,642

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.

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 FY2020 and FY2019 for the TWUPP and the NUPP consisted of:

FY2020

TWUPP	NUPP
The mortality table was updated to PubG-2010 projected forward (fully generational) with MP-2019. Pub-2010 tables for disabled lives and Contingent Survivors were used.	The mortality table was updated to PubG-2010 projected forward (fully generational) with MP-2019. Pub-2010 tables for disabled lives and Contingent Survivors were used.
The investment rate of return assumption changed from 6.50% to 6.25%.	The investment rate of return assumption changed from 6.50% to 6.25%.
The salary scale assumption changed from 2.75% to 3.00%.	The salary scale assumption changed from 2.75% to 3.00%.
The optional form election, termination rates, retirement rates and disability rates were updated based on the latest experience study dated May 18, 2020.	The optional form election, termination rates, retirement rates and disability rates were updated based on the latest experience study dated April 8, 2020.

Changes in assumptions, listed above, along with other economic and demographic losses decreased the TWUPP net pension liability by $10,043,800 and increased the NUPP net pension liability by $14,857,171 during FY2020. 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 four years.

FY2019

TWUPP	NUPP
The mortality table was updated to Pub G-2010 projected forward (fully generational) with MP-2018 to reflect 2019 Society of Actuaries Public Plans Mortality Study tables in anticipation of future mortality experience. Pub-2010 tables for disabled lives and Contingent Survivors were used.	The mortality table was updated to Pub G-2010 projected forward (fully generational) with MP-2018 to reflect 2019 Society of Actuaries Public Plans Mortality Study tables in anticipation of future mortality experience. Pub-2010 tables for disabled lives and Contingent Survivors were used.
The investment rate of return assumption changed from 6.75% to 6.50%.	The investment rate of return assumption changed from 6.75% to 6.50%.

Changes in assumptions, listed above, along with other economic and demographic losses increased the TWUPP net pension liability by $17,328,968 and the NUPP net pension liability by $12,142,845 during

FY2019. 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 four years.

The net pension liability, as of September 30, 2020, for both defined benefit pension plans was measured as of December 31, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation dated January 1, 2019. The actuarial valuation was based on the discount rate and actuarial assumptions listed on page 36 and projected forward to the measurement date, September 30, 2020, 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, 2020 are reflected on page 39 and 42 of this report.

Changes in the combined net pension liability for both defined benefit pension plans as of September 30, 2020 and September 30, 2019 was:

Net Pension Liability	TWUPP	NUPP	Total
Ending September 30, 2019	$ 174,421,251	$118,214,926	$ 292,636,177
Current year changes	(39,757,870)	(3,490,736)	(43,248,606)
Ending September 30, 2020	$ 134,663,381	$114,724,190	$ 249,387,571

Net Pension Liability	TWUPP	NUPP	Total
Ending September 30, 2018	$ 109,652,392	$ 84,924,473	$ 194,576,865
Current year changes	64,768,859	33,290,453	98,059,312
Ending September 30, 2019	$ 174,421,251	$118,214,926	$ 292,636,177

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

The deferred outflows and inflows for both defined benefit pension plans as of September 30, 2020 and September 30, 2019 were:

Deferred outflows for FY2020	TWUPP	NUPP	Total
Contributions between January 1, 2020 through September 30, 2020	$ 12,809,012	$ 10,677,444	$ 23,486,456
Difference between expected and actual economic/demographic experience	–	2,974,809	2,974,809
Change of assumption	9,372,068	12,333,171	21,705,239
Net difference between projected and actual earnings on pension investments	–	–	–
Total deferred outflows September 30, 2020	$ 22,181,080	$ 25,985,424	$ 48,166,504

Deferred outflows for FY2019	TWUPP	NUPP	Total
Contributions between January 1, 2019 through September 30, 2019	$ 13,354,471	$ 9,485,439	$ 22,839,910
Difference between expected and actual economic/demographic experience	–	2,142,507	2,142,507
Change of assumption	18,919,849	7,929,821	26,849,670
Net difference between projected and actual earnings on pension investments	18,767,351	12,868,595	31,635,946
Total deferred outflows September 30, 2019	$ 51,041,671	$ 32,426,362	$ 83,468,033

Deferred inflows for FY2020	TWUPP	NUPP	Total
Difference between expected and actual economic/demographic experience	$ 4,350,359	$ 208,552	$ 4,558,911
Change of assumption	6,578,114	80,966	6,659,080
Net difference between projected and actual earnings on pension investments	10,440,152	5,213,966	15,654,118
Total deferred inflows September 30, 2020	$ 21,368,625	$ 5,503,484	$ 26,872,109

Deferred inflows for FY2019	TWUPP	NUPP	Total
Difference between expected and actual economic/demographic experience	$ 7,814,857	$ 953,383	$ 8,768,240
Change of assumption	2,514,606	370,130	2,884,736
Net difference between projected and actual earnings on pension investments	–	–	–
Total deferred inflows September 30, 2019	$ 10,329,463	$ 1,323,513	$ 11,652,976

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	2.2% per year IRS salary limit	2.2% per year IRS salary limit
Investment rate of return	6.25% per annum	6.25% per annum
Funding policy	Contributing annually the actuarially determined contribution requirement	Contributing annually the actuarially determined contribution requirement
Cost-of-living adjustments	None	None
Projected salary increases	3.00% per annum	3.00% per annum
Assumed annual retirement rate	Varying percentage ranging from 0% to 100% for ages 55 and under through 70	Varying percentage ranging from 7.50% to 100% for ages 55 through 70 and over
Mortality and disabled mortality	Pub-2010 Mortality, projected forward (fully generational) with MP-2019 (updated from Pub-2010 Mortality, projected forward (fully generational) with MP-2018)	Pub-2010 Mortality, projected forward (fully generational) with MP-2019 (updated from Pub-2010 Mortality, projected forward (fully generational) with MP-2018)
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, which closed to new members on October 1, 2012, is a single employer, noncontributory defined benefit pension plan which is for employees covered by the collective bargaining agreement. Retirement benefits are established during periodic negotiations with the Transport Workers Union of America, AFL-CIO and Local 260 of the Transport Workers Union of America, AFL-CIO (Union). Postemployment health care costs are not included in the TWUPP.

The TWUPP was amended as part of the FY2018 labor negotiations. This amendment increased the benefit to $65 per year of service and requires participants to begin contributing $3 each week through payroll deductions. Employee contributions and the new employee retirement rate became effective on October 1, 2018. These changes do not apply to employees who retired prior to October 1, 2018.

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

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

Participants can only receive monthly distributions unless their balance 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 for 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, 2020 and January 1, 2019 were:

Participants	2020	2019	Change
Active	1,469	1,591	(122)
Terminated and vested	582	574	8
Retired	1,354	1,248	106
Disabled	185	192	(7)
Beneficiaries	350	351	(1)
Total for all participants	3,940	3,956	(16)

Changes in the Net Pension Liability for the TWUPP is based on a measurement date of December 31, 2019 with the amounts reported on METRO's September 30, 2020 financial statements. Activities for the last two years consisted of:

	For the Years Ending September 30, (Reporting Dates)	
	2020	2019
Total pension liability		
Changes for the year:		
Service cost	$ 4,955,904	$ 4,647,472
Interest on total pension liability	27,493,889	25,779,685
Changes of benefit terms	–	13,850,732
Difference between expected and actual experience	(1,881,792)	(4,970,092)
Changes of assumption	(8,162,008)	22,299,060
Benefit payments	(21,934,190)	(19,795,197)
Net change in total pension liability	471,803	41,811,660
Total pension liability beginning	428,821,440	387,009,780
Total pension liability ending	429,293,243	428,821,440
Plan fiduciary net position:		
Contributions from the employer	$ 17,805,961	$ 15,680,817
Members contributions	199,644	–
Net investment income	44,495,454	(18,516,579)
Benefit payments	(21,934,190)	(19,795,197)
Administrative expenses	(337,196)	(326,240)
Net change in plan fiduciary net position	40,229,673	(22,957,199)
Plan fiduciary net position - beginning	254,400,189	277,357,388
Plan fiduciary net position - ending	294,629,862	254,400,189
METRO's net pension liability	$ 134,663,381	$ 174,421,251

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, 2020.

	1% Decrease to 5.25%	Current Discount Rate 6.25%	1% Increase to 7.25%
Net pension liability	$ 182,932,209	$ 134,663,381	$ 93,800,517

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, 2020 are listed below:

Asset Class	Index	Actual Allocation	Long-Term Expected Geometric Real Rate of Return
US Cash	BAML 3-Mon Tbill	0.10%	0.00%
US Core Fixed Income	Barclays Aggregate	19.38%	1.38%
US Global Bonds	Citi WGBI	12.31%	0.07%
US Large & Mid Caps	Russell 1000	11.84%	3.25%
US Small Caps	Russell 2000	5.39%	3.72%
US Large Value	Russell 1000 Value	4.48%	3.18%
US MidCap Growth	Russell MidCap Growth	4.86%	3.23%
US MidCap Value	Russell MidCap Value	3.38%	3.08%
Non-US Equity	MSCI ACWI xUS NR	13.43%	4.26%
Emerging Markets Equity	MSCI EM NR	6.12%	4.94%
Non-US Small Cap	S&P EPAC EMI	5.50%	4.50%
US REITs	FTSE NAREIT Equity REIT	13.21%	3.23%
Assumed Inflation – Mean			2.20%
Assumed Inflation – Standard Deviation			1.65%
Portfolio Real Mean Return			3.36%
Portfolio Nominal Mean Return			5.63%
Portfolio Standard Deviation			11.06%
Long-Term Expected Rate of Return			6.25%

Pension Plan Expense and Deferred Outflows and Inflows

Pension expense for FY2020 and FY2019 totaled $17,402,385 and $39,054,118, respectively, and was reported on the Statement of Changes in Net Position for each fiscal year. The decrease in pension expense for FY2020 primarily relates to the amortization of deferred outflows.

A deferred outflow of $22,181,080 and a deferred inflow of $21,368,625 was reported on the statement of net position as of September 30, 2020. Included in the deferred outflow are contributions, by METRO, totaling $12,809,012 for the period January 1, 2020 through September 30, 2020. 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
2021	($ 2,922,513)
2022	(3,579,871)
2023	125,008
2024	(5,619,181)
Total	($ 11,996,557)

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, 2020 and January 1, 2019 were:

Participants	2020	2019	Change
Active	440	481	(41)
Terminated and vested	77	79	(2)
Retired	286	268	18
Disabled	–	–	–
Beneficiaries	60	51	9
Total participants	863	879	(16)

Changes in the Net Pension Liability for the NUPP is based on a measurement date of December 31, 2019 with amounts reported on METRO's September 30, 2020 financial statements. Activities for the last two years consisted of:

	For the Years Ended September 30, (Reporting Dates) 2020	2019
Total pension liability		
Changes for the year		
Service cost	$ 3,105,642	$ 3,034,984
Interest on total pension liability	17,962,017	17,395,632
Difference between expected and actual experience	3,547,049	872,882
Changes of assumption	11,310,122	11,269,963
Benefit payments	(15,335,194)	(12,735,227)
Net change in total pension liability	20,589,636	19,838,234
Total pension liability beginning	280,779,966	260,941,732
Total pension liability ending	301,369,602	280,779,966
Plan fiduciary net position		
Contributions from the employer	12,647,252	11,073,254
Members contributions	–	–
Net investment income	27,048,695	(11,548,267)
Benefit payments	(15,335,194)	(12,735,227)
Administrative expenses	(280,381)	(241,979)
Net change in plan fiduciary net position	24,080,372	(13,452,219)
Plan fiduciary net position – beginning	162,565,040	176,017,259
Plan fiduciary net position – ending	186,645,412	162,565,040
METRO's net pension liability ending	$ 114,724,190	$ 118,214,926

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, 2020.

	1% Decrease to 5.25%	Current Discount Rate of 6.25%	1% Increase to 7.25%
Net pension liability	$ 147,287,073	$ 114,724,190	$ 87,078,805

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, 2020, are listed below.

Asset Class	Index	Actual Allocation	Long-Term Expected Real Geometric Rate of Return
US Cash	BAML 3-Mon Tbill	0.56%	0.00%
US Core Fixed Income	Barclays Aggregate	22.34%	1.38%
Global Bonds	Citi WGBI	8.95%	0.07%
US Large & Mid Caps	Russell 1000	13.32%	3.25%
US Small Caps	Russell 2000	2.77%	3.72%
US Small & Mid Caps	Russell 2500	3.70%	3.57%
US Large Value	Russell 1000 Value	4.49%	3.18%
US MidCap Growth	Russell MidCap Growth	5.03%	3.23%
Non-US Equity	MSCI ACWI xUS NR	14.29%	4.26%
Emerging Markets Equity	MSCI EM NR	5.70%	4.94%
Non-US Small Cap	S&P EPAC EMI	5.12%	4.50%
US REITs	FTSE NAREIT Equity REIT	13.73%	3.23%
Assumed Inflation – Mean			2.20%
Assumed Inflation – Standard Deviation			1.65%
Portfolio Real Mean Return			3.39%
Portfolio Nominal Mean Return			5.66%
Portfolio Standard Deviation			11.02%
Long-Term Expected Rate of Return			6.25%

Pension Plan Expense and Deferred Outflows and Inflows

Pension expense for FY2020 and FY2019 totaled $20,969,430 and $25,067,261 and was reported on the statement of changes in net position for each fiscal year. The decrease in pension expense for FY2020 primarily relates to the amortization of deferred outflows.

A deferred outflow of $25,985,424 and a deferred inflow of $5,503,484 were reported on the statement of net position as of September 30, 2020. Included in the deferred outflow are contributions by METRO totaling $10,677,444 for the period January 1, 2020 through September 30, 2020. 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
2021	$ 5,707,170
2022	2,068,779
2023	4,981,559
2024	(2,953,012)
Total	$ 9,804,496

Defined Contribution Pension Plan (DCPP)

The NUPP was closed October 1, 2007 and the TWUPP was closed October 1, 2012 to new employees. Individuals hired after those dates are placed into a DCPP. As part of DCPP, METRO will contribute 2% of the employee's annual salary and will match up to an additional 4% of their contributions. All contributions are placed into a third-party trust account. Employee's vesting rates are 40% after the second year and 20% increase annually thereafter. Contributions by METRO for the current and previous two fiscal years were $7,627,357, $6,558,342, and $5,446,788, with employees contributing $6,815,388, $5,719,637 and $4,638,618.

Other Postemployment Benefits Plans Other Than Pension (OPEB)

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

The Union OPEB Plan is managed by the Transport Workers Union Metropolitan Transit Authority Health & Welfare Trust (Trust) which is a separate legal entity. The Trust is responsible for managing resources and establishing benefits for both active and retirees covered under the collective bargaining agreement. METRO's responsibility is limited to monthly contributions which are established during labor negotiations. Total monthly payments are based on the number of eligible participants (active and retirees) times a standard amount of $1,140 for FY2020. This amount will change annually and is based on the terms of the labor contract. To qualify for this retirement benefit, an employee must be (1) 60 years old with 5 years of credited service, (2) any age with 28 years of credited services, (3) or 55 years old with 25 years of credited service or meet disability qualifications. In addition to payments made to the Union OPEB Plan, METRO provides life insurance of $20,000 for each participant. The Union OPEB Plan is not considered to be a plan administered through a trust as there is not a trust for accumulating plan assets that are dedicated in providing OPEB.

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, (2) or 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 $14,000. Effective October 1, 2012, METRO moved post-65 retirees and spouses to Extend Health. This plan is capped at $2,801 per person annually and includes medical, dental, vision, and pharmacy. Inactive employees are not covered. The Non-Union OPEB Plan is not considered to be a plan administered through a trust as there is not a trust for accumulating plan assets that are dedicated in providing OPEB.

Employees covered by the OPEB Plans as of January 1, 2020 consisted of:

	Union OPEB Plan	Non-Union OPEB Plan
Active	2,645	1,451
Retirees	1,150	614
Beneficiaries	123	52
Total of all participants	3,918	2,117

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, 2019	December 31, 2019
Valuation date	January 1, 2020	January 1, 2020
Reporting date	September 30, 2020	September 30, 2020
Cost method	Entry age normal – Level percent of pay	Entry age normal – Level percent of pay
Investment rate of return without prefunding	December 31, 2018: 4.10% December 31, 2019: 2.74%	December 31, 2018: 4.10% December 31, 2019: 2.74%
Medical benefits inflation	3.00% per year to apply for 2022 and after following scheduled increases	Varying percentage ranging from 3.8% to 5.0% from 2020 to 2074 and after
Funding policy	Pay-as-you-go	Pay-as-you-go
Assumed annual retirement rate	Varying percentage ranging from 0% to 100% for age 55 and under through 70	Varying percentage ranging from 7.5% to 100% for ages 55 through 70 and over
Coverage assumption	75% of active employees eligible for retiree medical benefits are assumed to elect continued medical coverage in retirement, 5% of current retirees with only life insurance benefits are assumed to elect retiree medical coverage immediately.	75% of employees eligible for retiree medical benefits are assumed to elect continued medical coverage in retirement. They are assumed to elect coverage under the same medical plan they are currently electing, and at age 65 active employees are assumed to move into the Extend Health plan. Actives currently not electing medical coverage or who are electing a plan not available to retirees are assumed to choose the PPO Basic plan.

	Union OPEB Plan	Non-Union OPEB Plan
Spousal coverage	Upon retirement, 60% 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, 50% 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	Milliman's Demographic Assumptions Study for the METRO Pension Plan for Union Employees dated April 8, 2020 and on the actuary's judgement and continual review of experience	Milliman's Demographic Assumptions Study for the METRO Pension Plan for Non-Union Employees dated April 8, 2020 and on the actuary's judgement and continual review of experience
Inflation assumption	2.2% per annum, compound annually	2.3% per annum, compound annually
Salary increase	3.00 % per annum, compound annually	3.00% per annum, compound annually
Disability	Varying percentage for ranging from 0.0% to 0.57% for age 25 through 64	0.00%
Withdrawal rates	Varying percentage ranging from 1.5% to 7% for service year 4 through 24 and after	Varying percentage ranging from 10.00% to 2% for service year from 7 to 28 and after
Mortality basis after normal retirement	PubG.H-2010 projected forward (fully generational) with MP-2019. Pub-2010 tables for disabled lives and contingent survivors were also used.	PubG.H-2010 projected forward (fully generational) with MP-2019. 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 FY2020 OPEB valuation consisted of:

	Union OPEB Plan	Non-Union OPEB Plan
Interest rate	Moved from 4.10% to 2.74%	Moved from 4.10% to 2.74%
Coverage assumption	Updated from 25% to 5% of current retirees with only life insurance benefits are assumed to elect retiree medical coverage immediately and resulted in an actuarial gain of approximately $15.8 million.	No changes
Mortality assumption	No changes	Move from PubG.H-2010 projected forward (fully generational) with MP-2018 to MP-2019 to reflect 2019 Society of Actuaries Public Plans Mortality Study tables.
Claim costs	No changes	Updated for current year
Compensation increase rate	Changed from 2.75% to 3.00%	Changed from 2.75% to 3.00%
Optional form election, termination rates, retirement rates and disability rates	Updated based on the latest experience study dated April 8, 2020	Updated based on the latest experience study dated April 8, 2020

Change in the Net OPEB Liability for FY2020 consist of:

	Union OPEB Plan	Non-Union OPEB Plan	Total
Balance as of September 30, 2019	$ 482,016,117	$ 78,188,858	$ 560,204,975
Current year changes			
Service cost	23,157,395	1,259,886	24,417,281
Interest on total OPEB liability	19,848,654	2,874,234	22,722,888
Plan changes	–	3,002,579	3,002,579
Economic/demographic losses	(15,094,587)	(7,942,052)	(23,036,639)
Assumption changes or inputs	65,645,427	2,967,113	68,612,540
Benefit payments	(12,566,703)	(2,869,717)	(15,436,420)
Balance as of September 30, 2020	$ 563,006,303	$ 77,480,901	$ 640,487,204
Covered payroll	$ 121,276,540	$ 92,383,938	
Net OPEB liability as a percentage of covered payroll	464.23%	83.87%	

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

Union OPEB Plan		
1% Decrease 1.74%	Current Rate 2.74%	1% Increase 3.74%
$ 665,786,130	$ 563,006,303	$ 481,420,326

Non-Union OPEB Plan		
1% Decrease 1.74%	Current Rate 2.74%	1% Increase 3.74%
$ 87,698,490	$ 77,480,901	$ 69,015,241

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

Union OPEB Plan		
1% Decrease	Current Trend Rate	1% Increase
$ 476,702,287	$ 563,006,303	$ 674,220,352

Non-Union OPEB Plan		
1% Decrease	Current Trend Rate	1% Increase
$ 73,890,173	$ 77,480,901	$ 81,815,683

During FY2020 METRO recognized OPEB cost totaling $42,238,432 of which $38,345,788 related to the Union and $3,892,644 related to the Non-Union plan. During FY2019 METRO recognized OPEB cost totaling $36,010,696 of which $34,200,350 related to the Union and $1,810,346 related to the Non-Union plan.

Deferred outflows and inflows consisted of:

Deferred outflows for FY2020	Union OPEB Plan	Non-Union OPEB Plan	Total
Contributions between January 1, 2020 through September 30, 2020	$ 9,905,476	$ 2,196,528	$ 12,102,004
Difference between expected and actual economic/demographic experience	58,099,976	-	58,099,976
Change of assumption	-	2,549,210	2,549,210
Total deferred outflows September 30, 2020	$ 68,005,452	$ 4,745,738	$ 72,751,190

Deferred inflows for FY2020	Union OPEB Plan	Non-Union OPEB Plan	Total
Difference between expected and actual economic/demographic experience	$ 15,948,825	$ 8,285,236	$ 24,234,061
Change of assumption	51,708,598	4,928,344	56,636,942
Total deferred inflows September 30, 2020	$ 67,657,423	$ 13,213,580	$ 80,871,003

Deferred outflows for FY2019	Union OPEB Plan	Non-Union OPEB Plan	Total
Contributions between January 1, 2019 through September 30, 2019	$ 9,361,382	$ 2,189,277	$ 11,550,659
Difference between expected and actual economic/demographic experience	–	–	–
Total deferred outflows September 30, 2019	$ 9,361,382	$ 2,189,277	$ 11,550,659

Deferred inflows for FY2019	Union OPEB Plan	Non-Union OPEB Plan	Total
Difference between expected and actual economic/demographic experience	$ 3,087,181	$ 1,997,073	$ 5,084,254
Change of assumption	61,681,367	6,936,413	68,617,780
Total deferred inflows September 30, 2019	$ 64,768,548	$ 8,933,486	$ 73,702,034

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
2021	$ (4,660,261)	$ (3,244,055)	$ (7,904,316)
2022	(4,660,261)	(2,711,005)	(7,371,266)
2023	(4,660,261)	(2,370,203)	(7,030,464)
2024	(4,660,261)	(867,648)	(5,527,909)
2025	(4,560,394)	(700,696)	(5,261,090)
Thereafter	13,643,991	(770,763)	12,943,228
Total	$ (9,557,447)	$(10,664,370)	$ (20,151,817)

No actuarially determined contribution amount is developed as METRO funds OPEB cost on a pay-as-you-go basis.

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 FY2020 and FY2019 were:

	Balance at the Beginning of the Fiscal Year	Claims and Changes in Estimates	Claim Payments	Balance at the End of the Fiscal Year
October 1, 2019 - September 30, 2020	$ 19,122,581	$ 9,518,167	$ (9,199,548)	$ 19,441,200
October 1, 2018 - September 30, 2019	$ 15,621,751	$ 10,914,005	$ (7,413,175)	$ 19,122,581

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. Public/Private Development

Development

During FY2006, METRO leased 11.5 acres of land for 99 years to A-S 90 HWY 290-Skinner, L.P. (lessee), the right (a ground lease) to develop, construct, operate, and maintain a mixed-use residential and commercial facility. METRO maintains a continuing financial interest in the property and must grant prior approval for certain activities, sales, assignments, transfers, and subleasing by the lessee.

As part of the development program, METRO paid $16,630,466 to the lessee for the construction of a multilevel parking garage, transit center and other related improvements known as Cypress Park & Ride. 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. The lessee is responsible for maintaining the grounds and may bill METRO up to 33.89% of the cost to maintain the drainage facilities/detention pond and certain common areas. The remaining cost associated with the property and improvement (excluding the garage) is paid by the lessee with most payments being included when calculating METRO's 25% share of cash flow participation rent.

METRO receives $50,000 annually in base rent, paid monthly, and cash flow participation rent calculated as 25% of the net cash flows of the leases less most expenses, reasonable reserves, and the base rent. Upon certain payment events, METRO will receive participation payments calculated as 25% of the net proceeds. These payment events include sale, casualty, condemnation action, or permanent financing of the project. All cash flow participation rent will cease if the lessee sells its interest to a third party. No cash flow participation rents or payment events have been received by METRO through FY2020.

7. 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, 2020 was approximately $132 million. Payments to vendors will be made from sales tax collections, transit fares, debt proceeds, and grants.

Agreements to Fund Local Infrastructure Improvements and Mobility Programs

METRO makes payments to or on behalf of Harris County, the City of Houston, and the 14 cities (Multi-cities) within METRO's service area for infrastructure improvement and mobility programs. These payments were reauthorized on November 5, 2019 as part of the METRONext Moving Forward Plan referendum and will continue through September 30, 2040. Funding for the program is provided by 25% of sales tax receipts with any growth after September 30, 2014 shared equally between METRO and the program. Final distribution of funds to the local governments within METRO's service area will be based on interlocal agreements as approved by the Board of Directors. Funds held and not yet disbursed at the end of FY2020 totaled $98,621,475.

Expenses related to these agreements are reported as local infrastructure assistance in the Statements of Revenues, Expenses, and Changes in Net Position as funding requests are received and accepted by METRO.

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

METRO entered into an agreement on January 1, 2001 where one half of all METRO's sales and use tax collected within the MUD's service area would be remitted monthly and used by the MUD for the construction, acquisition, improvements and financing of transportation projects. This agreement is for a term of 30 years or until the MUD is annexed by the City of Houston for full purpose as provided in the Strategic Partnership Agreement. Amounts remitted during FY2020 and FY2019 totaled $1,653,982 and $1,734,930, 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 FY2020 and FY2019 totaled $1,498,175 and $2,225,913.

Debt

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

Commercial Paper

METRO is authorized to issue up to $400 million in Sales and Use Tax Revenue Commercial Paper Notes (CP). These notes are supported by pledging 75% of METRO's Sales and Use Tax Revenue and interest earned on related investments. To support the CP program in case of a remarketing failure, METRO established two revolving credit and term loan agreements totaling $165 million. A-1 is for $140 million with JPMorgan Chase Bank, National Association and expires on June 30, 2021. A-3 is for $25 million with State Street Bank and Trust Company and expires on June 30, 2021.

Both commercial paper obligations are reported as a long-term liability on the Statements of Net Position since on March 2021 METRO entered an extension of the terms and reallocation of the amounts issued under the related revolving credit and term loan agreements. These extensions expire more than one year after September 30, 2020: The extension for A-1 is for $90 million with JPMorgan Chase Bank, National Association and expires on March 10, 2023. The extension for A-3 is for $75 million with State Street Bank and Trust Company and expires on March 11, 2024. (See Note 9).

In addition to the interest cost discussed below, METRO is required to pay an annual commitment fee for unused funds which ranges from 0.34% to 4.05% depending on the lowest credit rating issued by Moody or Standards and Poor's.

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

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

Proceeds from CP were used to make payments for eliminating outstanding notes of the same series. Changes and outstanding CP by series as of September 30, 2020 were as follows:

Series	October 1, 2019	Proceeds	Repayments	September 30, 2020
A-1	$ 94,100,000	$ 365,850,000	$ (365,850,000)	$ 94,100,000
A-3	22,000,000	77,800,000	(78,100,000)	21,700,000
Total	$ 116,100,000	$ 443,650,000	$ (443,950,000)	$ 115,800,000

Series	Amount Issued	Maturity Date	Remaining Days Outstanding	Nominal Rate %
A-1	$ 29,100,000	10/02/2020	2	0.23
A-1	26,450,000	10/22/2020	22	0.27
A-1	30,650,000	11/05/2020	36	0.25
A-1	7,900,000	10/06/2020	6	0.25
	94,100,000			
A-3	12,700,000	11/05/2020	36	0.25
A-3	9,000,000	11/05/2020	36	0.25
	21,700,000			
Total	$ 115,800,000			

Changes for CP by series for FY 2019 were as follows:

Series	October 1, 2018	Proceeds	Repayments	September 30, 2019
A-1	$ 94,100,000	$ 526,400,000	$ (526,400,000)	$ 94,100,000
A-3	22,000,000	141,000,000	(141,000,000)	22,000,000
Total	$ 116,100,000	$ 667,400,000	$ (667,400,000)	$ 116,100,000

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:

	Sales and Use Tax Bonds and Contractual Obligations					
	Contractual Obligations Series 2010A (Buses)		Bonds Series 2011A (Rail Construction)		Contractual Obligations Series 2011B (Buses)	
Fiscal Year	Principal	Interest	Principal	Interest	Principal	Interest
2021	$ 2,845,000	$ 273,125	$ 9,835,000	$ 762,875	$ –	$ 431,950
2022	4,040,000	101,000	10,340,000	258,500	4,680,000	338,350
2023	–	–	–	–	4,895,000	122,375
2024	–	–	–	–	–	–
2025	–	–	–	–	–	–
2026-2030	–	–	–	–	–	–
2031-2035	–	–	–	–	–	–
2036-2040	–	–	–	–	–	–
2041-2045	–	–	–	–	–	–
	$ 6,885,000	$ 374,125	$ 20,175,000	$ 1,021,375	$ 9,575,000	$ 892,675

	Sales and Use Tax Bonds and Contractual Obligations					
	Contractual Obligations Series 2014 (Rail Vehicles)		Contractual Obligations Series 2015B (Buses)		Sales and Use Tax Refunding Bonds Series 2016A	
Fiscal Year	Principal	Interest	Principal	Interest	Principal	Interest
2021	$ 7,700,000	$ 3,611,750	$ 4,760,000	$ 2,163,250	$ –	$ 6,069,500
2022	8,090,000	3,217,000	5,000,000	1,919,250	4,390,000	5,959,750
2023	8,505,000	2,802,125	5,260,000	1,662,750	4,615,000	5,734,625
2024	8,945,000	2,365,875	5,530,000	1,393,000	–	5,619,250
2025	9,400,000	1,907,250	5,810,000	1,109,500	16,470,000	5,207,500
2026-2030	33,445,000	4,973,875	19,285,000	1,478,375	95,915,000	12,467,378
2031-2035	–	–	–	–	–	–
2036-2040	–	–	–	–	–	–
2041-2045	–	–	–	–	–	–
	$ 76,085,000	$ 18,877,875	$ 45,645,000	$ 9,726,125	$121,390,000	$ 41,058,003

	Sales and Use Tax Bonds and Contractual Obligations					
	Sales and Use Tax Refunding Contractual Obligations Series 2016B		Direct Placement Series 2016C (Refunding)		Sales and Use Tax Bonds Series 2016D (Buses)	
Fiscal Year	Principal	Interest	Principal	Interest	Principal	Interest
2021	$ 1,390,000	$ 1,213,175	$ 11,390,000	$ 205,020	$ 4,445,000	$ 1,888,875
2022	1,460,000	1,141,925	–	–	4,445,000	1,666,625
2023	–	1,105,425	–	–	4,445,000	1,444,375
2024	1,600,000	1,065,425	–	–	4,445,000	1,222,125
2025	1,685,000	983,300	–	–	4,445,000	999,875
2026-2030	9,815,000	3,528,500	–	–	17,775,000	1,777,125
2031-2035	9,685,000	980,463	–	–	–	–
2036-2040	–	–	–	–	–	–
2041-2045	–	–	–	–	–	–
	$ 25,635,000	$ 10,018,213	$ 11,390,000	$ 205,020	$ 40,000,000	$ 8,999,000

	Sales and Use Tax Bonds and Contractual Obligations					
	Sales and Use Tax Refunding Bonds Series 2017A		Sales and Use Tax Refunding Contractual Obligations Series 2017B		Direct Placement Refunding Bonds Series 2017C	
Fiscal Year	Principal	Interest	Principal	Interest	Principal	Interest
2021	$ 4,440,000	$ 1,388,750	$ 7,795,000	$ 4,852,625	$ 480,000	$ 555,209
2022	2,635,000	1,211,875	11,695,000	4,365,375	490,000	544,005
2023	2,775,000	1,076,625	15,660,000	3,681,500	500,000	532,570
2024	13,860,000	660,750	18,150,000	2,836,250	515,000	520,847
2025	3,065,000	237,625	14,550,000	2,018,750	525,000	508,835
2026-2030	3,220,000	80,500	33,100,000	4,222,250	21,765,000	989,662
2031-2035	–	–	–	–	–	–
2036-2040	–	–	–	–	–	–
2041-2045	–	–	–	–	–	–
	$ 29,995,000	$ 4,656,125	$100,950,000	$ 21,976,750	$ 24,275,000	$ 3,651,128

	Sales and Use Tax Bonds and Contractual Obligations					
	Sales and Use Tax Contractual Obligations Series 2018		Sales and Use Tax Refunding Bonds Series 2019A		Sales and Use Tax Refunding Bonds Taxable Series 2019B	
Fiscal Year	Principal	Interest	Principal	Interest	Principal	Interest
2021	$ –	$5,951,500	$ –	$ 3,206,000	$ 1,065,000	$ 496,888
2022	–	5,951,500	–	3,206,000	1,080,000	479,452
2023	9,015,000	5,726,125	–	3,206,000	–	470,493
2024	9,485,000	5,263,625	–	3,206,000	–	470,493
2025	11,230,000	4,745,750	–	3,206,000	–	470,493
2026-2030	65,060,000	14,517,000	–	16,030,000	7,850,000	1,980,075
2031-2035	20,730,000	1,997,250	32,175,000	12,163,125	13,885,000	156,970
2036-2040	1,755,000	666,875	31,945,000	3,290,375	–	–
2041-2045	1,755,000	180,875	–	–	–	–
	$119,030,000	$45,000,500	$ 64,120,000	$47,513,500	$ 23,880,000	$ 4,524,864

	Sales and Use Tax Bonds and Contractual Obligations	
	Sales and Use Tax Refunding Bonds Taxable Series 2020A	
Fiscal Year	Principal	Interest
2021	$ 2,035,000	$ 8,001,228
2022	2,065,000	7,969,080
2023	7,870,000	7,889,947
2024	1,930,000	7,811,562
2025	1,965,000	7,779,247
2026-2030	10,395,000	38,320,008
2031-2035	83,290,000	33,605,722
2036-2040	121,980,000	20,416,847
2041-2045	72,600,000	2,184,110
	$ 304,130,000	$ 133,977,751

Total Sales and Use Tax Bonds and Contractual Obligations

	Public Placement		Direct Placement		Total		
Fiscal Year	Principal	Interest	Principal	Interest	Principal	Interest	Total
2021	$ 46,310,000	$ 40,311,491	$ 11,870,000	$ 760,229	$ 58,180,000	$ 41,071,720	$ 99,251,720
2022	59,920,000	37,785,682	490,000	544,005	60,410,000	38,329,687	98,739,687
2023	63,040,000	34,922,365	500,000	532,570	63,540,000	35,454,935	98,994,935
2024	63,945,000	31,914,355	515,000	520,847	64,460,000	32,435,202	96,895,202
2025	68,620,000	28,665,290	525,000	508,835	69,145,000	29,174,125	98,319,125
2026-2030	295,860,000	99,375,086	21,765,000	989,662	317,625,000	100,364,748	417,989,748
2031-2035	159,765,000	48,903,530	–	–	159,765,000	48,903,530	208,668,530
2036-2040	155,680,000	24,374,097	–	–	155,680,000	24,374,097	180,054,097
2041-2045	74,355,000	2,364,985	–	–	74,355,000	2,364,985	76,719,985
	$987,495,000	$ 348,616,881	$ 35,665,000	$ 3,856,148	$1,023,160,000	$ 352,473,029	$1,375,633,029

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 FY2020 and FY2019 included:

	Scheduled Principal Payments	
	FY2020	FY2019
Contractual Obligations Series 2010A	$ 2,845,000	$ –
Bonds Series 2011A	9,835,000	–
Contractual Obligations Series 2014	7,700,000	5,320,000
Sales and Use Tax Series 2015A (refunding of commercial paper)	–	26,295,000
Contractual Obligations Series 2015B	4,760,000	4,525,000
Contractual Obligations Series 2016B	1,390,000	–
Sales and Use Tax Bonds Series 2016C (Refunding)	11,390,000	11,195,000
Sales and Use Tax Bonds Series 2016D	4,445,000	4,445,000
Refunding Bonds Series 2017A	4,440,000	–
Contractual Obligations Series 2017B	7,795,000	–
Direct Place Refunding Bonds Series 2017C	480,000	470,000
Refunding Bonds Taxable Series 2019B	1,065,000	–
Refunding Bonds Taxable Series 2020A	2,035,000	–
Total	$ 58,180,000	$ 52,250,000

Changes for FY2020 (including refunding) consisted of:

Series	Changes in Bonds and Contractual Obligations			Changes in Premium or Discount		
	October 1, 2019 Principal	Additions	Principal Payments	October 1, 2019 Unamortized Premium or (Discount)	Current Year Addition and Amortization of (Premium) and Discount	Combined Balance September 30, 2020
Public Placement						
2009A	$ –	$ –	$ –	$ –	$ –	$ –
2009C	–	–	–	–	–	–
2010A	6,885,000	–	–	309,367	(103,122)	7,091,245
2011A	308,180,000	–	(288,005,000)	23,922,098	(23,139,068)	20,958,030
2011B	9,575,000	–	–	763,642	(190,910)	10,147,732
2014	81,405,000	–	(5,320,000)	10,741,767	(1,193,530)	85,633,237
2015A	26,295,000	–	(26,295,000)	1,553,070	(1,553,070)	–
2015B	50,170,000	–	(4,525,000)	7,082,274	(885,284)	51,841,990
2016A	121,390,000	–	–	24,014,270	(2,183,116)	143,221,154
2016B	25,635,000	–	–	4,836,336	(345,453)	30,125,883
2016D	44,445,000	–	(4,445,000)	5,785,873	(578,588)	45,207,285
2017A	29,995,000	–	–	4,180,381	(597,197)	33,578,184
2017B	100,950,000	–	–	16,805,461	(1,527,769)	116,227,692
2018	119,030,000	–	–	18,537,256	(1,532,908)	136,034,348
2019A	64,120,000	–	–	19,724,422	(986,221)	82,858,201
2019B	23,880,000	–	–	–	–	23,880,000
2020A	–	304,130,000	–	–	–	304,130,000
Subtotal	$ 1,011,955,000	$ 304,130,000	$ (328,590,000)	$ 138,256,217	$ (34,816,236)	$ 1,090,934,981
Direct Placement						
2016C	22,585,000	–	(11,195,000)	–	–	11,390,000
2017C	24,745,000	–	(470,000)	–	–	24,275,000
Subtotal	$ 47,330,000	$ –	$ (11,665,000)	$ –	$ –	$ 35,665,000
Total	$ 1,059,285,000	$ 304,130,000	$ (340,255,000)	$ 138,256,217	$ (34,816,236)	$ 1,126,599,981

Changes for FY2019 (including refunding) consisted of:

Series	October 1, 2018 Principal	Additions	Principal Payments	October 1, 2018 Unamortized Premium or (Discount)	Current Year Addition and Amortization of (Premium) and Discount	Combined Balance September 30, 2019
	Changes in Bonds and Contractual Obligations			Changes in Premium or Discount		
Public Placement						
2009A	$ 4,195,000	$ –	$ (4,195,000)	$ 120,640	$ (120,640)	$ –
2009C	82,555,000	–	(82,555,000)	(747,581)	747,581	–
2010A	6,885,000	–	–	412,489	(103,122)	7,194,367
2011A	331,575,000	–	(23,395,000)	26,819,309	(2,897,211)	332,102,098
2011B	9,575,000	–	–	954,552	(190,910)	10,338,642
2014	88,370,000	–	(6,965,000)	11,935,297	(1,193,530)	92,146,767
2015A	43,820,000	–	(17,525,000)	3,106,141	(1,553,071)	27,848,070
2015B	54,475,000	–	(4,305,000)	7,967,558	(885,284)	57,252,274
2016A	126,245,000	–	(4,855,000)	27,472,194	(3,457,924)	145,404,270
2016B	25,635,000	–	–	5,181,789	(345,453)	30,471,336
2016D	44,445,000	–	–	6,364,461	(578,588)	50,230,873
2017A	29,995,000	–	–	4,777,578	(597,197)	34,175,381
2017B	100,950,000	–	–	18,333,230	(1,527,769)	117,755,461
2018	–	119,030,000	–	–	18,537,256	137,567,256
2019A	–	64,120,000	–	–	19,724,422	83,844,422
2019B	–	23,880,000	–	–	–	23,880,000
Subtotal	$ 948,720,000	$ 207,030,000	$ (143,795,000)	$ 112,697,657	$ 25,558,560	$ 1,150,211,217
Direct Placement						
2016C	33,615,000	–	(11,030,000)	–	–	22,585,000
2017C	25,200,000	–	(455,000)	–	–	24,745,000
Subtotal	$ 58,815,000	$ –	$ (11,485,000)	$ –	$ –	$ 47,330,000
Total	$ 1,007,535,000	$ 207,030,000	$ (155,280,000)	$ 112,697,657	$ 25,558,560	$ 1,197,541,217

During FY2020 METRO issued a new debt obligation “Sales and Use Tax Refunding Bonds, Taxable Series 2020A” of $304,130,000. Proceeds from this Taxable Bonds will be used to establish a cash deposit and to acquire certain US Treasury Securities-SLGA and T-Notes (collectively, the “Escrowed Securities”) to refund a portion of the Issuer’s outstanding Sales and Use Tax Bond, Series 2011A as reflected in the following schedule:

In-substance Defeased Debt	Sales and Use Tax Refunding Bonds Series 2020A
Sales and Use Tax Bonds, Series 2011A	$ 288,005,000
Premium	22,356,038
Total amount of defeased debt	310,361,038
Other related activity	
Issuance cost	633,730
Underwriter’s discount	1,235,864
Proceeds of debt service funds	(7,177,028)
Total other related activity	(5,307,434)
Total amount of defeased debt and other related activity	305,053,604
Replacement debt	
Par value	304,130,000
Total replacement debt and premium	304,130,000
Deferred inflows from in-substance debt refunding	(923,604)
Current year amortization	26,252
Ending balance of deferred inflows as of September 30, 2020	($ 897,352)
Net present value savings	$ 72,343,537
Interest rate used in the net present value calculation	2.73%

During FY2019 METRO issued three new debt obligations totaling (including premium) $246,569,101. The first debt obligation issued in early FY2019 (Sales and Use Tax Contractual Obligations Series 2018) will be used to purchase various capital assets. The next two debt obligations (2019A and 2019B) were used to complete the in-substance defeasance of previous outstanding debts as reflected in the following schedule. Funds received from the two 2019 refunding bonds were placed into an irrevocable trust which purchased eligible governmental securities. The cash flows from these securities will be adequate to make all interest and principal payments as they become due.

In-substance Defeased Debt	Sales and Use Tax Refunding Bonds Series 2019A	Sales and Use Tax Refunding Bonds Taxable Series 2019B	Total Amounts for In-substance Defeased Debt and Other Activity
Sales and Use Tax Bonds, Series 2009C	$ 82,555,000	$ -	$ 82,555,000
Discount	(710,202)	-	(710,202)
Sales and Use Tax Bonds, Series 2011A	-	17,000,000	17,000,000
Premium	-	1,319,604	1,319,604
Contractual Obligations Series 2016A	-	4,855,000	4,855,000
Premium	-	960,452	960,452
Total amount of defeased debt	81,844,798	24,135,056	105,979,854
Other related activity			
Issuance cost	334,091	175,258	509,349
Underwriter's discount	285,677	99,429	385,106
Proceeds of debt service funds	(1,997,171)	(635,517)	(2,632,688)
Total other related activity	(1,377,403)	(360,830)	(1,738,233)
Total amount of defeased debt and other related activity	80,467,395	23,774,226	104,241,621
Replacement debt			
Par value	64,120,000	23,880,000	88,000,000
Premium	19,724,422	-	19,724,422
Total replacement debt and premium	83,844,422	23,880,000	107,724,422
Deferred outflows/(inflows) from in-substance debt refunding	3,377,027	105,774	3,482,801
Current year amortization	-	-	-
Ending balance of deferred outflows/(inflows) as of September 30, 2019	$ 3,377,027	$ 105,774	$ 3,482,801
Net present value savings	$ 22,593,205	$ 2,193,049	
Interest rate used in the net present value calculation	1.68%	1.68%	

During FY2018 METRO issued three new debt obligations totaling (including premium) $181,380,774. Proceeds from these debts, net of issuance cost, were primarily used to complete the in-substance defeasance of certain outstanding debts by placing the funds into an irrevocable trust which purchased governmental securities. The cash flows from these governmental securities will be adequate to make all interest and principal payments as they become due. The 2017B debt proceeds were used to both refund certain debt obligations and to acquire new assets. The use of the proceeds is reflected in the following table

In-substance Defeased Debt	Sales and Use Tax Refunding Bonds Series 2017A	Sales and Use Tax Refunding Contractual Obligations Series 2017B	Sales and Use Tax Bonds Series 2017C	Total Amounts for In-substance Defeased Debt and Other Activity
Sales and Use Tax Bonds, Series 2009A	$ 9,045,000	$ –	$ –	$ 9,045,000
Premium	520,233	–	–	520,233
Sales and Use Tax Bonds, Series 2011A	23,280,000	–	–	23,280,000
Premium	1,993,758	–	–	1,993,758
Contractual Obligations Series 2009B	–	4,665,000	–	4,665,000
Premium	–	99,995	–	99,995
Contractual Obligations Series 2009D	–	13,520,000	–	13,520,000
Premium	–	1,193,276	–	1,193,276
Sales and Use Tax Bonds, Series 2010A	–	12,425,000	–	12,425,000
Premium	–	930,497	–	930,497
Sales and Use Tax Bonds, Series 2011B	–	18,110,000	–	18,110,000
Premium	–	2,109,764	–	2,109,764
Sales and Use Tax Bonds, Series 2014	–	2,000,000	–	2,000,000
Premium	–	297,133	–	297,133
Sales and Use Tax Bonds, Series 2014	–	–	21,315,000	21,315,000
Premium	–	–	3,166,697	3,166,697
Total amount of defeased debt	34,838,991	55,350,665	24,481,697	114,671,353
Other related activity				
Issuance cost	330,157	821,616	253,424	1,405,197
Proceeds from METRO's debt service fund	(2,993,888)	–	(177,625)	(3,171,513)
Funds used to purchase new assets	–	69,198,000	–	69,198,000
Total other related activity	(2,663,731)	70,019,616	75,799	67,431,684
Total amount of defeased debt and other related activity	32,175,260	125,370,281	24,557,496	182,103,037
Replacement debt				
Par value	29,995,000	100,950,000	25,200,000	156,145,000
Premium	5,374,775	19,860,999	–	25,235,774
Total replacement debt and premium	35,369,775	120,810,999	25,200,000	181,380,774
Deferred outflows/(inflows) from in-substance debt refunding	3,194,515	(4,559,282)	642,504	(722,263)
Current year amortization	(1,214,855)	2,069,531	(91,878)	762,798
Ending balance of deferred outflows/(inflows) as of September 30, 2018	$ 1,979,660	$ (2,489,751)	$ 550,626	$ 40,535
Net present value savings	$ 712,988	$ 1,053,768	$ 906,860	$ 2,673,616
Interest rate used in the net present value calculation	1.78%	1.78%	2.31%	

Changes in deferred outflows and inflows for FY2020 and FY2019 relating to in-substance debt refunding activity include:

	Changes in FY2020 Deferred Outflows from In-substance Debt Refunding			
	Beginning Balance as of October 1, 2019	Addition	Amortization	Ending Balance as of September 30, 2020
Sales and Use Tax Refunding Bonds Series 2016A	$ 3,767,299	$ –	$ (1,883,649)	$ 1,883,650
Sales and Use Tax Refunding Contractual Obligations Series 2016B	70,032	–	(70,032)	–
Sales and Use Tax Refunding Bonds Series 2017A	858,762	–	(429,381)	429,381
Sales and Use Tax Bonds Series 2017C	458,748	–	(91,750)	366,998
Sales and Use Tax Refunding Bonds Series 2019A	3,377,027	–	(213,773)	3,163,254
Sales and Use Tax Refunding Bonds Series 2019B	105,774	–	(14,217)	91,557
	$ 8,637,642	$ –	$ (2,702,802)	$ 5,934,840

	Changes in FY2020 Deferred Inflows from In-substance Debt Refunding			
	Beginning balance as of October 1, 2019	Addition	Amortization	Ending Balance as September 30, 2020
Sales and Use Tax Refunding Contractual Obligations Series 2017B	$ (871,033)	$ –	$ 636,722	$ (234,311)
Sales and Use Tax Refunding Contractual Obligations Series 2020A	–	(923,604)	26,252	(897,352)
	$ (871,033)	$ (923,604)	$ 662,974	$ (1,131,663)

Changes in deferred outflows and inflows for FY2019 and FY2018 relating to in-substance debt refunding activity include:

	Changes in FY2019 Deferred Outflows from In-substance Debt Refunding			
	Beginning Balance as of October 1, 2018	Addition	Amortization	Ending Balance as of September 30, 2019
Sales and Use Tax Refunding Bonds Series 2016A	$ 6,891,703	$ –	$ (3,124,404)	$ 3,767,299
Sales and Use Tax Refunding Contractual Obligations Series 2016B	805,372	–	(735,339)	70,033
Sales and Use Tax Bonds Series 2016C	56,712	–	(56,712)	–
Sales and Use Tax Refunding Bonds Series 2017A	1,979,660	–	(1,120,898)	858,762
Sales and Use Tax Bonds Series 2017C	550,626	–	(91,878)	458,748
Sales and Use Tax Refunding Bonds Series 2019A	–	3,377,027	–	3,377,027
Sales and Use Tax Refunding Bonds Series 2019B	–	105,774	–	105,774
	$ 10,284,073	$ 3,482,801	$ (5,129,231)	$ 8,637,643

	Changes in FY2019 Deferred Inflows from In-substance Debt Refunding			
	Beginning balance as of October 1, 2018	Addition	Amortization	Ending Balance as September 30, 2019
Sales and Use Tax Refunding Contractual Obligations Series 2017B	$ (2,489,751)	–	$ 1,618,718	$ (871,033)

In years prior to FY2020 METRO refunded certain debt obligations by issuing new debt and placing those proceeds into an irrevocable trust. The Trust used the proceeds to purchase governmental securities that will be used in making all future interest and principal payments over the remaining life of the debt as they become due. Debt related to these in-substance defeasance are no longer included in METRO's financial statements and their remaining outstanding par value as of September 30, 2020 totaled $439,460,000.

Operating Lease

METRO leases land, office space, transit centers, and software under various operating leases. Actual rental expenses for FY2020 and FY2019 were $10,319,059 and $8,985,886 respectively. Future payments for operating leases assume a 2% annual increase from the current year expense and consist of the following:

Fiscal Year Ending	Total Minimum Operating Leases Payments
2021	$ 10,525,440
2022	10,735,949
2023	10,950,668
2024	11,169,681
2025	11,393,075
Total	$ 54,774,813

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 72 diesel fuel swaps totaling 20,076,000 gallons outstanding as of September 30, 2020 of which 53 swaps totaling 13,608,000 gallons will settle in FY2021 and 19 swaps totaling 6,468,000 gallons will settle in FY2022.

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 last two years had negative values of $8,255,586 for FY 2020 and $908,127 for FY2019. Both amounts are reported on the Statements of Net Position as a deferred outflow of resources—diesel fuel swaps with an instrument – diesel fuel swaps asset. Swaps which settled during the last two fiscal years increased diesel fuel cost by $5,431,424 for FY2020 and by 2,603,800 for FY2019. These amounts were included as part of current operating cost in the Statements of Revenues, Expenses, and Changes in Net Position.

Compensated Absences (vacation and sick) are earned, as discussed in Note 1, based on employee classification. The ending balance is payable next fiscal year and has been reported in the current liability section of the Statements of Net Position as part of accrued compensation and benefits.

Changes during the last two years were:

	Beginning Balance	Expensed	Additions	Ending Balance
October 1, 2019 - September 30, 2020	$ 14,877,992	$ (19,109,274)	$ 22,943,124	$ 18,711,842
October 1, 2018 - September 30, 2019	$ 15,916,221	$ (18,649,025)	$ 19,112,085	$ 14,877,992

Contingencies

METRO executed a design and build contract with Houston Rapid Transit ("HRT") for the construction of three new rail lines which went into service during FY2014 and FY2015. In FY2019 METRO and HRT finalized the contract performance issues which resulted in no additional amounts being recorded in METRO's financial statements.

In November 2011, METRO executed a contract with Construcciones Auxlliar de Ferrocarriles, S.A. ("CAF") for the purchase of rail vehicles for the new and existing rail lines. During the contract period METRO identified multiple performance issues with the rail vehicles and worked with CAF to resolve these issues. In FY2021 METRO and CAF reached an agreement which resulted in an additional capital accrual totaling $4,060,142.

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

Federal and State Grants

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

The rail expansion program consists of Phase One and Phase Two. During Phase One of the rail expansion program, METRO received advance funding from the FTA totaling approximately $30.6 million. During FY2020 the FTA and METRO reached a preliminary agreement which allows already paid eligible interest cost to be used to offset this amount. This offset will occur in FY2021.

Other Interlocal Agreements

These agreements are designed to reduce operating and capital cost while improving mobility throughout the service area. Some of these agreements include coordinating procurement and major construction activities, paying for maintenance/coordination of traffic lights along the light-rail lines and possible future construction modifications to the Westpark Toll Road. These agreements are in addition to the local infrastructure improvements and mobility programs agreements discussed on page 50.

8. Loss from Hurricane Harvey

METRO is working with the Federal Emergency Management Assistance (FEMA) and METRO's private insurance company to determine what money, if any, can be recovered from the approximate $13.6 million in damages incurred when Hurricane Harvey impacted the local area in August of 2017. Any related recovery will be recorded in the year received.

9. Subsequent Events

On December 27, 2020, the Coronavirus Response and Relief Supplement Appropriations Act of 2021 (CRRSAA) was signed into law which allocated $14 billion to support the transit industry during the COVID-19 public health emergency. On January 11, 2021 the U.S. Department of Transportation's Federal Transit Administration (FTA) announced that the Houston Urbanized area was allocated $153,492,780 in Urbanized Area Formula Funding (Section 5307) and $615,514 in Enhanced Mobility of Seniors & Individuals with Disabilities Funding (Section 5310). METRO will move forward in Fiscal Year 2021 with programming these funds into grant awards within the Houston Urbanized Area.

During March 2021 METRO entered an extension of the terms and reallocation of the amounts issued under the existing Commercial Paper Credit Facilities with both JP Morgan Chase and State Street. These supporting credit facility agreements total $165 million and support the commercial paper program in case of a remarketing failure. These new agreement extensions allow METRO to continue reporting commercial paper as part of long-term debt.

After the measurement date and METRO's fiscal year-end reporting date of September 30, 2020, an updated mortality table became available for use in the OPEB Union Plan. This updated table will be reflected in the next valuation report in accordance with generally accepted accounting principles. The updated mortality table if used in the FY2020 valuation would have reduced the OPEB Union Plan liability and expenses by approximately $8.5 million.

On March 11, 2021, the American Rescue Plan Act of 2021 was signed into law which will provide $1.9 trillion in economic stimulus. Any amount that will be allocated to METRO is currently uncertain.

Required Supplemental Information

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

	For the Years Ending September 30, (Reporting Dates) *					
	2020	2019	2018	2017	2016	2015
Total pension liability						
Changes for the year						
Service cost	$ 4,955,904	$ 4,647,472	$ 4,930,225	$ 5,328,754	$ 5,549,985	$ 5,435,165
Interest on total pension liability	27,493,889	25,779,685	25,075,414	24,589,485	24,786,145	22,446,888
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)	(15,923,974)
Net change in total pension liability	471,803	41,811,660	7,104,045	(3,663,588)	36,667,939	11,958,079
Total pension liability - beginning	428,821,440	387,009,780	379,905,735	383,569,323	346,901,384	334,943,305
Total pension liability - ending	429,293,243	428,821,440	387,009,780	379,905,735	383,569,323	346,901,384
Plan fiduciary net position						
Contributions from the employer	17,805,961	15,680,817	15,413,823	16,565,280	19,062,423	13,477,182
Member contributions	199,644	–	–	–	–	–
Net investment income	44,495,454	(18,516,579)	40,369,630	17,696,392	(7,809,891)	8,434,984
Benefit payments	(21,934,190)	(19,795,197)	(18,799,540)	(17,656,524)	(16,567,409)	(15,923,974)
Administrative expenses	(337,196)	(326,240)	(314,986)	(277,833)	(314,046)	(319,754)
Net change in plan fiduciary net position	40,229,673	(22,957,199)	36,668,927	16,327,315	(5,628,923)	5,668,438
Plan fiduciary net position – beginning	254,400,189	277,357,388	240,688,461	224,361,146	229,990,069	224,321,631
Plan fiduciary net position – ending	294,629,862	254,400,189	277,357,388	240,688,461	224,361,146	229,990,069
METRO's ending net pension liability	$134,663,381	$174,421,251	$109,652,392	$139,217,274	$159,208,177	$ 116,911,315
Plan fiduciary net position as a percentage of the total pension liability	68.63%	59.33%	71.67%	63.35%	58.49%	66.30%
Covered payroll	$ 94,602,405	$ 97,251,000	$103,246,000	$106,575,000	$93,228,000	$ 92,277,000
METRO's net pension liability as a percentage of covered payroll	142.35%	179.33%	106.21%	130.63%	170.77%	126.70%

Notes to the Schedule

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

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

Required Supplemental Information

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 Payroll (000)	Contribution as a % of Covered Payroll
2020	$ 17,805,961	$ 17,805,961	$ –	$ 94,602,405	18.82%
2019	15,631,361	15,680,817	(49,456)	97,251,000	16.12%
2018	15,413,823	15,413,823	–	103,246,000	14.93%
2017	16,565,280	16,565,280	–	106,575,000	15.54%
2016	15,410,109	19,062,423	(3,652,314)	93,228,000	20.45%
2015	13,477,182	13,477,182	–	92,277,000	14.61%
2014	14,335,058	14,335,058	–	91,830,000	15.61%
2013	14,444,476	14,444,476	–	94,043,000	15.36%
2012	13,493,650	13,493,652	(2)	93,675,000	14.40%
2011	12,416,838	12,416,849	(11)	88,184,000	14.08%

Note to the Schedule

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

Valuation timing	Actuarially determined contribution amounts are calculated based on valuations performed as of January 1st, 20 months prior to the end of the fiscal year in which the contributions are reported
Actuarial cost method	Entry age normal
Amortization method	Level dollar
Remaining amortization period	24 years
Inflation	2.3%, adapted for December 31, 2015 measurement and beyond
Salary increase	2.75%, adapted for December 31, 2016 measurement and beyond
Investment rate of return	6.50%, adapted for December 31, 2018 measurement and beyond (updated from 6.75% used for December 31, 2017 measurement)
Cost of living adjustments	None
Assumed annual retirement rate	Varying percentage ranging from 0% to 100% for ages 55 and under through 70
Turnover	Varying percentage ranging from 7.00% to 1.50% for service years 4 through 24 and over
Mortality and disabled mortality	Pub-2010 Mortality, projected forward (fully generational) with MP-2018 (updated from RP-2014 Mortality adjusted backwards to 2006 with MP-2014 and projected forward (fully generational) with MP-2017 used for December 31 , 2017 measurement)

Required Supplemental Information

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

	For the Years Ending September 30, (Reporting Date) *					
	2020	2019	2018	2017	2016	2015
Total pension liability						
Changes for the year						
Service cost	$ 3,105,642	$ 3,034,984	$ 3,210,922	$ 3,465,270	$ 2,782,533	$ 2,753,593
Interest on total pension liability	17,962,017	17,395,632	16,923,319	16,607,887	15,165,652	13,384,981
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)	(8,704,519)
Net change in total pension liability	20,589,636	19,838,234	3,563,067	21,997,229	28,123,760	7,434,055
Total pension liability - beginning	280,779,966	260,941,732	257,378,665	235,381,436	207,257,676	199,823,621
Total pension liability - ending	301,369,602	280,779,966	260,941,732	257,378,665	235,381,436	207,257,676
Plan fiduciary net position						
Contributions from the employers	12,647,252	11,073,254	11,307,275	11,181,136	11,248,671	9,006,301
Net investment income	27,048,695	(11,548,267)	25,029,850	9,971,104	(5,890,916)	4,217,106
Benefit payments	(15,335,194)	(12,735,227)	(13,179,671)	(10,374,582)	(8,777,750)	(8,704,519)
Administrative expenses	(280,381)	(241,979)	(243,606)	(226,067)	(235,357)	(224,559)
Net change in plan fiduciary net position	24,080,372	(13,452,219)	22,913,848	10,551,591	(3,655,352)	4,294,329
Plan fiduciary net position – beginning	162,565,040	176,017,259	153,103,411	142,551,820	146,207,172	141,912,843
Plan fiduciary net position – ending	186,645,412	162,565,040	176,017,259	153,103,411	142,551,820	146,207,172
METRO's ending net pension liability	$114,724,190	$ 118,214,926	$ 84,924,473	$104,275,254	$ 92,829,616	$ 61,050,504
Plan fiduciary net position as a percentage of the total pension liability pension liability	61.93%	57.90%	67.45%	59.49%	60.56%	70.54%
Covered payroll	$ 40,747,394	$ 41,769,919	$ 43,479,995	$46,853,004	$ 44,837,816	$ 45,601,509
METRO's net pension liability as a percentage of covered payroll	281.55%	283.01%	195.32%	222.56%	207.03%	133.88%

Notes to the Schedule

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

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

Required Supplemental Information

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 Payroll	Contribution as a % of Covered Payroll
2020	$ 12,628,619	$ 12,647,252	$ (18,633)	$ 40,747,394	31.04%
2019	11,060,833	11,073,254	(12,421)	41,769,919	26.51%
2018	11,307,275	11,307,275	–	43,479,995	26.01%
2017	11,181,136	11,181,136	–	46,853,004	23.86%
2016	8,911,253	11,248,671	(2,337,418)	44,837,816	25.09%
2015	9,006,301	9,006,301	–	45,601,509	19.75%
2014	8,847,436	8,847,436	–	44,388,906	19.93%
2013	8,215,493	8,215,493	–	47,184,896	17.41%
2012	10,689,258	10,689,264	(6)	57,702,434	18.52%
2011	10,833,143	11,143,438	(310,295)	56,962,295	19.56%

Notes to the Schedule

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

Valuation timing	Actuarially determined contribution amounts are calculated based on valuations performed as of January 1st, 20 months prior to the end of the fiscal year in which the contributions are reported
Actuarial Cost method	Entry age normal
Amortization method	Level dollars
Remaining amortization period	24 years
Inflation	2.3%, adapted for December 31, 2015 measurement and beyond
Salary increase	2.75%, adapted for December 31, 2016 measurement and beyond
Investment rate of return	6.50%, adapted for December 31, 2018 measurement and beyond (updated from 6.75% used for December 31, 2017 measurement)
Cost of living adjustments	None
Assumed annual retirement rate	Varying percentage ranging from 7.50% to 100% for ages 55 through 70 and over
Turnover	Varying percentage ranging from 10.00% to 2.00 for service years 7 and under through 28 and over
Mortality and disabled mortality	PubG.H-2010 Mortality, projected forward (fully generational) with MP-2018 (updated from RP-2014 Mortality adjusted backwards to 2006 with MP-2014 and projected forward (fully generational) with MP-2017 used for December 31, 2017 measurement)
Lump Sum Election	50% of participants are assumed to take a lump sum distribution at termination. Adopted for December 31, 2016 measurement and beyond.

Required Supplemental Information

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

	Trust		
	2020	2019	2018
Beginning Balance	$482,016,117	$523,077,639	$496,360,601
Current year changes			
Service cost	23,157,395	21,125,691	21,070,017
Interest on total OPEB liability	19,848,654	18,390,206	19,338,046
Plan changes	-	5,155,155	-
Economic/demographic losses	(15,094,587)	(3,585,114)	-
Assumption changes or inputs	65,645,427	(70,006,376)	(1,897,421)
Benefit payments	(12,566,703)	(12,141,084)	(11,793,604)
Ending Balance	$563,006,303	$482,016,117	$523,077,639
Covered payroll	$121,276,540	$131,311,637	$ 84,138,690
Net OPEB liability as a percentage of covered payroll	464.23%	367.08%	621.69%

	Non-Union		
	2020	2019	2018
Beginning Balance	$78,188,858	$86,374,719	$88,364,782
Current year changes			
Service cost	1,259,886	1,473,992	1,774,146
Interest on total OPEB liability	2,874,234	2,879,713	3,345,948
Plan changes	3,002,579	-	-
Economic/demographic losses	(7,942,052)	(2,140,599)	(507,329)
Assumption changes or inputs	2,967,113	(6,373,888)	(3,328,881)
Benefit payments	(2,869,717)	(4,025,079)	(3,273,947)
Ending Balance	$77,480,901	$78,188,858	$86,374,719
Covered payroll	$92,383,938	$94,847,245	$68,838,771
Net OPEB liability as a percentage of covered payroll	83.87%	82.44%	125.47%

Notes to the Schedule

Annual valuation reports that calculate contribution requirements are not prepared for the OPEB plans since they are funded on a pay-as you-go-basis. 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.

	Trust		Non-Union	
	2020	2019	2020	2019
The net effect of updating mortality table and other actuarial/demographic assumptions	Decrease	Decrease	Decrease	Decrease
Open to new participants	Yes	Yes	No	No
OPEB Benefits	No change	Increases	Increase	No change
Pay-as-you-go	No change	No change	No change	No change

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The Unaudited Statistical Section
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, 2020 and the Last Nine Years (Unaudited)

	2020	2019	2018	2017
Assets				
Cash	$ 10,433,095	$ 19,380,709	$ 6,103,062	$ 5,741,909
Investments	497,023,144	351,422,195	369,969,496	313,417,478
Investments - restricted	62,320,071	40,765,567	51,655,159	57,582,105
Receivables				
Sales tax	126,006,222	129,554,693	124,326,094	113,506,648
Federal government - Federal Transit Administration	5,280,107	5,825,675	5,781,255	7,916,108
Bus passes and other receivables	3,278,447	8,689,553	11,142,730	13,886,887
Total receivables	134,564,776	144,069,921	141,250,079	135,309,643
Material and supplies inventory	41,339,021	35,928,117	34,861,544	34,802,548
Derivative instrument – diesel fuel swaps	–	–	7,344,809	3,805,801
Total current assets	745,680,107	591,566,509	611,184,149	550,659,484
Noncurrent assets				
Investments - restricted	59,624,894	107,760,712	26,128,756	38,563,709
Capital assets, net of depreciation	2,772,201,186	2,818,552,642	2,861,518,553	2,932,274,940
Prepaid pension	–	–	–	–
Other noncurrent assets	6,048,165	5,641,114	3,509,785	3,481,911
Prepaid rental payments	–	–	–	2,213,152
Total noncurrent assets	2,837,874,245	2,931,954,468	2,891,157,094	2,976,533,712
Total assets	3,583,554,352	3,523,520,977	3,502,341,243	3,527,193,196
Deferred outflow of resources				
Diesel fuel	8,255,586	908,127	–	–
Pension	48,166,504	83,468,033	38,190,329	77,554,921
OPEB	72,751,190	11,550,659	12,231,472	–
Debt refunding	5,934,840	8,637,643	10,284,073	12,279,043
Total deferred outflows of resources	135,108,120	104,564,462	60,705,874	89,833,964
Liabilities				
Current liabilities				
Trade payables	85,187,006	111,669,469	98,385,337	71,830,312
Accrued compensation and benefits	37,568,224	31,981,480	35,455,552	34,964,584
Liabilities for injuries and damages	9,199,548	7,413,175	5,849,687	6,060,315
Commercial paper	–	–	–	–
Other current liabilities	9,954,323	11,773,356	11,623,183	11,766,741
Capital lease obligations	–	–	–	–
Debt payable	58,180,000	52,250,000	50,870,000	54,570,000
Debt interest payable	17,449,094	19,356,209	20,095,911	19,883,931
Derivative instrument – diesel fuel swaps	8,255,586	908,127	–	–
Total current liabilities	225,793,781	235,351,816	222,279,670	199,075,883
Noncurrent liabilities				
Liabilities for injuries and damages	10,241,652	11,709,406	9,772,064	9,194,897
Commercial paper	115,800,000	116,100,000	116,100,000	116,400,000
Deferred rental payments	–	–	–	2,213,152
Capital lease obligation	–	–	–	–
Debt payable	1,068,419,981	1,145,291,217	1,069,362,657	1,064,656,499
Net OPEB liability	640,487,204	560,204,975	609,452,358	291,375,150
Net pension liability	249,387,571	292,636,177	194,576,865	243,492,528
Other noncurrent liabilities	–	–	–	–
Total noncurrent liabilities	2,084,336,408	2,125,941,775	1,999,263,944	1,727,332,226
Total liabilities	2,310,130,189	2,361,293,591	2,221,543,614	1,926,408,109
Deferred inflow of resources pension	26,872,109	11,652,976	29,880,277	13,681,779
Deferred inflow of resources OPEB	80,871,003	73,702,034	4,610,118	–
Deferred inflow of resources bonds	1,131,663	871,033	2,489,751	–
Deferred inflow of resources diesel fuel	–	–	7,344,809	3,805,801
Net position				
Net Investment in capital assets	1,681,643,197	1,703,033,487	1,741,285,896	1,822,890,974
Restricted assets – debt payments	85,902,973	65,994,756	77,783,915	86,303,282
Unrestricted assets	(467,888,662)	(588,462,438)	(521,891,263)	(236,062,785)
Total net position	$ 1,299,657,508	$1,180,565,805	$1,297,178,548	$1,673,131,471

2016	2015	2014	2013	2012	2011
$ 6,290,165	$ 5,426,047	$ 3,671,108	$ 3,499,304	$ 1,769,157	$ 1,860,652
321,815,619	410,462,331	316,174,054	313,657,041	358,828,979	91,458,100
57,233,949	45,240,619	31,839,343	28,942,440	37,265,000	64,489,262
114,167,276	117,212,671	119,462,662	110,821,904	103,035,680	97,394,471
11,844,152	12,041,883	25,218,342	73,106,988	26,811,825	17,050,424
10,408,552	12,855,952	10.798,847	10,277,726	13,570,522	12,754,087
136,419,980	142,110,506	155,479,851	194,206,618	143,418,027	127,198,982
32,775,189	28,996,881	24,749,710	20,407,175	17,532,502	21,648,175
–	–	–	1,348,147	3,691,843	–
554,534,902	632,236,384	531,914,066	562,060,725	562,505,508	306,655,171
42,358,586	50,949,645	67,007,168	27,851,305	129,308,971	415,681,262
3,039,197,023	3,139,596,631	3,081,386,561	2,978,791,191	2,579,580,094	2,292,560,426
–	–	26,091,075	26,346,959	26,678,091	26,781,617
3,450,057	3,645,852	3,518,211	6,325,672	3,449,420	3,900,541
4,426,306	7,246,855	10,067,401	52,168,306	64,374,346	191,360,541
3,089,431,972	3,201,438,983	3,188,070,416	3,091,483,433	2,803,390,922	2,930,284,387
3,643,966,874	3,833,675,367	3,719,984,482	3,653,544,158	3,365,896,430	3,236,939,558
1,394,262	15,041,432	1,899,588	–	–	3,151,246
92,324,541	32,384,271	–	–	–	–
–	–	–	–	–	–
16,991,634	–	–	–	–	–
110,710,437	47,425,703	1,899,588	–	–	3,151,246
114,035,870	114,457,190	83,276,299	149,021,462	125,067,467	150,161,474
29,491,550	30,140,189	26,922,386	27,430,216	23,759,406	25,055,498
4,800,475	4,866,124	4,657,529	3,679,238	3,385,061	3,723,095
–	–	–	187,000,000	26,600,000	–
10,574,928	13,385,191	8,687,095	8,824,195	9,005,559	7,295,986
77,311	8,951,781	8,543,263	8,129,906	7,899,879	7,707,103
44,155,000	28,155,000	13,920,000	13,365,000	12,895,000	12,297,176
19,579,295	20,429,616	20,515,002	17,976,710	18,287,887	8,323,783
1,394,262	15,041,432	1,899,588	–	–	3,151,246
224,108,691	235,426,523	168,421,162	415,426,727	226,900,259	217,715,361
8,466,099	9,390,567	6,196,311	7,014,731	5,715,969	13,581,122
117,400,000	121,300,000	183,400,000	–	162,400,000	190,000,000
4,426,306	7,246,855	10,067,401	52,168,306	64,374,346	191,360,541
–	57,614,124	66,723,307	75,423,971	83,711,279	91,611,157
1,077,655,925	1,058,832,615	958,059,450	823,268,698	839,645,874	852,540,873
260,783,392	230,234,947	202,045,812	169,059,735	143,594,021	116,266,986
252,037,793	177,961,819	–	–	–	–
–	–	–	–	–	–
1,720,769,515	1,662,580,927	1,426,492,281	1,126,935,441	1,299,441,489	1,455,360,679
1,944,878,206	1,898,007,450	1,594,913,443	1,542,362,168	1,526,341,748	1,673,076,040
2,168,916	–	–	–	–	–
–	–	–	–	–	–
–	–	–	–	–	–
–	–	–	1,348,147	3,691,843	–
1,920,547,528	2,016,537,016	2,027,406,944	1,948,427,986	1,729,440,810	1,641,082,035
85,736,440	79,101,851	65,681,932	56,793,745	71,335,683	74,504,866
(198,653,779)	(112,545,247)	33,881,751	104,612,112	35,086,346	(148,572,137)
$1,807,630,189	$1,983,093,620	$2,126,970,627	$2,109,833,843	$1,835,862,839	$1,567,014,764

Metropolitan Transit Authority of Harris County, Texas
Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended September 30, 2020 and the Last Nine Years
(Unaudited)

	2020	2019	2018	2017
Operating revenues:				
Transportation fares	$ 42,790,171	$ 75,294,678	$ 74,837,624	$ 72,817,352
Operating expenses:				
Scheduled services - fixed route				
Bus and rail operations – direct	238,004,728	248,520,136	223,139,611	224,741,506
Contract service	52,644,668	48,963,055	46,217,396	45,623,522
Material distribution	7,622,300	7,601,492	7,241,607	7,389,679
Preventative maintenance	80,898,262	80,756,840	76,101,739	75,330,114
Central shop and maintenance support	29,729,438	29,662,492	27,614,092	26,416,417
Safety and training	5,883,540	5,251,606	4,699,939	4,627,538
Subtotal scheduled services - fixed route	414,782,936	420,755,621	385,014,384	384,128,776
Non-scheduled services-special				
METROLift	63,552,152	63,234,017	60,542,541	56,512,060
METRO Star Vanpool	7,767,882	10,253,334	10,095,148	9,274,464
HOT lanes and special events	6,175,768	6,081,620	7,762,167	9,130,525
Subtotal non-scheduled services – special	77,495,802	79,568,971	78,399,856	74,917,049
Service support				
Service planning and evaluation	5,365,509	7,072,677	7,309,286	8,153,583
Marketing	13,170,174	18,254,038	11,274,543	11,444,811
Transit security and traffic management	32,888,745	27,619,687	25,404,549	25,737,412
Insurance and claims	6,797,001	6,187,926	5,733,368	5,796,480
Ticket and fare collection	3,707,300	4,184,001	4,079,350	4,218,988
Facility maintenance	38,778,902	33,819,659	31,834,924	29,826,031
Subtotal service support	100,707,631	97,137,988	85,636,020	85,177,305
Organizational support				
Business, community, and governmental development	7,861,620	7,168,351	4,330,137	4,384,576
Administrative, financial, and personnel	20,424,704	19,648,796	18,572,642	17,902,790
Information systems	24,885,137	22,583,471	22,766,588	21,260,567
Purchasing	4,655,107	4,394,874	4,195,061	4,051,118
Oversight, audit, and legal	6,897,824	8,511,539	8,497,420	8,441,512
Subtotal organizational support	64,724,392	62,307,031	58,361,848	56,040,563
Depreciation and amortization	189,722,704	194,565,477	203,727,711	206,753,917
Total operating expenses	847,433,465	854,335,088	811,139,819	807,017,610
Operating loss	(804,643,294)	(779,040,410)	(736,302,195)	(734,200,258)
Nonoperating revenues (expenses):				
Sales tax	764,679,590	775,392,664	759,063,519	690,929,011
Investment income	6,750,760	12,040,338	6,413,959	3,551,729
Inter-government revenue	–	1,676,986	1,855,372	1,849,413
Noncapitalized interest expense	(35,087,736)	(46,371,218)	(46,704,097)	(46,539,847)
Other income	2,333,071	3,344,132	2,988,122	3,349,776
Grant proceeds	305,648,022	72,704,334	65,175,440	82,009,861
Local infrastructure assistance	(150,622,623)	(196,427,664)	(151,755,726)	(149,838,694)
Loss for asset impairments	–	–	–	–
Funds passed to subrecipients	(449,489)	(1,302,158)	(1,849,932)	(2,605,361)
Gain (loss) on sale or disposal of assets	(70,165)	876,612	(9,112)	(34,041)
(Loss)/recovery from declared disaster	(8,501,572)	1,778,236	(489,435)	(13,634,631)
Total nonoperating revenues (expenses)	884,679,858	623,712,262	634,688,110	569,037,216
Net increase (decrease) before capital grants	80,036,564	(155,328,148)	(101,614,085)	(165,163,042)
Capital grant proceeds	39,055,139	38,715,405	8,061,354	30,664,324
Changes in net position	119,091,703	(116,612,743)	(93,552,731)	(134,498,718)
Net position - beginning of the year 15 and 18 restated	1,180,565,805	1,297,178,548	1,390,731,279	1,807,630,189
Net position - end of the year	$ 1,299,657,508	$1,180,565,805	$1,297,178,548	$1,673,131,471

2016	2015	2014	2013	2012	2011
$ 72,052,304	$ 74,651,045	$ 76,282,549	$ 72,782,991	$ 66,887,319	$ 68,740,526
222,625,961	194,117,455	177,124,243	166,613,768	161,362,353	161,889,901
47,355,960	49,839,742	49,298,303	46,620,525	47,431,837	44,688,976
7,042,407	6,244,556	6,086,883	5,540,367	5,966,531	5,975,735
69,716,267	63,007,513	58,752,039	55,367,208	53,439,550	53,134,997
24,284,783	21,073,250	20,208,555	18,961,766	18,103,288	15,220,267
4,433,619	3,612,522	1,135,164	973,447	816,598	891,844
375,458,997	337,895,038	312,605,187	294,077,081	287,120,157	281,801,720
55,892,156	52,171,593	49,503,466	45,181,913	40,204,841	39,696,105
5,947,081	5,475,396	5,193,777	4,967,172	5,250,084	4,979,360
8,200,762	8,610,185	7,669,836	5,582,712	2,346,041	676,109
70,039,999	66,257,174	62,367,079	55,731,797	47,800,966	45,351,574
4,376,730	4,947,792	3,545,587	3,521,365	3,130,879	4,205,657
10,383,266	9,728,386	7,001,452	7,306,538	6,910,999	7,450,088
22,149,262	21,118,036	19,326,396	18,587,581	20,199,670	22,797,711
5,614,731	5,754,471	7,036,234	5,927,146	5,673,304	5,616,894
4,208,388	3,562,149	3,955,040	3,751,006	3,369,283	3,867,527
30,168,111	26,414,559	23,928,168	21,660,854	20,020,810	16,613,097
76,900,488	71,525,393	64,792,877	60,754,490	59,304,945	60,550,974
3,343,274	2,894,550	3,551,653	4,228,909	5,043,321	4,592,198
16,352,030	14,334,333	13,646,454	14,612,492	15,357,730	18,119,682
18,228,842	17,684,558	16,371,349	13,948,037	14,276,491	12,360,853
3,697,391	3,217,201	3,249,771	2,994,284	2,502,794	2,894,124
6,850,065	7,490,093	5,170,576	8,875,645	5,000,056	6,536,177
48,471,602	45,620,735	41,989,803	44,659,367	42,180,392	44,503,034
212,338,159	173,469,603	160,049,291	136,642,238	137,094,956	138,295,447
783,209,245	694,767,943	641,804,237	591,864,973	573,501,416	570,502,749
(711,156,941)	(620,116,898)	(565,521,688)	(519,081,982)	(506,614,097)	(501,762,223)
686,101,655	715,160,213	685,167,303	642,515,462	593,732,843	536,572,595
1,220,156	597,015	328,666	768,527	625,042	327,467
1,956,596	1,841,467	1,843,453	1,986,480	1,986,480	1,986,480
(43,109,587)	(14,501,373)	(10,723,830)	(9,888,885)	(13,461,589)	(16,660,720)
2,585,147	8,841,043	2,643,857	1,845,296	3,030,912	643,766
77,117,133	40,230,897	64,927,095	71,766,635	56,460,316	59,588,924
(209,464,879)	(149,505,814)	(161,502,564)	(170,373,931)	(222,054,292)	(188,467,654)
–	–	(105,756,522)	–	–	–
(1,887,750)	(2,097,344)	(3,368,756)	(2,016,422)	(1,528,115)	(2,538,648)
(7,155,654)	(3,130,847)	755,594	(470,021)	(316,485)	(2,723,630)
–	–	–	–	–	–
507,362,817	597,435,257	474,314,296	536,133,141	418,475,112	388,728,580
(203,794,124)	(22,681,641)	(91,207,392)	17,051,159	(88,138,985)	(113,033,643)
28,330,693	56,584,181	108,344,176	256,919,845	356,987,060	91,465,097
(175,463,431)	33,902,540	17,136,784	273,971,004	268,848,075	(21,568,546)
1,983,093,620	1,949,191,080	2,109,833,843	1,835,862,839	1,567,014,764	1,588,583,310
$1,807,630,189	$1,983,093,620	$2,126,970,627	$2,109,833,84	$1,835,862,839	$1,567,014,764

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

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

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

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

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

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

Year	Population PMSA* (000)	Per Capita Personal Income*	Sales Taxes	Houston-The Woodlands-Sugar Land MSA Unemployment Rate (%)**
2020	7,126.1	$ 61,069	$ 764,679,590	7.7
2019	7,051.3	58,003	775,392,665	3.6
2018	6,956.9	55,772	759,063,519	4.3
2017	6,866.7	53,730	690,929,011	4.1
2016	6,772.5	51,913	686,101,655	5.2
2015	6,647.5	53,859	715,160,213	4.6
2014	6,488.0	53,791	685,167,303	4.9
2013	6,324.2	50,979	642,515,462	6.0
2012	6,180.8	51,676	593,732,843	6.6
2011	6,057.4	47,517	536,572,595	7.8

* Prior year published numbers may have changed due to revised information.
** Annual except 2020, which is through October

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

Metropolitan Transit Authority
of Harris County, Texas
Principal Corporate Employers
(Unaudited)

	2019			2010		
Employer	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Walmart Stores Inc.	37,000	1	1.14%	–	–	–
Memorial Hermann Health System	24,108	2	0.74%	–	–	–
H-E-B	23,732	3	0.73%	–	–	–
The University of Texas MD Anderson Cancer Center	21,086	4	0.65%	–	–	–
McDonald's Corp	20,918	5	0.65%	–	–	–
Houston Methodist	20,000	6	0.62%	–	–	–
Kroger Company	16,000	7	0.49%	–	–	–
United Airlines	14,941	8	0.46%	–	–	–
Schlumberger	12,069	9	0.37%	–	–	–
Shell Oil Company	11,507	10	0.36%	12,700	3	0.48%
Continental Airlines (merger pending/United Airlines)	–	–	–	14,792	1	0.56%
Exxon Mobil Corp	–	–	–	13,500	2	0.51%
National Oilwell Varco	–	–	–	8,500	4	0.32%
Chevron Companies	–	–	–	7,000	5	0.26%
JP Morgan Chase	–	–	–	6,750	6	0.25%
Jacobs Technology	–	–	–	6,500	7	0.25%
AT&T Inc.	–	–	–	6,214	8	0.23%
Halliburton	–	–	–	5,675	9	0.21%
CenterPoint Energy	–	–	–	4,744	10	0.18%
	201,361			86,375		

* Based on calendar year.

Sources: GHP Houston Facts – 2019; Houston Chronicle

Note: Total County Employment for 2019 was an estimated 3,237,709 (based on prior year employment figures) and for 2010 was 2,650,000

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

Fiscal Year	Commercial Paper	Capital Lease	Sales and Use Tax Bonds	Total
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	77,311	44,155,000	45,232,311
2016	3,900,000	65,386,781	192,500,000	261,786,781
2015	62,100,000	8,543,263	13,920,000	84,563,263
2014	3,600,000	8,129,906	13,365,000	25,094,906
2013	2,000,000	7,899,879	12,895,000	22,794,879
2012	1,000,000	7,549,701	9,285,000	17,834,701
2011	–	7,222,767	6,435,000	13,657,767

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

Fiscal Year	Commercial Paper	Capital Lease	Sales and Use Tax Bonds (Including Unamortized Premium/Discount)	Total Outstanding Obligations
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	77,311	1,121,810,925	1,239,288,236
2015	121,300,000	66,565,905	1,086,987,615	1,274,853,520
2014	183,400,000	75,266,570	971,979,450	1,230,646,020
2013	187,000,000	83,553,877	836,633,698	1,107,187,575
2012	189,000,000	91,611,158	852,540,874	1,133,152,032
2011	190,000,000	99,318,260	864,838,049	1,154,156,309

Additional information can be found in Note 7 to the basic financial statements.

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

						Payments for Sales and Use Tax Bonds and Contractual Obligations				Coverage Ratio
Fiscal Year	Net Sales Tax Revenue (1)	Operating Revenues	Operating Grants	Less Operating Expenses Net of Depreciation	Net Available Revenue	Principal (2)	Interest Payments	Less IRS Interest Subsidy	Total	
2020	$ 583,814,793	$ 42,790,171	$ 305,648,022	$657,710,761	$ 274,542,225	$ 52,250,000	$ 43,159,649	$ –	$ 95,409,649	2.88
2019	593,031,139	75,294,678	72,704,334	659,769,611	81,260,540	50,870,000	51,656,757	1,676,986	100,849,771	0.81
2018	578,602,628	74,837,624	65,175,440	607,412,108	111,203,584	54,570,000	50,143,996	1,855,372	102,858,624	1.10
2017	519,026,128	72,817,352	82,009,861	600,263,693	73,589,648	44,155,000	44,905,658	1,849,413	87,211,245	0.84
2016	514,576,241	72,052,304	77,117,133	570,871,086	92,874,592	28,155,000	44,806,347	1,956,596	71,004,751	1.31
2015	536,370,159	74,651,045	40,230,897	521,298,340	129,953,761	22,463,263	44,611,552	1,841,467	65,233,348	1.99
2014	513,875,477	76,282,549	64,927,095	481,754,946	173,330,175	13,365,000	39,148,956	1,843,453	50,670,503	3.42
2013	481,886,596	72,782,991	71,766,635	455,222,735	171,213,487	12,895,000	39,623,581	1,986,480	50,532,101	3.39
2012	445,299,632	66,887,319	56,460,316	436,406,460	132,240,807	9,285,000	29,746,383	1,986,480	37,044,903	3.57
2011	402,429,446	68,740,526	59,588,924	432,207,302	98,551,594	6,435,000	14,897,376	1,986,480	19,345,896	5.09

Additional information regarding outstanding debt can be found in the Note 7 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 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 STAR Vanpool Non-METRO Buses on Transitways	Number of						Directional Route Miles		Service Area (sq. miles)	Total Actual Rail Passenger Car Revenue Miles
						Emp.	Buses*	Rail Cars	BOF	TC	P&R	Rail	HOV Lanes		
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	1,303	3,236,011
2019	24,538,932	89,951,217	75,338,222	581,575,901	252,996,389	4,106	1,412	76	6	21	27	45.4	185.1	1,303	3,438,523
2018	26,494,184	90,156,382	73,994,676	563,145,935	273,155,037	4,042	1,409	76	6	21	27	45.4	182.3	1,303	3,535,806
2017	25,972,856	89,940,735	72,077,152	602,436,140	267,316,195	3,956	1,393	76	6	21	27	45.4	182.3	1,303	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	1,303	3,415,024
2015	26,723,748	86,089,171	71,162,933	573,489,760	275,521,842	3,777	1,373	37	6	21	26	43.4	139.1	1,285	2,350,774
2014	25,386,535	85,389,587	69,134,726	605,100,948	261,735,176	3,560	1,432	37	6	20	28	25.4	139.1	1,285	1,577,592
2013	25,371,590	84,266,386	68,324,181	574,724,199	261,581,093	3,500	1,317	22	6	20	29	14.8	140.8	1,285	989,373
2012	24,936,852	81,022,576	68,310,468	534,137,148	257,098,944	3,391	1,393	18	6	20	29	14.8	140.8	1,285	905,795
2011	24,706,519	81,032,075	57,119,898	537,017,914	254,724,211	3,487	1,370	18	6	20	29	14.8	134.7	1,285	901,194

Source: Metropolitan Transit Authority Office of Management and Budgets
BOF = Bus Operating Facility
TC = Transit Centers
P&R = Park & Ride Lots
* Includes METROLift

* The source of information for FY12 & FY13 miles data is NTD reports for respective fiscal years.
* Rail Cars – No. of Rail cars in service.
METRO operates 95.1 miles in the 182.3 miles regional HOV/HOT lane system.

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