

Comprehensive Annual Financial Report

For the years ended September 30, 2020 and 2019



Capital Metropolitan Transportation Authority | Austin, Texas



COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended September 30, 2020



CAPITAL METROPOLITAN TRANSPORTATION AUTHORITY
AUSTIN, TEXAS

Prepared by the Finance Department

This page left intentionally blank

Capital Metropolitan Transportation Authority

TABLE OF CONTENTS

INTRODUCTORY SECTION

Letter of Transmittal.....	vii
Certificate of Achievement for Excellence in Financial Reporting.....	xii
Board of Directors and Administration.....	xiii
Organizational Chart.....	xiv
Service Area	xv

FINANCIAL SECTION

Independent Auditor's Report	1
Management's Discussion and Analysis (Unaudited)	3
Financial Statements	
Statements of Net Position.....	10
Statements of Revenue, Expenses, and Changes in Net Position.....	13
Statements of Cash Flows.....	14
Notes to Financial Statements	17
Required Supplementary Information	
Capital Metropolitan Transportation Authority Retirement Plan for Bargaining Unit Employees of StarTran, Inc. schedules of changes in net pension liability and related Ratios.....	50
Capital Metropolitan Transportation Authority Retirement Plan for Bargaining Unit of StarTran, Inc. schedule of plan contributions.....	51
Capital Metropolitan Transportation Authority Retirement Plan for Administrative Employees schedules of changes in net pension liability and related ratios	52
Capital Metropolitan Transportation Authority Retirement Plan for Administrative Employees schedule of plan contributions	53
Capital Metropolitan Transportation Authority Other Post-Employment Benefits – Schedule of changes in the total OPEB liability and related ratios	54

STATISTICAL SECTION

Condensed Statement of Net Position	57
Changes in Net Position	58
Revenue by Source	59
Sales Tax Revenue	60
Estimated Sales Tax Receipts by City.....	61
Long-Term Debt.....	62
Debt - Net Revenue Coverage Ratio.....	63
Demographic and Economic Statistics	64
Principal Employers	65
Expenses by Object Class.....	66
Operating Statistics.....	67
Capital Assets.....	70
Total Employees	71
Farebox Recovery Percentages	72
Fare Structure.....	72

This page left intentionally blank



2020 Comprehensive Annual Financial Report
Introductory Section

This page left intentionally blank



March 26, 2021

Dear Central Texas Community,

On behalf of the board of directors of Capital Metropolitan Transportation Authority, I am pleased to submit to you the Comprehensive Annual Financial Report for the year ending September 30, 2020.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. The internal control is designed to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. We believe the data, as presented, is accurate in all material respects and that it is presented in a manner designed to fairly set forth the financial position and results of operations of Capital Metro in accordance with U.S. generally accepted accounting principles (GAAP) for local government units and the auditor's opinion on the fair presentation of the financial statements is unmodified. All disclosures necessary to enable the reader to gain an understanding of Capital Metro's financial affairs have been included.

During Fiscal Year 2020, Capital Metro dealt with the local effects of a global pandemic, focusing on the physical health and safety of both its staff and its customers, as well as the financial wellbeing of the agency. Needing to balance the needs for continued service for essential workers and the necessary trips customers still had to make with the financial reality brought by a stark decrease in ridership, the agency was able to stabilize operations and still invest in the customer experience. We also advanced toward the eventual success of Proposition A in November, providing a secure funding source for Project Connect, a long-term vision to transform regional transit in Central Texas.

Capital Metro Profile

Even amid the pandemic and the accompanying economic fallout, Capital Metro is delivering on its promise to connect people, jobs and communities with quality transportation options. In FY2020, Capital Metro provided 22.8 million rides on the agency's buses, trains and vans, a decrease of 27%.

With a fleet of 425 buses, Capital Metro provides MetroBus, MetroRapid and MetroExpress bus routes and shuttle service to the University of Texas at Austin. We also use 30 vehicles to operate the on-demand Pickup service and another 184 for parallel door-to-door service for eligible riders with disabilities.

MetroRail's Red Line is a 32-mile regional rail service operating with 10 trains between Leander and downtown Austin; it launched in 2010. FY2020 was the second consecutive year with significant disruptions to MetroRail service, with the construction of a new Downtown Station requiring the agency to use a temporary replacement station. Additionally, weekend service was suspended first to accommodate the federally mandated implementation of positive train control (PTC) and then the pandemic's ridership decreases. We met our deadline for PTC implementation and completed the project in August, four months ahead of schedule.

The agency operates a vanpool program called MetroRideShare, which had grown to 268 groups and about 1,500 participants by February 2020. As the pandemic led to more people working from home, that number of groups fell to about 100 by the end of FY2020. Capital Metro also works in partnership with the Capital Area Rural Transportation System (CARTS) to offer transportation to select outlying areas surrounding Austin.

Beyond its regional rail service, Capital Metro moves freight along its own 162-mile railroad line between Llano and Giddings. In FY2020, the freight rail operation shipped cargo on more than 58,402 rail cars, removing 223,608 freight trucks from our roadways.

Capital Metro was created in 1985, after voters in Austin and the surrounding area approved its creation in accordance with Chapter 451 of the Texas Transportation Code. Capital Metro provides service to more than 1.3 million residents within a 546-mile service area that includes the cities of Austin, Manor, San Leanna, Jonestown, Lago Vista, Leander, Point Venture and unincorporated portions of Travis and Williamson counties. These communities contribute one percent sales tax to help fund the services provided by Capital Metro.

Governance

Capital Metro is governed by an eight-member board of directors. The board consists of three members appointed by the Capital Area Metropolitan Planning Organization (CAMPO), including an elected official; one member representing the small cities in Capital Metro's service area; a member each appointed by the commissioners of Travis and Williamson Counties; and two members appointed by the Austin City Council, one of whom must be a member of the council.

The board is responsible for adopting policies relative to the operation, control and management of the agency. In 2018, the board members appointed Randy Clarke as the president and chief executive officer, who has the responsibility of providing leadership and direction to ensure that Capital Metro meets its mission, goals and objectives.

Capital Metro implemented a new business model in 2012 to streamline operations and improve its business practices. The agency now contracts with private companies to operate all passenger service, including bus, rail and paratransit service. Capital Metro's service providers during FY2020 were RATP Dev North America, MV Transportation, CARTS, Herzog Contracting Corporation and MTM Transit. The agency underwent a procurement process in 2019 to combine its two primary service provision contracts into one, which the board awarded to MV Transportation. That transition took effect January 5, 2020.

Our Workforce

Capital Metro helps the local economy by employing and contracting a diverse workforce of approximately 2,100. Capital Metro strives to be an employer of choice in the Austin area and the transit industry by providing competitive benefits and pay, as well as nationally recognized programs that contribute to employees' well-being.

Capital Metro's award-winning wellness program includes three 24-hour fitness centers, personal training, nutrition counseling and healthy cafeteria options, among other benefits. Since the inception of the wellness program, employee health care costs and absenteeism rates have trended downward, while morale has improved.

Capital Metro offers other benefits that contribute to a motivated workforce. These include flexible work schedules; telecommuting; leadership training, professional development and career advancement programs; and a top notch, on-site child care facility.

With the onset of the COVID-19 pandemic in 2020, Capital Metro worked quickly to provide flexibility for staff members, a large percentage of whom began to telecommute almost exclusively. That flexibility came in the form of technological and policy innovations.

Budget Control

By state law, Capital Metro's board of directors must adopt an annual budget driven by an approved strategic plan that outlines the agency's priorities. The budget must be adopted before the beginning of each fiscal year and before Capital Metro conducts any business in the new fiscal year. The budget is amended if operating expenditures will exceed the budgeted amount. To continue efforts toward fiscal responsibility, the board has approved a five-year capital improvement plan.

Control of the budget is maintained at the department level with overview responsibility exercised by the budget director. It is the responsibility of each department manager to administer operations in such a manner as to ensure that the use of funds is consistent with the goals and objectives in the strategic plan, and that the department remains within its budget.

Accountability and Transparency

As a steward of public funds and public trust, Capital Metro strives for both financial accountability and transparency. Capital Metro has always posted detailed financial information on its website but now also features performance dashboards on the site as well. These make public in unprecedented detail the agency's ridership, operational, safety and financial performance levels.

Capital Metro's five-year capital improvement plan and improved financial reporting and budget development processes help ensure the appropriate level of accountability and oversight.

Local Economic Outlook

Continuing the growth experienced over the past several years, Austin again placed third in the Milken Institute's Center for Jobs and Human Capital 2021 ranking of the best performing cities in the United States. This year's rankings criteria were reassessed in order to "reflect the upheaval of 2020, and the shifting markers of a city's success in a year defined by stay-at-home orders and social distancing." Even amid the year's turmoil, it was the third consecutive year the Austin region ranked in the top three.

The *Wall Street Journal*, using data from Moody's Analytics, ranked Austin first among the nation's hottest job markets in February 2020, also for the second straight year. However, the COVID-19 pandemic hit the area hard, as it did the rest of the world. Job losses in the Austin area in March and April totaled 128,600 jobs, or 11.4%. By the end of the fiscal year, growth had brought back 81,000 of those jobs. The Austin area's adjusted unemployment rate at the end of FY2020 was 6.4 percent, better than for the rest of Texas and much of the rest of the country, but also much higher than the region had grown accustomed to.

Still, the region's population grows by approximately 150 people each day, adding 100 new cars to the area's roadways. *U.S. News & World Report* again ranked Austin among the top three cities in the nation to live, citing its strength in affordability, job prospects and desirability.

To address the region's traffic congestion issues of today and be prepared for the growth and demand for reliable transportation, Capital Metro has joined with regional partners like the city of Austin and the Capital Area Metropolitan Planning Organization (CAMPO) on Project Connect. The multiyear process culminated in a successful November 2020 ballot proposition that will provide a secure, long-term funding source for Project Connect. It will enable Capital Metro and its partners to create a regional public transportation system that will transform Central Texas for generations to come.

The Project Connect vision will be built on the strong foundation of the CapMetro transit system, which experienced ridership increases in 19 of the 20 months between June 2018 and February 2020. That success was enabled by the Cap Remap changes implemented at the start of that run, the most significant change to our bus network in the agency's history. On top of those systemic changes, CapMetro also made significant improvements to our facilities and amenities, ensuring a better customer experience across the board.

The agency has also worked with local governments outside our current service area through interlocal agreements to provide much-needed transportation service to some of the fastest growing areas in the region, including Georgetown, Pflugerville, Round Rock, Buda and Travis County. In recent years, that initiative has brought transit service to Round Rock, Georgetown and parts of Travis County that are outside of the Capital Metro service area.

Our commitment to innovation allowed CapMetro to create services that fit specific communities, like Pickup. The service brings on-demand transit to neighborhoods that aren't best served by regular, fixed-route transit service. Pickup operates in seven neighborhood zones throughout our service area, allowing customers to request tailored trips and the agency has plans to increase that number greatly in the coming years.

There has been an understandable hiatus in live events during the pandemic, but the Austin region will continue as the pandemic recedes to be a magnet for special events: South By Southwest; the Austin City Limits Music Festival; the United States Grand Prix at the Circuit of the Americas, attended by international race fans; and other festivals like the Pecan Street and Moontower Comedy Festivals will still bring in tourists from around the country and world. In 2021, Major League Soccer's Austin FC will play its initial season. These events provide a significant positive economic impact and increased exposure for Austin on an international stage while providing Capital Metro with the opportunity to serve new riders.

Management's Discussion and Analysis

Capital Metro's management is responsible for the accuracy, reliability and presentation of the financial information contained within the Comprehensive Annual Financial Report. The report includes all necessary disclosures and other information that enable the reader to gain an understanding of Capital Metro's financial activities.

Generally accepted accounting principles require that management provide a narrative introduction, overview and analysis to the accompanying basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with the MD&A. Capital Metro's MD&A can be found directly following the independent auditor's report.

Certificate of Achievement for Financial Reporting



Capital Metro has again received the Certificate of Achievement for Excellence in Financial Reporting for the Fiscal Year 2019 Comprehensive Annual Financial Report from the Government Finance Officers Association. This award is designed to encourage and assist state and local governments to go beyond the minimum requirements of generally accepted accounting principles to prepare comprehensive annual financial reports that evidence the spirit of transparency and full disclosure and then to recognize individual governments that succeed in achieving that goal.

Acknowledgements

The preparation of this report on a timely basis could not be accomplished without the dedicated service of Finance Department staff members. Capital Metro also thanks its board of directors for their continuing support, and to the customers and taxpayers for whom we work.

Respectfully submitted,

Randy Clarke
Capital Metro President & Chief Executive
Officer

Reinet Marneweck
Capital Metro Chief Financial Officer



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Capital Metropolitan Transportation Authority
Texas**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

September 30, 2019

Christopher P. Morrill

Executive Director/CEO

BOARD OF DIRECTORS APPOINTING BODY

Wade Cooper – Chair Capital Area Metropolitan Planning Organization

Delia Garza – Vice Chair City of Austin

Eric Stratton, Secretary Williamson County

Terry Mitchell Capital Area Metropolitan Planning Organization

Jeffrey Travillion Travis County

Troy Hill Small Cities

Sabino “Pio” Renteria City of Austin

Ann Kitchen Capital Area Metropolitan Planning Organization

ADMINISTRATION

Randy Clarke President/Chief Executive Officer

Dottie Watkins Chief Customer Officer, Chief Operating Officer

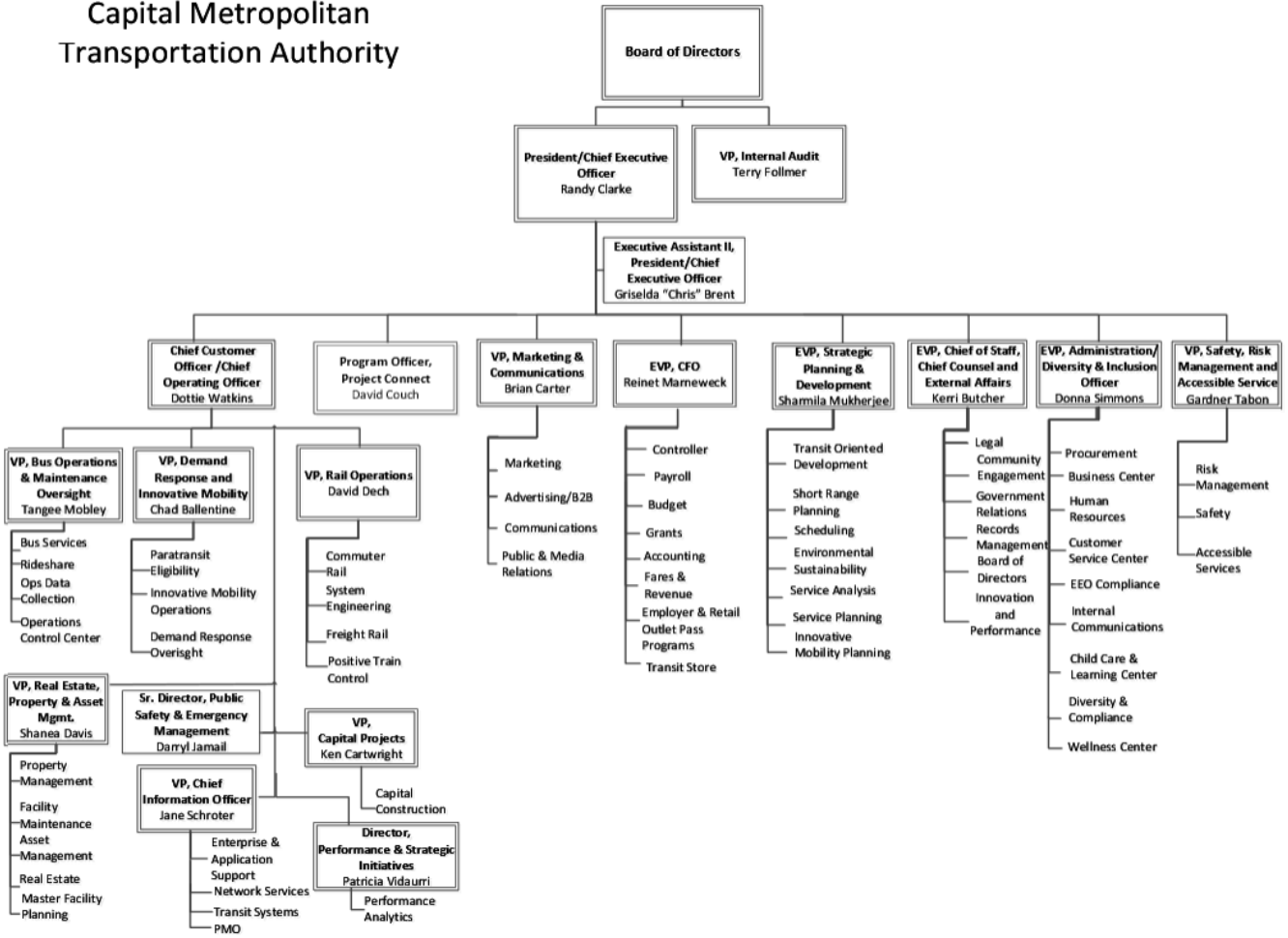
Reinet Marneweck Executive Vice President, Chief Financial Officer

Sharmila Mukherjee Executive Vice President, Strategic and Planning Development

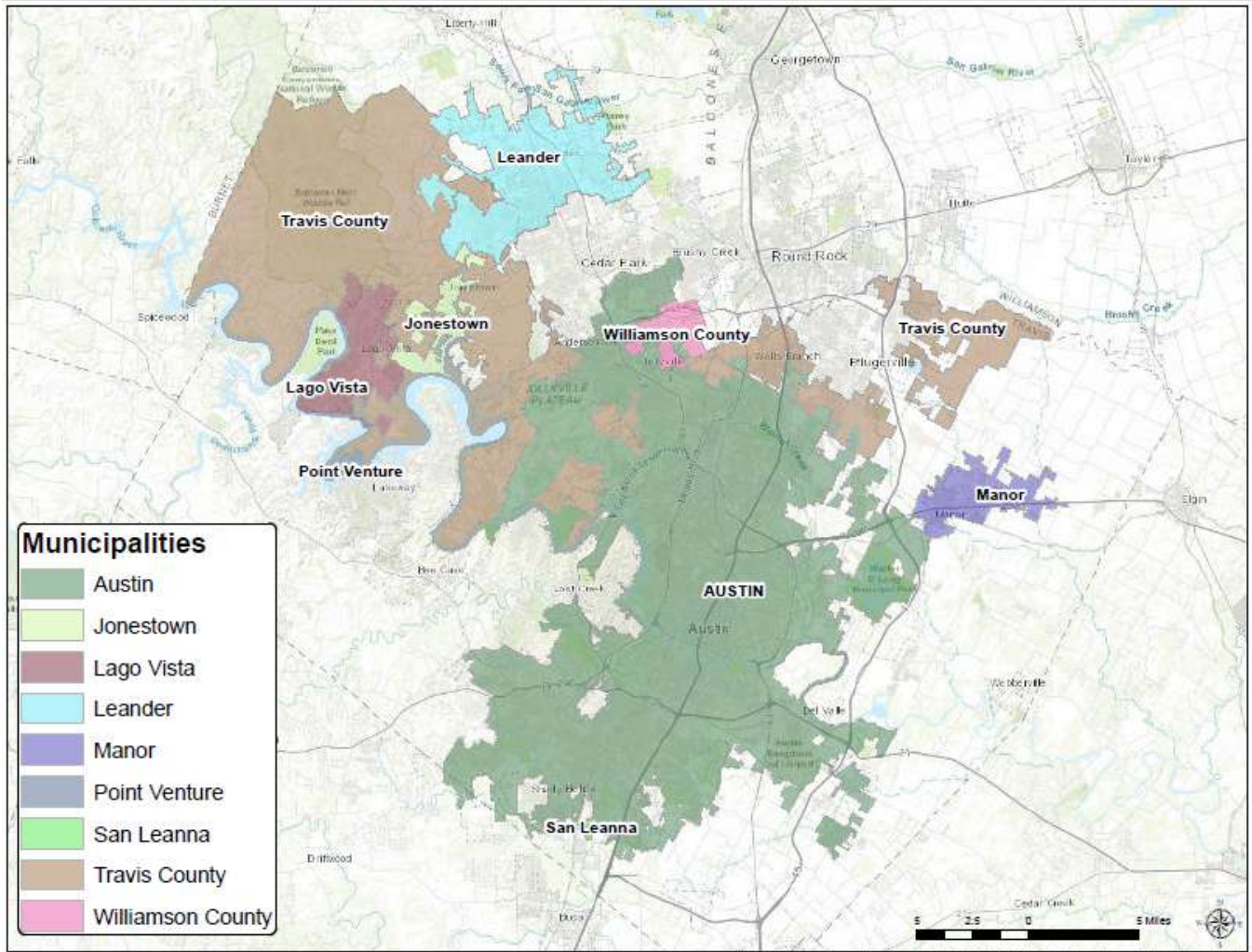
Donna Simmons Executive Vice President, Administration/Diversity and Inclusion Officer

Kerri Butcher Executive Vice President, Chief of Staff, Chief Counsel and External Affairs

Capital Metropolitan Transportation Authority



Service Area Map



This page left intentionally blank



2020 Comprehensive Annual Financial Report
Financial Section

This page left intentionally blank



RSM US LLP

Independent Auditor's Report

To the Finance, Audit, and Administration Committee
of the Board of Directors
Capital Metropolitan Transportation Authority

Report on the Financial Statements

We have audited the accompanying financial statements of Capital Metropolitan Transportation Authority (the Authority) as of and for the years ended September 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's 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. 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority'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 Authority'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 the Authority as of September 30, 2020 and 2019, and the changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Capital Metropolitan Transportation Authority Retirement Plan for Bargaining Unit Employees of StarTran, Inc. Schedules of Changes in Net Position Liability and Related Ratios, Capital Metropolitan Transportation Authority Retirement Plan for Bargaining Unit Employees of StarTran, Inc. Schedule of Plan Contributions, Capital Metropolitan Transportation Authority Retirement Plan for Administrative Employees Schedules of Changes in Net Pension Liability and Related Ratios, Capital Metropolitan Transportation Authority Retirement Plan for Administrative Employees Schedules of Plan Contributions and Capital Metropolitan Transportation Authority Other Post-Employment Benefits – Schedules of Changes in the Total OPEB Liability and Related Ratios be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying Introductory and Statistical Sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

RSM US LLP

Austin, Texas
March 26, 2021

This section of the financial statements of the Capital Metropolitan Transportation Authority (CMTA, Capital Metro, or the Authority) offers a narrative overview and analysis of the financial activities for fiscal year ended September 30, 2020 and 2019. The information contained within the Management Discussion and Analysis (MD&A) should be considered only part of a greater whole. The reader of this statements should take time to read and evaluate all sections of this report, including the footnotes and other supplementary information that is provided in addition to this MD&A.

Financial Highlights

- Net position was \$735.6 million as of September 30, 2020, increased 18.3% from \$621.8 million as of September 30, 2019. Net position was \$621.8 million as of September 30, 2019, increased 9.6% from \$567.2 million as of September 30, 2018.
- Fiscal year (FY) 2020 sales tax revenue was comparable to FY2019 at \$262.4 million and \$261.5 million respectively. FY2019 sales tax revenue was \$261.5 million compared to \$243.6 million in FY2018. Transportation fares decreased from \$15.2 million in FY2019 to \$10.0 million in FY2020, a decrease of 34.5%. Transportation fares increased from \$14.6 million in FY2018 to \$15.2 million in FY19, an increase of 3.9%. Rail freight revenue increased from \$5.1 million in FY 2019 to \$6.5 million in FY2020, an increase of 27.3%. Rail freight revenue decreased slightly from \$5.5 million in FY 2018 to \$5.1 million, a decrease of 7%. (Table A-2).
- Operating expenses (including depreciation) were \$303.5 million for FY2020 compared to \$292.2 million for FY2019, an increase of 3.9% (Table A-3).
- Expenses of approximately \$8.0 million in FY2020 and \$7.5 million in FY2019 were made for mobility projects (Table A-4).
- Expenses of \$6.7 million in FY2020 and \$3.9 million in FY2019 were made for preliminary costs for long term mobility planning project also known as Project Connect (Table A-4).
- Capital assets (net of depreciation) increased by \$47.6 million to \$508.1 million as of September 30, 2020 from \$460.5 million as of September 30, 2019 (Table A-5).

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to CMTA's financial statements. The financial statements are comprised of 1) financial statements, 2) notes to the financial statements, and 3) required supplementary information.

The Statements of Net Position reports CMTA's assets and deferred outflows, as well as liabilities and deferred inflows, with the difference between the two reported as net position. This is a measure of financial position, which can indicate financial condition improvement or deterioration from year to year.

The Statements of Revenue, Expenses, and Changes in Net Position present information showing how CMTA's net position changed during the fiscal year. Operating revenue consists of transportation fares, contract fare revenue, and rail freight fees. Other non-operating revenue includes a 1% sales and use tax which comprises 60.7% of all revenues in FY2020, and 72.9% of all revenues in FY2019, as well as investment income, other income and operating contributions. Operating expenses include providing bus service, demand response, commuter rail service, maintenance, security, and administration for CMTA. Non-operating expenses include funding for regional mobility projects.

The Statements of Cash Flows reports cash and cash equivalents activities for the fiscal year resulting from operating activities, non-capital financing activities, capital and related financing activities, and investing activities.

The Notes to the Financial Statements provide additional information necessary to fully understand the data provided in the financial statements.

The Required Supplementary Information (unaudited) includes the progress in funding CMTA's obligation to provide pension benefits to its former employees and to its administrative employees and is required by accounting principles generally accepted in the United States of America.

FINANCIAL ANALYSIS

Net Position

Total net position may serve, over time, as a useful indicator of an entity's financial position. The total net position of CMTA increased \$113.8 million from \$621.8 million in FY2019 to \$735.6 million in FY2020, primarily due to funds received from the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act offset by impacts from the COVID-19 pandemic which resulted in both a decrease in operating revenue due to decreased ridership and the suspension of fares in April and May combined with an increase in operating expenses as a result of added safety measures. The total net position of CMTA increased \$54.6 million, from \$567.2 million in FY2018 to \$621.8 million in FY2019, primarily due to an increase of 7.5% in sales and use tax receipts with an expanding economy in the Austin region, increases in investment income due to higher interest rates during FY2019, offset by increases in purchased transportation due to a full year of Cap Remap, which was the most significant change to Capital Metro's bus network and made the network more frequent, more reliable and better connected and preliminary costs for Project Connect.

Total assets and deferred outflows increased \$117.1 million from \$750.7 million in FY2019 to \$867.8 million in FY2020 due primarily to federal CARES Act funding related to the COVID19 pandemic and capital projects, such as the construction of the Downtown Station and additions to the bus fleet. Total assets and deferred outflows increased to \$751.9 million in FY2019 from \$696.6 million in FY2018 and from \$642.7 million in FY2017 due primarily to increased depreciable assets, net of depreciation, and land and improvements, offset by a decrease in projects in process.

Total liabilities and deferred inflows increased \$3.2 million from \$128.0 million in FY2019 to \$132.2 million in FY2020 due primarily to additional accrued liabilities related to the procurement process undertaken to combine its two primary bus service provision contracts into one. The additional accrued liabilities related to the consolidation of two vendors into one resulted in a contractual commitments of \$5.8 for the purchased transportation services and \$6.3 million for a commitment by the Authority to pay unpaid compensated absences for the consolidation of the workforce from two purchase transportation vendors into one. Total liabilities and deferred inflows decreased from \$129.4 million in FY2018 to \$128.9 million in FY2019 primarily due to a decrease in deferred inflows offset by an increase in the net pension liability.

Comparative amounts for the prior year have been presented in order to provide an understanding of changes in Capital Metro's financial position and operations.

Table A-1
 Summary Information of CMTA's Net Position
 (in millions of dollars)

	FY 2020	FY 2019	FY 2018*
Current assets	\$ 293.2	\$ 189.9	\$ 152.8
Capital assets, net	508.1	460.5	406.1
Other noncurrent assets	49.3	86.0	128.3
Total assets	<u>\$ 850.6</u>	<u>\$ 736.4</u>	<u>\$ 687.2</u>
Deferred outflow of resources	<u>17.2</u>	<u>14.3</u>	<u>9.4</u>
Current liabilities	68.7	59.2	56.8
Long-term liabilities	58.4	67.6	66.8
Total liabilities	<u>\$ 127.2</u>	<u>\$ 126.8</u>	<u>\$ 123.6</u>
Deferred inflows	<u>5.1</u>	<u>2.2</u>	<u>5.8</u>
Net position			
Net investment in capital assets	503.9	455.7	403.3
Unrestricted	231.7	166.1	163.9
Total net position	<u>\$ 735.6</u>	<u>\$ 621.8</u>	<u>\$ 567.2</u>

*FY 2018 restated for GASB Statement No. 75.

Certain unrestricted assets are designated through the Authority's Board of Directors directive for specific uses. As of September 30, 2020, the CMTA Board has designations of \$41.0 million for a statutory operating reserve, \$20.5 million for a budget stabilization reserve, and \$1.3 million for self-insurance. The reserves as of September 30, 2019 were \$39.7 million for statutory operating, \$21.5 million for budget stabilization, and \$1.3 million for self-insurance.

Commitments

CMTA has a capital spending plan for projects for upcoming and future years. CMTA's contractual commitments related to its capital improvement plan are \$56.1 million and \$88.6 million as of September 30, 2020 and 2019, respectively. CMTA has also executed contracts with various goods and services providers totaling \$721.8 million extending to August 2029. CMTA is contractually committed to the Build Central Texas Program and Mobility Programs with the City of Austin and the Suburban Communities Program. These programs are detailed in Note 8 in the Notes to the Financial Statements.

Change in Net Position

The change in net position for FY2020 was an increase of \$113.8 million or 18.3% of total beginning net position due to an increase in non-operating revenue partially offset by a decrease of operating revenue and increased operating expenses as noted on the following page. The change in net position for FY2019 was an increase of \$54.5 million or 9.6% of total beginning net position. (Table A-2)

Table A-2
Summary Information of Changes in CMTA's Net Position
(in millions of dollars)

	FY 2020	FY 2019	FY 2018
Operating revenue:			
Transportation fares	\$ 10.0	\$ 15.2	\$ 14.6
Contract fare revenue	6.5	9.1	9.0
Rail—freight	6.5	5.1	5.5
Total operating revenue	<u>23.0</u>	<u>29.4</u>	<u>29.1</u>
Operating expenses:			
Purchased transportation	165.2	158.8	152.4
Depreciation and amortization	45.2	46.5	44.0
Salary and wages	25.9	23.9	23.4
Services	23.5	18.4	19.1
Employee benefits	20.5	21.3	19.2
Materials and supplies - fuel and fluid	12.6	13.4	12.1
Leases and other	5.6	4.8	4.8
Utilities	3.1	3.0	2.8
Casualty and liability	0.4	0.6	1.3
Materials and supplies - other	1.6	1.5	3.1
Total operating expenses	<u>303.5</u>	<u>292.2</u>	<u>282.2</u>
Operating loss	<u>(280.5)</u>	<u>(262.8)</u>	<u>(253.1)</u>
Non-operating revenue (expenses):			
Sales and use tax	262.4	261.5	243.6
Investment income	4.4	5.7	2.0
Other income, net	3.9	2.2	2.1
Other Federal Grants	117.1	40.8	53.4
Long Term Mobility Planning	(6.7)	(3.9)	-
Build Central Texas Program	(0.1)	(0.6)	(0.4)
Mobility programs	(8.0)	(7.5)	(6.2)
Total non-operating revenue (expenses)	<u>373.0</u>	<u>298.2</u>	<u>294.5</u>
Income before contributions	92.4	35.4	41.4
Capital contributions	<u>21.4</u>	<u>19.2</u>	<u>27.4</u>
Change in net position	113.8	54.6	68.8
Total net position, beginning of the year	<u>621.8</u>	<u>567.2</u>	<u>498.4</u>
Total net position, end of the year	<u>\$ 735.6</u>	<u>\$ 621.8</u>	<u>\$ 567.2</u>

Operating Revenue

FY2020 operating revenue decreased 21.9% to \$23.0 million from \$29.4 million in FY 2019 compared to \$29.1 in FY 2018 due to decreased ridership beginning in March 2020 as well as the suspension of fares for two months as a result of the COVID-19 pandemic.

Operating Expenses

FY2020 operating expenses increased 3.9% to \$303.5 million from \$292.2 million in FY2019, primarily due to increased costs for purchased transportation related to the COVID-19 pandemic. FY2019 operating expenses increased 3.6% to \$292.2 million from \$282.2 million in FY2018, primarily due to increased costs for purchased transportation for increased transit services and preliminary costs for Project Connect.

Table A-3
Information on CMTA’s Total Operating Expenses (including depreciation)
(in millions of dollars)

	<u>FY 2020</u>	<u>FY 2019</u>	<u>FY 2018</u>
Purchased transportation	\$ 165.2	\$ 158.8	\$ 152.4
Depreciation and amortization	45.2	46.5	44.0
Salary and wages	25.9	23.9	23.5
Services	23.5	18.4	19.1
Employee benefits	20.5	21.3	19.2
Materials and supplies - fuel and fluid	12.6	13.4	12.1
Leases and other	5.6	4.8	4.8
Utilities	3.1	3.0	2.8
Casualty and liability	0.4	0.6	1.3
Materials and supplies - other	1.6	1.5	3.1
Total operating expenses	<u>\$ 303.5</u>	<u>\$ 292.2</u>	<u>\$ 282.3</u>

Non-Operating Revenue and Expenses

Non-operating revenue consists of a 1% sales tax levied in CMTA’s service area, investment income, operating contributions, and other income generated primarily from advertising sales. Non-operating revenue is reduced by the costs of providing funding for infrastructure needs in the service area.

Sales tax represents the largest component of CMTA’s revenue. FY2020 and FY2019 sales tax revenue was comparable at \$262.4 million and \$261.5 million respectively as receipts significantly decreased from March through May due to the COVID-19 pandemic. For FY2019 sales tax revenue of \$261.5 increased by \$17.9 million or 7.4% from FY 2018 sales tax amount of \$243.6, due to a continued robust economy in the Austin area.

Investment income of \$4.4 million for FY2020 was earned on CMTA’s cash reserve of \$282.9 million. In FY2019, investment income was \$5.7 million, earned on CMTA’s cash reserve of \$221.4 million. During the fiscal years, the cash reserve was invested in the Texas Local Government Investment Pool with a portion invested in U.S. Government issues and Commercial Paper.

CMTA funds programs for street maintenance, street repair, and transit capital improvements through the Build Central Texas program (formerly, Build Greater Austin). It also funds mobility projects to assist in future transportation and improve regional mobility.

Table A-4
Information on CMTA's Non-Operating Revenue and Expenses
 (in millions of dollars)

	FY 2020	FY 2019	FY 2018
Sales and use tax	\$ 262.4	\$ 261.5	\$ 243.6
Other federal grants	117.1	40.8	53.4
Other income, net	3.9	2.2	2.1
Investment income	4.4	5.7	2.0
Long Term Mobility Planning	(6.7)	(3.9)	-
Build Central Texas Program	(0.1)	(0.6)	(0.4)
Mobility interlocal agreements	(4.5)	(0.4)	(5.7)
Capital contributions—other jurisdictions	(3.5)	(7.1)	(0.5)
Total net non-operating revenue	<u>\$ 373.0</u>	<u>\$ 298.2</u>	<u>\$ 294.5</u>

Federal and State Grants

Other federal grants increased \$76.3 million from \$40.8 million in FY2019 to \$117.1 million in FY2020 due primarily to federal funds received from the CARES act to help offset revenue losses and added safety and operations costs due to the COVID-19 pandemic. Capital funds used primarily to fund CMTA's capital improvement totaled \$21.4 million and \$19.2 million in FY2020 and 2019, respectively. During FY2020, these funds were used primarily for positive train control (PTC) implementation and the Downtown Station.

Capital Assets

Capital assets consist of buildings and improvements, railroad, buses and equipment, passenger parking stations, leasehold improvements, land, and construction in progress. CMTA's net capital assets increased \$47.6 million from \$460.5 million in FY2019 to \$508.1 million in FY2020, primarily due to the construction of the Downtown Station and additions to the bus fleet. FY2020 net capital assets represent an increase of 10.3% from FY2019. For more detailed information on capital assets, see Note 11 to the financial statements.

Table A-5
CMTA’s Capital Assets Information
 (in millions of dollars)

	FY 2020	FY 2019	FY 2018
Building and improvements	\$ 110.2	\$ 105.7	\$ 86.1
Leasehold improvement	0.3	-	
Railroad	178.5	167.8	\$ 149.0
Buses and equipment	400.5	364.2	326.5
Passenger parking and stations	105.4	97.1	89.4
	<u>794.9</u>	<u>734.8</u>	<u>\$ 651.0</u>
Less accumulated depreciation	(442.3)	(408.0)	(379.3)
Net depreciable property/improvements	<u>352.6</u>	<u>326.8</u>	<u>\$ 271.7</u>
Land and improvements	75.3	69.9	59.7
Construction in progress	80.2	63.8	74.7
Capital assets, net	<u>\$ 508.1</u>	<u>\$ 460.5</u>	<u>\$ 406.1</u>

Economic Factors and Outlook for FY2021

Capital Metro’s adopted FY2021 budget totaled \$331.8 million in revenue \$278.1 million in operating expenses, \$106.4 million for new capital expenditures and approximately \$6.0 million for Regional Mobility pass through grants. FY2021 sales tax revenue is budgeted at a 5.3% decline from FY2020 budget due to the impact of the COVID-19 pandemic in the Austin area for both fiscal years. FY2021 budgeted operating expenses were projected to decrease 3.1% from the FY2020 budget. Management anticipates that its existing resources will be adequate to satisfy its liquidity requirements for FY2021.

Notable Events

Austin voters approved Proposition A, funding a \$7.1 billion Initial Investment for Project Connect on November 3, 2020. Project Connect is a bold transit plan that includes a new rail system, a downtown transit tunnel, an expanded bus system, and a transition to an all-electric fleet. The Initial Investment is a portion of the System Plan, which will advance through development and be considered for both local and federal funding. Not all the System Plan’s elements are included in the Initial Investment. Austin Transit Partnership (ATP) will be a transparent joint venture between Capital Metro and the City of Austin, tasked with governance, financing, and implementation of the Project Connect expansion program.

Capital Metro’s service providers during FY2020 were RATP Dev North America, MV Transportation, CARTS, Herzog Contracting Corporation and MTM Transit. The agency underwent a procurement process in 2019 to combine its two bus service provision contracts into one, which the board awarded to MV Transportation. That transition took effect January 5, 2020.

Request for Information

This financial report is designed to provide our patrons and other interested parties with a general overview of the finances to demonstrate CMTA’s accountability for the funds it receives. If you have questions about this report or need additional financial information, contact Capital Metropolitan Transportation Authority, Finance Department, at 2910 East 5th Street, Austin, Texas 78702, call (512) 389-7564, or e-mail susan.renshaw@capmetro.org.

Capital Metropolitan Transportation Authority
Statements of Net Position
September 30, 2020 and 2019

	2020	2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 216,803,381	\$ 114,774,903
Investments	16,762,866	21,419,264
Due from federal and other governments	5,395,907	1,791,117
Fuel hedge asset	1,326,270	1,338,482
Materials and supplies inventory, net	2,806,370	2,612,103
Prepaid transit expense and other	1,905,315	722,073
Other receivables	4,465,521	2,811,770
Sales and use taxes receivable	43,750,887	44,403,762
Total current assets	293,216,517	189,873,474
Non-current assets:		
Investments – designated for system expansion	49,288,061	71,478,036
Restricted for system expansion and acquisition:		
Restricted – cash and cash equivalents	46	6,287,658
Restricted – investments	-	7,469,266
Capital assets:		
Land and improvements	75,328,693	69,889,511
Depreciable capital assets, net of depreciation	361,988,694	326,856,445
Projects in process	70,779,761	63,769,382
Other assets	-	788,235
Total non-current assets	557,385,255	546,538,533
Total assets	850,601,772	736,412,007
Deferred outflow of resources – pension plan	13,151,579	13,506,745
Deferred outflow of resources – fuel hedge	4,077,659	780,499
Total deferred outflows of resources	17,229,238	14,287,244
Total assets and deferred outflows of resources	\$ 867,831,010	\$ 750,699,251

See notes to the financial statements.

Capital Metropolitan Transportation Authority
Statement of Net Position
September 30, 2020 and 2019
(continued)

	2020	2019
Liabilities		
Current liabilities:		
Accounts payable	\$ 29,198,529	\$ 26,252,395
Accrued expenses	31,726,351	21,829,638
Benefits payable	503,188	502,673
Accrued salary and wages	834,314	649,363
Accrued sick and vacation	2,277,845	2,697,865
Retainage	4,200,019	4,868,642
Payable from restricted assets	-	2,413,259
Total current liabilities	68,740,246	59,213,835
Long-term liabilities:		
Accrued sick and vacation	2,157,691	1,247,940
Total OPEB liability	3,119,109	2,876,406
Other rent liability	549,273	952,274
Unearned grant revenue – commuter rail cars and station	-	8,797,035
Pension liability	52,584,419	53,757,461
Total long-term liabilities	58,410,492	67,631,116
Total liabilities	127,150,738	126,844,951
Deferred inflow of resources – OPEB	955,005	996,403
Deferred inflow of resources – pension plan	4,116,308	1,092,345
Total deferred inflows of resources	5,071,313	2,088,748
Total liabilities and deferred inflow of resources	132,222,049	128,933,698
Net position:		
Net investment in capital assets	503,897,129	455,646,696
Unrestricted	231,711,832	166,118,857
Total net position	\$ 735,608,961	\$ 621,765,553

See notes to the financial statements.

This page left intentionally blank

Capital Metropolitan Transportation Authority
Statements of Revenues, Expenses, and Changes in Net Position
September 30, 2020 and 2019

	2020	2019
Operating revenue:		
Transportation fares	\$ 9,948,339	\$ 15,185,532
Contract revenue	6,519,695	9,083,445
Rail—freight	6,486,192	5,110,051
Total operating revenue	22,954,226	29,379,028
Operating expenses:		
Purchased transportation	165,234,291	158,795,657
Depreciation and amortization	45,204,201	46,522,354
Salary and wages	25,873,265	23,920,927
Services	23,521,469	18,360,137
Employee benefits	20,502,948	21,316,400
Materials and supplies – fuel and fluid	12,550,862	13,419,745
Leases and other	5,561,594	4,783,567
Utilities	3,131,335	3,016,639
Casualty and liability	386,174	640,414
Materials and supplies – other	1,550,070	1,495,276
Total operating expenses	303,516,209	292,271,116
Operating loss	(280,561,983)	(262,892,088)
Non-operating revenue (expenses):		
Sales and use tax revenue	262,434,630	261,540,589
Other federal grants	117,090,152	40,798,618
Other income, net	3,899,394	2,221,765
Investment income	4,440,688	5,659,749
Long-term Mobility Planning	(6,699,699)	(3,895,780)
Build Central Texas Program	(148,510)	(570,966)
Capital contributions – other jurisdictions	(4,497,317)	(420,730)
Mobility interlocal agreements	(3,508,715)	(7,066,622)
Total non-operating revenue (expenses)	373,010,623	298,266,623
Increase in net position before capital contributions	92,448,640	35,374,535
Federal grants and other capital contributions	21,398,445	19,198,534
Change in net position	113,847,085	54,573,069
Net position at the beginning of year	621,765,553	567,192,484
Net position at the end of year	\$ 735,612,638	\$ 621,765,553

Capital Metropolitan Transportation Authority
Statements of Cash Flows
For the Year Ended September 30, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Receipts from customers	\$ 22,954,226	\$ 29,274,820
Payments to employees	(20,608,498)	(19,491,940)
Payments for employee taxes	(7,723,429)	(7,270,354)
Payments to purchased transportation service providers	(155,380,976)	(159,819,053)
Payments to suppliers of goods and services	(63,432,609)	(53,793,525)
Net cash used in operating activities	(224,191,286)	(211,100,052)
Cash flows from non-capital financing activities:		
Sales and use tax	263,087,504	258,677,576
Cash/proceeds received from operating grants	118,358,693	47,042,828
Payments for Long-term Mobility Planning	(6,699,699)	(3,895,780)
Payments for Build Central Texas Program	(148,510)	(570,966)
Payments for mobility projects	(3,508,715)	(7,066,622)
Net cash provided by non-capital financing activities	371,089,273	294,187,036
Cash flows from capital and related financing activities:		
Proceeds from capital grants	(2,053,703)	16,783,476
Purchase of capital assets	(88,018,091)	(100,236,045)
Proceeds from sale of capital assets	158,342	264,561
Net cash used in capital and related financing activities	(89,913,452)	(83,188,008)
Cash flows from investing activities:		
Sale of investments	(4,208,760)	98,930,542
Purchase of investments	38,524,400	(69,987,578)
Net investment income	4,440,688	5,659,749
Net cash provided by investing activities	38,756,328	34,602,713
Net change in cash and cash equivalents	95,740,864	34,501,689
Cash and cash equivalents at beginning of year	121,062,563	86,560,874
Cash and cash equivalents at the end of the year	\$ 216,803,427	\$ 121,062,563
Cash and cash equivalents at the end of the year:		
Restricted	\$ 46	\$ 6,287,658
Unrestricted	216,803,381	114,774,903
	\$ 216,803,427	\$ 121,062,561

See notes to the financial statements.

**For the Year Ended September 30, 2020 and 2019
(Continued)**

	2020	2019
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (280,561,983)	\$ (262,892,088)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	45,204,201	46,522,354
Changes in assets and liabilities:		
Other receivables	(1,653,751)	(401,801)
Inventory	(194,266)	307,655
Fuel hedge asset	12,212	561,158
Other assets	2,557,810	2,272,976
Accounts payable	5,395,905	(355,976)
Accrued liability and expenses	6,341,355	2,038,634
Other liabilities	(403,000)	365,839
Deferred outflows – pension	355,165	(4,090,354)
Deferred inflows – pension	3,023,963	(1,708,227)
Deferred inflows – OPEB	(41,398)	719,564
Net pension liability	(1,173,042)	9,567,819
Total OPEB liability	242,703	(462,694)
Deferred outflows/inflows fuel hedge	(3,297,160)	(3,544,913)
Net cash used in operating activities	\$ (224,191,286)	\$ (211,100,054)
Supplemental cash flow information:		
Capital asset acquisition included in accounts payable	\$ 726,757	\$ 4,266,000

See notes to the financial statements.

This page left intentionally blank

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity – Capital Metropolitan Transportation Authority (CMTA, Capital Metro, or the Authority) is a corporate body and political subdivision of the State of Texas. Capital Metro was established by a referendum on January 19, 1985 to provide mass transportation service to the greater Austin metropolitan area. Capital Metro commenced operations on July 1, 1985.

Capital Metro is governed by an eight-member Board of Directors (the Board) which has governance responsibilities over all activities related to Capital Metro. During the year ended September 30, 2009, the Legislature of the State of Texas enacted Senate Bill 1263, effective September 1, 2009, relating to the composition of the board of directors of certain metropolitan transit authorities. As a result of the enacted legislation, all the members serving on the Board are appointed in accordance with Section 451.5021, Transportation Code.

Capital Metro is not included in any other governmental “reporting entity,” as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. The appointed members of the Board have the authority to make decisions, possess the power to designate management, have the responsibility to significantly influence operations, and maintain primary accountability for fiscal matters.

Prior to August 19, 2012 and as required by accounting principles generally accepted in the United States of America, these financial statements presented Capital Metro (the primary government) and its active component unit, StarTran, Inc. (StarTran), a corporation organized under the Nonprofit Corporation Act of the State of Texas. Although it was legally separate from Capital Metro, StarTran was reported as if it were part of Capital Metro because it was incorporated for the purpose of providing employee services to operate mass transit service on behalf of Capital Metro. Pursuant to the contract effective January 1, 1992, between Capital Metro and StarTran, Capital Metro provided all resources needed for business operations and the necessary administrative support needed for StarTran’s operations. Senate Bill 1263 passed by the Texas Legislature in 2009 required the Sunset Advisory Commission to evaluate the efficiency and effectiveness of Capital Metro’s bus operations. In August 2012, Capital Metro implemented a new business model to streamline operations and improve its business practices. Capital Metro now contracts with private companies to operate passenger service, including fixed route and paratransit services. StarTran is inactive but remains a blended component unit.

Basis of Accounting – The financial statements of Capital Metro have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting standards. Capital Metro accounts for its operations as a proprietary (enterprise) fund. Proprietary funds are accounted for on the flow of economic resources measurement focus. An enterprise fund follows the accrual basis of accounting. With this measurement focus, all assets, liabilities and deferred inflows and outflows of resources associated with the enterprise fund operations are included in the Statements of Net Position. Under the accrual basis of accounting, revenues are recorded in the period in which they are earned, expenses are recorded when a liability is incurred, regardless of the timing of related cash flows and depreciation of capital assets is recorded.

Revenue from grants are recorded when all eligibility requirements imposed by the provider are met and qualifying expenses have been incurred for reimbursement type grants.

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Net Position – Net position on the Statements of Net Position include the following:

Net Investment in Capital Assets – the component of net position that reports capital assets less both the accumulated depreciation and the outstanding balance of debt or other liabilities that are directly attributable to the acquisition, construction, or improvement of these capital assets.

Unrestricted – the difference between the assets and liabilities that are not reported in net investment in capital assets, or restricted net assets.

Nature of Operating and Non-Operating Activities – Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses result from providing services in connection with an entity's principal ongoing operations. Capital Metro's primary activity is transit operations designed to provide high quality, customer focused, effective and efficient transportation services and systems for its' communities. Transit operations include planning bus routes, customer service, special transit services, purchased transportation services, maintaining equipment, facilities and buses, and providing security, administration, and management of the transit system. Capital Metro also owns and maintains a rail freight line. Operations include managing the rail freight contract and maintenance of the track and track infrastructure. In November 2004, citizens of the Capital Metro service area voted in favor of allowing the agency to operate urban commuter rail service from Leander, Texas to downtown Austin, Texas. Commuter rail service became operational in March of 2010.

Non-operating revenue and expenses include:

- 1) Non-operating revenue consists of the one percent sales tax levied in the Authority's service area, federal operating grants that are received on a reimbursement basis, investment income and other income generated primarily from advertising commissions and childcare operations.
- 2) Mobility projects and programs to help fund future transportation projects. These projects must improve regional mobility, improve mass transit, leverage federal or private funds, add to an existing program, and expedite a critical mobility project. These projects are governed by an interlocal agreement between Capital Metro and the City of Austin.
- 3) Long-range system planning called Project Connect that addresses both the short- and long-term needs of Central Texas. Project Connect's investments program has developed plans for a long-term high-capacity transit system capable of moving more people in the same amount of road space as cars. These new transit options will provide real ways to avoid traffic and help produce a more balanced transportation system that benefits our diverse population in Central Texas. Project Connect's enhancements program has identified short-term projects that will ensure our existing transit network operates efficiently. The enhancement projects will include two light rail lines, improve MetroRail, MetroRapid and MetroExpress services, and create Mobility Hubs at sites across the region.
- 4) Programs to fund street maintenance, emergency street repair, transit corridor improvements, pedestrian and bicycle safety/access, sidewalks, transit centers, and transit capital improvements.

It is Capital Metro's policy to use restricted resources first when an expenditure is made for purposes for which both restricted and unrestricted resources are available.

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Revenue Recognition:

Operating Revenue – Transportation fares, contract revenue, rail-freight and transportation fares – commuter rail are recorded as revenue when the ticket is sold, regardless of when it is used.

Sales and Use Tax Revenue – Sales tax revenue is recorded based on information provided by the Comptroller of Public Accounts which reports when the underlying transaction occurred. Sales tax revenues account for approximately 60.7% of revenues in FY2020 and 72.9% in FY2019.

Other Federal Grants – Other federal grant revenue is recognized when the allowable cost is incurred, and all eligibility requirements have been met.

Capital Replacement and Improvement Grants – Capital Metro funds its capital improvements with sales taxes and grants from the Federal Transit Administration (FTA). Grant revenue is recognized when all eligibility requirements have been met. The grantor retains a reversionary interest in the capital asset over the estimated useful life of that asset.

Federal and other capital contributions – Revenue from federal and other capital contributions are cash and noncash which include capital grants and contributions that are restricted revenue whose resources may only be used to purchase, build or use capital assets for specified programs.

Restricted Assets – Certain assets of Capital Metro are classified as restricted in the Statements of Net Position because their use is limited by contract for system expansion and acquisition or construction of long-term assets.

Cash and Investments – For purposes of the Statements of Cash Flows, Cash and Cash Equivalents include cash on hand, cash in banks, and investments with original maturities of less than 90 days. All non-negotiable certificates of deposits and fixed-rate time deposits are recorded at amortized cost. Investments and debt securities are recorded at fair value (See Note 2). Fair value is the price that would be received to sell an asset in an orderly transaction between market participants.

Annually, the Board of Directors of Capital Metro reviews and adopts a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act (Chapter 2256, Texas Government Code). Capital Metro is authorized to invest in obligations and instruments as defined in the Act. All investments held by Capital Metro are made in accordance with Capital Metro's Investment Policy.

Accounts Receivable – The allowance for uncollectible accounts is established as losses are estimated to have occurred through a provision for bad debt charged to earnings. Losses are charged against the allowance using specific identification method when management believes it is probable the receivable will be recovered. As of September 30, 2020, and September 30, 2019, management determined accounts receivable to be fully collectible.

Inventory – Materials and supplies inventory consists of fuel, and facilities and building maintenance supplies and is stated at cost (weighted-average method).

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Capital Assets – Capital assets include all items purchased that have a useful life of more than one year, are of a tangible nature and have a cost of \$5,000 or more. Capital assets are recorded at cost and are depreciated over their useful lives using the straight-line method as follows:

	<u>Estimated Useful Lives</u>
Buildings and improvements	40 years
Passenger parking stations	5-20 years
Railroad/leasehold improvements	15 years
Buses and equipment	2-25 years
Other equipment and software	3-5 years
Office furniture and fixtures	5 years

There are no intangible assets. Depreciation is presented as an operating expense in the Statements of Revenue, Expenses, and Changes in Net Position. Construction in progress will be depreciated when the related asset is placed in service.

Expenditures for renewals and betterments that increase property lives are capitalized, and maintenance and repair costs are charged to operations as incurred.

Compensated Leave – Substantially all employees of Capital Metro are eligible to receive compensation for vacations, holidays, illness and certain other qualifying leave. For certain kinds of leave, the number of days compensated is generally based on length of service. Vacation leave, which has been earned and vested but not paid, has been accrued in the accompanying financial statements in the amount of \$2.9 million and \$2.5 million as of September 30, 2020 and 2019 respectively. Earned and vested sick leave for Capital Metro administrative employees has been accrued at a maximum of 240 hours for those employees with four (4) years or more of service as of September 30, 2020 and 2019 in the amount of \$1.6 million and \$1.5 million, respectively.

Pensions – The net pension liability, deferred outflows and inflows of resources related to pensions, pension expense, and information about the fiduciary net position of Capital Metro’s participation in the Capital Metropolitan Transportation Authority Retirement Plan for Administrative Employees and Capital Metropolitan Transportation Authority Retirement Plan for Bargaining Unit Employees of StarTran, Inc., both single employer Plans (the Plans), and additions to/deductions from the Plan’s fiduciary net position have been determined on the same basis as they are reported by the Plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized in the net pension liability calculation when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Post-Employment Benefits – The Authority implemented GASB Statement No.75, Accounting Financial Reporting for Postemployment Benefits other than Pensions (OPEB). The total OPEB liability has been determined based on the flow of economic resources measurement focus and full accrual basis of accounting. This includes measuring the total OPEB liability: deferred inflows of resources related to OPEB, OPEB expense, and information about benefit payments are recognized in the total liability calculation when due and payable in accordance with the benefit terms.

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Deferred Outflows and Inflows of Resources – The Authority has classified as deferred outflows of resources certain items that represent a consumption of resources or deferred inflow of resources which represent an acquisition of net assets by Capital Metro that is applicable to a future reporting period and, therefore, will not be recognized as a revenue or expense until then. Capital Metro has deferred outflows which consist of deferred charge for pension for contributions made subsequent to the measurement date of December 31, 2019, the differences between the expected and actual experience, change in assumptions and net differences between projected and actual earnings and deferred outflows for the accumulation of gains and losses on fuel hedge.

Risk Management – Capital Metro is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; injuries to employees and natural disasters. Commercial insurance coverage is purchased for claims arising from such matters. During FY2020 and 2019, Capital Metro was covered under a variety of insurance policies at a cost it considers to be economically justifiable.

Capital Metro has commercial insurance for all other risks of loss, except workers' compensation and employee health and dental benefits, including employee life and accidental insurance. Claims have not exceeded insurance coverage in each of the past three years.

Capital Metro is self-insured up to \$25,000 per occurrence for losses related to workers' compensation. (See Note 13) Capital Metro has purchased excess coverage through a commercial insurer licensed in the State of Texas.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 those estimates.

Upcoming GASB Pronouncements

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. The primary objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. This Statement is effective for the Authority beginning with its year ending September 30, 2021.

In June 2017, GASB issued Statement No. 87, *Leases*. The primary objective of this Statement is to improve accounting and financial reporting for leases by governments. This Statement requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The Statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset.

Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. This Statement is effective for the Authority beginning with its year ending September 30, 2022.

Management has not yet determined the impact, if any, these pronouncements will have on the financial statements.

2 – CASH AND CASH EQUIVALENT DEPOSITS AND INVESTMENTS

Cash and Cash Equivalent Deposits – At September 30, 2020 and 2019, deposits with financial institutions were fully insured, or collateralized by securities held by a third-party agent in Capital Metro’s name.

	<u>2020</u>	<u>2019</u>
	Carrying Amount	Carrying Amount
Texas DAILY and Texas TERM (investment pool)	\$ 218,465,618	\$ 122,324,112
Less:		
Outstanding reconciling items	(1,662,191)	(1,261,551)
Total cash and cash equivalents	<u>\$ 216,803,427</u>	<u>\$ 121,062,561</u>
Restricted cash for system expansion and acquisition	\$ 46	\$ 6,287,658
Unrestricted cash	216,803,381	114,774,903
Total cash and cash equivalents	<u>\$ 216,803,427</u>	<u>\$ 121,062,561</u>

Investments – Chapter 2256 of the Texas Government Code, (the Public Funds Investment Act) authorizes Capital Metro to invest its funds under a written investment policy that ensures the safety of principal, provides liquidity and optimizes return on investments with the constraints of safety and liquidity. Capital Metro deposits and investments are invested pursuant to the Investment Policy, which is approved annually by the Board of Directors. The Investment Policy includes a list of authorized investments, a maximum allowable stated maturity of individual investments, and the maximum average dollar weighted maturity allowed for pooled funds. It includes an Investment Strategy Statement that addresses matching anticipated cash flows with adequate investment liquidity, and a portfolio structure which will experience minimal volatility during economic cycles.

Capital Metro is authorized to invest in the following securities:

1. Obligations of the United States or its agencies and instrumentalities.
2. Direct Obligations of the State of Texas.
3. Other obligations, the principal and interest on which are unconditionally guaranteed or insured by the State of Texas or the United States or is agencies and instrumentalities.
4. Obligations of states, agencies, counties, cities and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm rating of not less than A or its equivalent.
5. Bankers’ Acceptances with a stated maturity of 270 days or less from the date of issuance that will be, in accordance with its terms, liquidated in full at maturity; is eligible for collateral for borrowing from a Federal Reserve Bank; and is accepted by a bank organized and existing under the laws of the United States or any state, if the short-term obligations of the bank, or of a bank holding company of which the bank is the largest subsidiary, are rated not less than A-1 or P-1 or an equivalent rating by at least one nationally recognized credit rating agency.
6. Commercial paper with a stated maturity of 270 days or less from the date of issuance that either is rated not less than A-1, P-1 or the equivalent by at least two nationally recognized credit rating agencies or is rated at least A-1, P-1, or the equivalent by at least one nationally recognized credit rating agency and is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States or any state thereof.

2 – CASH AND CASH EQUIVALENT DEPOSITS AND INVESTMENTS, continued

7. Fully collateralized repurchase agreements having a defined termination date and described in more detail in the Investment Policy.
8. Other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of this State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States.
9. SEC-regulated, no load money market mutual funds.
10. Local government investment pools.

Capital Metro participates in one Local Government Investment Pool.

TexasTERM/TexasDAILY – TexasDAILY is a Texas Local Government Investment Pool established by the TexasTERM Local Government Investment Pool (TexasTERM) advisory board pursuant to provisions of the TexasTERM Common Investment Contract that established the TexasTERM Local Government Investment Pool and the series known as TEXASDaily. TEXASDaily was organized in conformity with the Interlocal Cooperation Act, Chapter 2256, Texas Local Government Code. The Advisory Board of TexasTERM, composed of participant and non-participant members, has oversight responsibility and reviews the investment policy and management fee structure. It is rated AAAM by Standard & Poor's. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's.

TexasDAILY meets the requirements of GASB Statement No. 79 and, as such, measures and reports its investments at amortized cost. As such, the Authority carries its investment in TexasDAILY at NAV based on amortized cost as provided by GASB Statement No. 72. TexasDAILY's bylaws permit the Advisory Board to suspend the right of withdrawal or to postpone the date of payment in the event that the Federal Reserve Bank in Dallas is closed other than for customary weekend and holiday closings or if, in the opinion of the Advisory Board, an emergency exists so the the disposal of TexasDAILY's securities or determination of its net asset value is not reasonably practical. For the year ended September 30, 2020 and 2019 the Authority's investment in TexasDAILY was \$212,165,618 and \$80,824,112, respectively.

TexasTERM is a fixed-rate, fixed-term portfolio, rated AAAM by Standard & Poor's. Texas Term are short term investments in nonparticipating interest earning investment contracts which are stated NAV based on amortized cost. Capital Metro's investment in TexasTERM was \$6,300,000 for 2020 and \$41,500,000 for 2019.

US Bank – the Authority has assets held by US Bank. These include U.S. Treasury Notes, Federal Agency Notes, and commercial paper. As of September 30, 2020, Capital Metro's investment was \$46,079,543 in U.S. Treasury Notes, \$15,821,736 in Federal Agency Notes, and \$4,149,648 in commercial paper. As of September 30, 2019, Capital Metro's investment was \$77,724,862 in U.S. Treasury Notes, \$12,117,532 in Federal Agency Notes, and \$10,160,971 in commercial paper.

The Authority did not participate in any reverse repurchase agreements or security lending agreements during FY2020 or FY2019.

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that, in the event of a bank failure, the System's deposits might not be recovered. Capital Metro requires all banks, savings banks and credit union deposits to be federally insured or collateralized with eligible securities. The Authority's deposits are all FDIC insured and are adequately collateralized.

2 – CASH AND CASH EQUIVALENT DEPOSITS AND INVESTMENTS, continued

Custodial Credit Risk Investments – Custodial credit risk for investment is the risk that, in the event of failure by the counterparty to a transaction, the Authority will not be able to recover the value of its investments or collateral securities that are in possession by an outside party. All of Capital Metro’s investments are insured, registered or held in the Authority’s name by the Authority’s agent; therefore, the Authority is not exposed to custodial credit risk.

Foreign Currency Risk – Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The Authority’s investment pools or investment securities are denominated in local currency and do not hold foreign investments. The foreign currency risk does not apply to the Authority.

Interest Rate Risk – Interest rate risk is the risk that the change in interest rates will adversely affect the fair value of an investment. As a means of minimizing risk of loss due to interest rate fluctuations, investment maturities will not exceed the anticipated cash flow requirements of Capital Metro funds. This is accomplished by purchasing quality, short- to medium-term securities that will complement each other in a laddered or barbell maturity structure. Maturity guidelines state that the dollar weighted average days to final stated maturity shall be 548 days or less. Securities may not be purchased that have a final stated maturity date which exceeds five years. The Capital Metro investment advisor monitors the maturity level and makes changes as appropriate.

2 – CASH AND CASH EQUIVALENT DEPOSITS AND INVESTMENTS, continued

At September 30, 2020 and 2019, Capital Metro’s exposure to interest rate risk as measured by the segmented time distribution by investment type is summarized as follows:

Investment Maturities in 2020					
	Less Than 90 Days	From 90 Days to 180 Days	From 181 Days to 365 Days	Greater Than 365 Days	Total
Investments:					
US Bank:					
Commercial Paper	\$ 3,899,788	\$ 249,860	\$ -	\$ -	\$ 4,149,648
Federal Agency Notes	2,305,175	-	-	13,516,561	15,821,736
U.S. Treasury Notes	3,623,435	1,466,634	17,033,025	23,956,449	46,079,543
Total investments	<u>\$ 9,828,398</u>	<u>\$ 1,716,494</u>	<u>\$ 17,033,025</u>	<u>\$ 37,473,010</u>	<u>\$ 66,050,927</u>
Investment Maturities in 2019					
	Less Than 90 Days	From 90 Days to 180 Days	From 181 Days to 365 Days	Greater Than 365 Days	Total
Investments:					
US Bank:					
Commercial Paper	\$ -	\$ 6,949,916	\$ 3,211,055	\$ -	\$ 10,160,971
Federal Agency Notes	-	-	-	12,117,532	12,117,532
U.S. Treasury Notes	-	9,684,794	33,125,985	34,914,083	77,724,862
Total investments	<u>\$ -</u>	<u>\$ 16,634,710</u>	<u>\$ 36,337,040</u>	<u>\$ 47,031,615</u>	<u>\$100,003,365</u>

2 – CASH AND CASH EQUIVALENT DEPOSITS AND INVESTMENTS, continued

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the Authority. The Authority’s investment policy seeks to control credit risk by investing in compliance with the policy, qualifying the broker and financial institution with whom the Authority will transact, sufficient collateralization, portfolio diversification, and limiting maturity. For the years ended September 30, 2020 and 2019, the Authority’s exposure to credit risk by investment category as rated by Standard & Poor’s is as follows:

	2020		2019	
	Carrying Value		Carrying Value	Rating
Cash and cash equivalents:				
TexasDAILY	\$ 212,165,618	AAAm	\$ 80,824,112	AAAm
TexasTERM	6,300,000	AAAm	41,500,000	AAAm
Outstanding reconciling item	(1,662,191)		(1,261,551)	
	<u>\$ 216,803,427</u>		<u>\$ 121,062,561</u>	
Investments:				
US Bank				
Commercial Paper	\$ 4,149,648	A-1	\$ 6,588,272	A-1
Commercial Paper	-	A-1+	3,572,699	A-1+
Federal Agency Notes	15,821,736	AA+	12,117,532	AA+
United States Treasury Notes	46,079,543	AA+	77,724,862	AA+
Total investments	<u>\$ 66,050,927</u>		<u>\$ 100,003,365</u>	

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributable to the magnitude of the Authority’s investment in a single issuer. The Authority diversifies its investment portfolio so that reliance on any one issuer or broker will not place an undue financial burden on the Authority. The Authority limits its repurchase agreement exposure with a single firm to no more than 15% of the value of the Authority’s overall portfolio and its commercial paper and banker’s acceptance exposure with a single issuer to no more than 5% of the value of the Authority’s overall portfolio. Local government investment pools and U.S. Treasury Notes/Bonds/Bills are authorized at 100%. Federal Agency notes are authorized at 60%. The Authority has more than 5% of its investment in Federal National Mortgage Association. As of September 30, 2020, the Authority’s investment in Federal National Mortgage Association and Federal Home Loan Mortgage Corporation are 11.1% and 11.4%, respectively of the Authority’s total investment. As of September 30, 2019, the Authority’s investment in Federal National Mortgage Association and Federal Home Loan Mortgage Corporation were 7.2% and 5.2%, respectively of the Authority’s total investment.

Fair Value – The Authority categorizes its fair value measurement disclosure in accordance with GASB Statement No. 72, Fair Value Measurement and Application, which establishes a hierarchy that prioritizes inputs to valuation methods. The three levels of inputs are:

Level 1 – Unadjusted quoted prices in active markets for identical assets and liabilities that Capital Metro has the ability to access.

Level 2 – Significant other observable inputs which may include quoted prices for identical or similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in non-active markets; or inputs other than quoted prices that are observable for the assets or liabilities, either directly or indirectly.

Level 3 – Unobservable inputs which may include situations when there is minimal, if any, market activity for the asset or liability.

2 – CASH AND CASH EQUIVALENT DEPOSITS AND INVESTMENTS, continued

The inputs or methodologies used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

Texas DAILY invests in money market investments of high quality and low risk with the objective of capital preservation. As of September 30, 2020, and 2019, Capital Metro has no unfunded commitments relating to this investment. Investments in Texas DAILY are fully redeemable on any business day; there are no lockup or gate restrictions on redemption.

The following table summarize the inputs used as of September 30, 2020 and 2019 for Capital Metro’s assets and liabilities measured at fair value:

	2020			
	Fair Value	Level 1	Level 2	Level 3
Investments:				
Commercial Paper	\$ 4,149,648	\$ -	\$ 4,149,648	\$ -
Federal Agency Notes	15,821,736	-	15,821,736	-
United States Treasury Notes	46,079,543	-	46,079,543	-
Total investments	<u>\$ 66,050,927</u>	<u>\$ -</u>	<u>\$ 66,050,927</u>	<u>\$ -</u>

	2019			
	Fair Value	Level 1	Level 2	Level 3
Investments:				
Commercial Paper	\$ 10,160,971	\$ -	\$ 10,160,971	\$ -
Federal Agency Notes	12,117,532	-	12,117,532	-
United States Treasury Notes	77,724,862	-	77,724,862	-
Total investments	<u>\$ 100,003,365</u>	<u>\$ -</u>	<u>\$ 100,003,365</u>	<u>\$ -</u>

The Authority’s market prices are derived from closing bid prices as of the last business day of the month as supplied by ICE Data Services or Bloomberg. Where prices are not available from generally recognized sources the securities are priced using a yield-based matrix system to arrive at an estimated market value. Prices that fall between data points are interpolated.

3 – RECEIVABLES

Receivables at September 30, 2020 and 2019, consist of the following:

	2020	2019
Accounts receivable	\$ 4,669,032	\$ 2,838,768
Due from Federal and other governments	5,395,907	1,791,117
Sales tax	43,750,887	44,403,762
Allowance for doubtful accounts	(203,511)	(26,999)
Total receivables	<u>\$ 53,612,315</u>	<u>\$ 49,006,649</u>

4 – ACCRUED EXPENSES

Accrued expenses at September 30, 2020 and 2019, consist of the following:

	<u>2020</u>	<u>2019</u>
Accrued accounts payable	\$ 24,293,488	\$ 19,463,757
Worker's compensation self-insurance	65,000	80,000
Accrued other	7,367,863	2,285,881
Total accrued expenses	<u>\$ 31,726,351</u>	<u>\$ 21,829,638</u>

Accrued accounts payable at September 30, 2020, consists primarily of approximately \$2.2 million for other services, \$17.32 million related to purchased transportation services, and \$12.2 million for service consolidation of two bus service providers into one. Accrued accounts payable at September 30, 2019, consists primarily of \$4.3 million for capital projects, \$11.8 million for purchased transportation services, and \$3.4 million for other services.

5 – DESIGNATED AND RESERVE POLICY

Certain asset balances are designated through board directives for specific uses. During FY2010, Capital Metro adopted a reserves policy that includes the following components – cash flow reserve, capital projects reserve, operating reserve, and self-insurance reserve. The reserves are to be used at the discretion of the board to fund temporary cash flow shortages, capital, operating and self-insurance costs not in the budget, and/or emergencies or shortfalls caused by economic downturns. In February 2015, the board adopted revisions to the reserves policy to incorporate language from Section 451.134 of the Transportation Code that requires Capital Metro to establish a reserve account by September 1, 2016, in an amount that is not less than two months of actual operating expenses. This new reserve is entitled the “statutory operating reserve” and replaces the cash flow reserve. As of September 30, 2020, \$40.1 million was allocated to the statutory operating reserve, \$20.5 million for a budget stabilization reserve, and \$1.3 million to the self-insurance reserve. As of September 30, 2019, \$39.7 million was allocated to the statutory operating reserve, \$21.5 million for a budget stabilization reserve, and \$1.3 million to the self-insurance reserve.

6 – LEASES

Capital Metro has non-cancellable lease commitments for certain real property that expires in April 2024 and October 2055 which is subject to an escalation clause.

The aggregate minimum annual lease payment under the term of the foregoing leases is as follows:

Fiscal Year Ended September 30:	<u>Operating Leases</u>
2021	\$ 461,036
2022	467,395
2023	473,881
2024	338,290
2025	143,106
2026-2030	715,531
2031-2035	715,531
2036-2040	715,531
2041-2045	715,531
2046-2050	715,531
2051-2055	715,531
2056-2056	11,924
Total lease commitments	<u>\$ 6,188,818</u>

Rent expense was approximately \$2,983,053 for the year ended September 30, 2020, and \$1,325,879 for the year ended September 30, 2019.

7 – LONG-TERM LIABILITIES

Changes in Long-Term Liabilities:

The changes in long-term liabilities for the year ended September 30, 2020 and 2019 are as follows:

	Balance as of 9/30/19	Adjustments	Additions	Payments	Balance as of 9/30/20
Accrued vacation	\$ 747,098	\$ -	\$ 2,483,153	\$ (1,778,215)	1,452,036
Accrued sick leave	500,842	-	1,123,559	(918,746)	705,655
Other rent liability	952,274	-	-	(403,001)	549,273
Unearned grant revenue	8,797,035	-	-	(8,797,035)	-
Other post employment benefits	2,876,406	-	242,703	-	3,119,109
Pension liability	53,757,461	-	-	(1,173,042)	52,584,419
Total	<u>\$ 67,631,116</u>	<u>\$ -</u>	<u>\$ 3,849,415</u>	<u>\$ (13,070,039)</u>	<u>\$ 58,410,492</u>

	Balance as of 9/30/18	Adjustments	Additions	Payments	Balance as of 9/30/19
Accrued vacation	\$ 770,807	\$ -	\$ 1,690,832	\$ (1,714,541)	\$ 747,098
Accrued sick leave	642,078	-	855,568	(996,804)	500,842
Other rent liability	641,335	-	283,126	27,813	952,274
Unearned grant revenue	17,140,344	-	-	(8,343,309)	8,797,035
Other post employment benefits	3,339,100	-	-	(462,694)	2,876,406
Pension liability	44,189,642	-	9,567,819	-	53,757,461
Total	<u>\$ 66,723,306</u>	<u>\$ -</u>	<u>\$ 12,397,345</u>	<u>\$ (11,489,535)</u>	<u>\$ 67,631,116</u>

8 – COMMITMENTS

The Authority has a capital spending plan for projects for upcoming and future years. The Authority’s FY2021 and FY2022 capital budget has appropriations of approximately \$106.4 million and \$111.8 million, respectively. The Authority’s remaining contractual commitments related to its capital improvement plan are \$56.1 and \$88.6 million as of September 30, 2020 and 2019, respectively.

The Authority has executed contracts with various goods and services providers totaling approximately \$721.8 million with termination dates through August 2029. All contracts contain a termination for convenience clause in which such contracts may be terminated, in whole or in part, for the convenience of the Authority.

The Authority entered into an interlocal agreement with the City of Austin, as amended in April 2010, to pay the City of Austin its pro rata share of 25% of the Authority’s one-cent sales tax from 2001 to 2004 in consideration for the City to carry out transportation mobility projects as approved by the Authority (ILA). The amount is payable when the City of Austin incurs an expenditure toward an approved mobility project. The remaining balance outstanding as of September 30, 2020 and 2019 was \$7.8 million and \$9.7 million, respectively.

The Authority partnered with the City of Austin and several suburban communities to develop the Build Central Texas (BCT) program. BCT is comprised of two primary segments: The Build Central Texas Program with the City of Austin and the Suburban Communities Program with the surrounding communities.

Commitments for the programs are outlined below:

	<u>2020</u>	<u>2019</u>
Build Central Texas	\$ 386,176	\$ 338,686
Suburban Communities	251,496	200,496
Total commitment	<u>\$ 637,672</u>	<u>\$ 539,182</u>

Either the Authority or the City of Austin may terminate the BCT agreement at any time, per the provisions of Section 15 of the Build Greater Austin interlocal agreement. In no way will such termination affect Capital Metro’s obligation to make payments for work completed on projects previously approved for funding. Expenses are accrued when the respective city incurs an expenditure for an approved project. Participating suburban communities have separate Interlocal agreements that require funds are used for mobility related projects.

Fuel Hedge Derivative:

The Authority developed and implemented a plan for a Fuel Risk Management Program to mitigate fuel price risk for diesel and gasoline, protect and manage budget objectives, and reduce price volatility and introduce price predictability. This may be accomplished by purchasing financial instruments known as swap and/or options and exchange-traded diesel fuel futures contracts. This program began in December 2008.

The Authority reports its derivative instruments in accordance with GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, which addresses recognition, measurement and disclosures related to derivative instruments. The Authority does not use derivative instruments for speculative purposes. The only derivative instruments entered into are for the purposes of risk mitigation; therefore, these instruments are considered potential hedging derivative instruments under GASB Statement No. 53.

In accordance with the requirements of GASB Statement No. 53, all fuel hedges are reported on the Statements of Net Position at fair value. The fair value of option contracts for Ultra Low Diesel Fuel is determined using New York Mercantile Exchange (NYMEX) closing settlement prices as of the last day of the reporting period for Ultra Low Sulfur Diesel NY Harbor. The fair value is calculated by deriving the difference between the closing futures prices on the last day of the reporting period and the futures purchase price at the time the positions were established.

8 – COMMITMENTS, continued

The outstanding hedging derivative instruments were evaluated for effectiveness at September 30, 2020. The hedge instruments utilize diesel fuel forwards contracts that are priced based on the underlying NY Harbor Ultra Low Sulfur Diesel contract price, while the physical gas is typically purchased at prices based on OPIS Pricing Gulf Coast Ultra Low Sulfur Diesel.

Therefore, effectiveness testing was based on the extent of correlation between the index for the hedge and the settlement price at OPIS with volumes matching the underlying expected physical transaction.

As of September 30, 2020, the Authority has a total of 267 Ultra Low Sulfur Diesel futures contracts at 42,000 gallons per contract and paid approximately \$11,000 for the execution of trades in FY2020. As of September 30, 2020, the Authority was hedged 87.1% and 81.0% for FY2021 and FY2022, respectively, based on projected fuel consumption.

As of September 30, 2019, the Authority had a total of 176 Ultra Low Sulfur Diesel futures contracts at 42,000 gallons per contract and paid approximately \$9,500 for the execution of the trades. As of September 30, 2019, the Authority was hedged 85.5% and 43.73% for FY2020 and FY2021, respectively, based on projected fuel consumption.

Consistent with hedge accounting treatment required for derivative instruments that are determined to be effective in offsetting changes in the cash flows of the hedged item, changes in fair value are reported as deferred outflows or deferred inflows of resources on the statements of net position until the contract expiration that occurs in conjunction with the hedged expected fuel purchase transaction. When fuel hedging contracts expire, at the time the purchase transactions occur, the deferred balance is recorded as an adjustment to fuel expense.

Market values of the outstanding diesel fuel futures contracts are calculated by the counterparty based on NYMEX – NY Harbor. As of September 30, 2020, and 2019, the outstanding contracts fair value is approximately \$126,000 and \$838,000 respectively, and related unrealized market loss of \$4.1 million in FY2020 and unrealized market loss of \$780,000 in FY2019. The amount has been reported on the Statements of Position as a deferred outflow/inflow of resources fuel hedge. Diesel fuel futures contracts, which settled during FY2020 increased diesel fuel cost by \$2.9 million whereas in FY2019 there was a decrease to diesel fuel cost of \$869,000. The amount has been included as part of current operating cost in the Statements of Revenues, Expenses, and Changes in Net Position.

Custodial Credit Risk – The Authority had deposits of \$1.3 million as of both September 30, 2020 and 2019, with its Broker as required by its Fuel Risk Management Program. At September 30, 2020 and 2019, \$126,000 and \$838,000, respectively, was exposed to custodial credit risk.

Basis Risk – The Authority's outstanding hedges include basis risk, since the fuel products the government physically purchases to provide service are based on a different index for the same products used for the futures contracts – OPIS Pricing Gulf Coast Ultra Low Sulfur Diesel, vs. NYHRBR Ultra Low Sulfur Diesel.

Termination Benefits:

In accordance with GASB Statement No. 47, *Accounting for Termination Benefits*, the Authority has provided termination benefits to former StarTran employees and the related benefit has been recognized within the financial statements. As disclosed within note 1, as part of the 2012 outsourcing to private companies to operate all passenger service, the Authority also remains responsible for the Pension liability attributable to former StarTran employees of approximately \$29.6 million as of September 30, 2020 and \$34.3 million as of September 30, 2019. The assumptions used for the related liability are disclosed in note 10.

9 – 401(k) PLANS

The Authority has retirement benefits under a 401(k) defined contribution plan for its full-time employees which covers substantially all administrative employees. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investments' earnings. Employees are eligible to participate after 30 days of service. In January 2005, the Authority ended the employer contribution to the plan but does allow for discretionary employer contributions. The plan allows loans to participants. Participants start to vest in the employer's contribution at the completion of one year of service with 100% vesting occurring after five years. All current participants are 100% vested in employer's contributions made prior to January 1, 2005. Participants that terminated employment prior to January 1, 2009 may be partially vested. The Authority's designated Plan Administrator administers the plan. The Authority maintains the authority to amend the plan.

Contributions from participating employees for the Authority totaled \$1,796,672 and \$31,277 in discretionary employer contributions for the year ended September 30, 2020. For the prior year, employee contributions totaled \$1,619,651 and there was \$50,109 in discretionary contributions from Capital Metro.

10 – DEFINED BENEFIT RETIREMENT PLANS

Capital Metropolitan Transportation Authority Retirement Plan for Administrative Employees

Plan Description

Effective January 1, 2005, the Authority established a pension plan, the Capital Metropolitan Transportation Authority Retirement Plan for Administrative Employees, (the Plan). The Plan is a noncontributory single employer defined benefit plan. Subject to eligibility requirements, all full-time administrative employees are eligible for participation in the Plan except for employees covered by a collective bargaining agreement and lease employees as defined by the Plan. An employee is eligible to become a participant following the first day of the month coincident with or following their date of hire. The Plan is not subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA).

Management of the Plan is vested in the Authority Board and advised by the Pension Plan Committee whose members are appointed by the Board.

All Plan assets are maintained under a trust agreement. Under the terms of the trust agreement, Benefit Trust (the Trustee) serves as trustee on behalf of the Plan and carries out an investment policy established by the Pension Plan Committee, consistent with the purposes of the Plan and the requirements of applicable laws and regulations. The following is a description of the Capital Metropolitan Transportation Authority Retirement Plan for Administrative Employees:

The Pension Plan Committee for the Plan is the administrator of a single employer defined benefit pension plan sponsored by Capital Metro. The following table summarizes membership of the plan at December 31, 2020 and 2019.

	2020	2019
Retirees and beneficiaries currently receiving benefits	125	113
Terminated plan members entitled to but not yet receiving benefits	266	249
Active plan members	305	292
	<u>696</u>	<u>654</u>

10 – DEFINED BENEFIT RETIREMENT PLANS, continued

The most recently available financial statement of the Plan is for the year ended December 31, 2019. A copy of the Plan's annual audit may be obtained from:

Capital Metropolitan Transportation Authority
2910 East Fifth Street
Austin, Texas 78702

Pension Benefits

Participants become 100% vested upon completion of five years of service. Vesting period include periods prior to the effective date of the Plan computed as if the Plan had been in effect. The Plan also allow for participants to recognize prior service (limited to five years) with a governmental entity or other entity related to the provision of public transportation services.

Plan participants are eligible for their Plan benefits after terminating employment with vested rights. Participants are eligible for normal retirement on the first day of the month following age 65. The Plan permits early retirement from ages 55 to 64, provided an employee has completed five years of vesting service. The amount of pension payable is computed in the same manner as for normal retirement, except that it is reduced by a reduction factor, which is graduated to reflect the number of years by which early retirement precedes age 65. Retirement benefits are paid to unmarried participants in the form of a single life annuity and to married participants in the form of a joint and 50% survivor annuity but may elect other payment options with spousal consent. Lump-sum benefits are only available if the actuarial value of the benefits is less than \$5,000.

Participants are entitled to annual pension benefits at normal retirement (age 65) equal to: (i) 1.5% of average earnings, as defined, plus (ii) 0.5% of earnings in excess of covered compensation, as defined, multiplied by (iii) the number of years of credited service, as defined by the Plan.

If an active employee dies before reaching age 65, the surviving spouse or a designated beneficiary shall receive for his or her lifetime a deferred monthly benefit equals to the amount that the participant would have received based on service to the participant's date of death had the participant elected a 50% joint and survivor annuity option and died the next day.

A participant may elect not to be covered by the deferred joint and survivor annuity option or may no longer be married when pension payments are to begin. In such instances, a single life annuity will be received by the participant.

Disability benefits may be elected at age 55 up to normal retirement age, at which time disabled participants will receive the normal retirement benefit computed as though they had been employed to age 55 or up to normal retirement age with their annual compensation, as defined, remaining the same as at the time they became disabled.

Contribution

Contribution requirements of the active plan are established and may be amended by Capital Metro's Board. Currently, plan members are not required to contribute. Capital Metro is making discretionary contributions based on the advice of the Actuary and consistent with funding policy for the Plan.

Net Pension Liability

Capital Metro's net pension liability was measured as of December 31, 2019 and 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

10 – DEFINED BENEFIT RETIREMENT PLANS, continued

Actuarial Assumptions

The actuarial assumptions that determined the total pension liability as of December 31, 2019 and 2018 were based on the results of observed past actuarial experience, best estimate of future expectations as well as estimates inherent in related market data. The Plan had an experience study performed in 2017 related to the retirement age. (still applies).

For December 31, 2019 and 2018, the methods and assumptions used to determine contribution rates are as follows:

2019

Actuarial cost method	Entry age normal
Discount rate	5.10%
20-year Municipal Bond rate	2.49%
Salary increases	3.5%
Investment rate of return	6.75%
Retirement age	Age 60-61 is 5%
	Age 62-64 is 10%
	Age 65 is 50%
	Age 66-69 is 15%
	Age 70 is 100%
Mortality rates	Pri-2012 White Collar Dataset Amount-Weighted Mortality Projected with Scale MP-2019 with separate rates for employees, retirees, and contingent survivors

2018

Actuarial cost method	Entry age normal
Discount rate	5.54%
20-year Municipal Bond Rate	3.56%
Salary increases	3.5%
Investment rate of return	6.75%
Retirement age	Age 60-61 is 5%
	Age 62-64 is 10%
	Age 65 is 50%
	Age 66-69 is 15%
	Age 70 is 100%
Mortality rates	SOA RP-2014 Total Dataset Mortality adjusted backward to 2006 using MP-2014 and projected with Scale MP-2018

10 – DEFINED BENEFIT RETIREMENT PLANS, continued

Long-Term Rate of Return on Assets

The long-term expected rate of return on Plan investments was determined using best estimate ranges of expected future real rate of return for each major asset class. These ranges are combined to produce the 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 information. The long-term expected geometric real rates of return for 2019:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equities:	45.0%	
U.S. broad equity		7.15%
Large cap		7.00%
Small/mid cap		7.25%
Domestic fixed income	25.0%	2.75%
International equities:	15.0%	
Global ex-U.S. equity		7.25%
International equity		6.99%
Emerging markets equity		7.25%
Non-US fixed		
Alternative:		
High yield		4.65%
Volatility hedge		5.00%
Private equity		8.50%
Inflation		2.25%
Real estate	10.0%	6.25%
Cash equivalents	5.0%	2.25%
	100.0%	

Discount Rate

The discount rate used to measure the total pension liability as of December 31, 2019 was 5.10%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made equal to the actuarially determined contribution rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members until 2058. Therefore, the long-term expected rate of return of 6.75% was applied to all periods of projected benefits payment to determine the total pension liability until 2058. Subsequent to 2058, the 20-year municipal bond rate of 2.49% was utilized.

10 – DEFINED BENEFIT RETIREMENT PLANS, continued

Changes in Net Pension Liability (Asset)

The following presents the changes in total fiduciary net position and liabilities and plan fiduciary net position at December 31, 2019 and 2018 respectively:

	2019	2018
Total pension liability:		
Service cost	\$ 2,938,855	\$ 2,793,032
Interest on total pension liability	2,694,810	2,445,407
Change in benefit terms	-	-
Difference between expected and actual experience	1,231,398	720,052
Change in assumptions	5,792,670	(920,415)
Benefit payments/refunds of contributions	(1,117,525)	(932,072)
Net change in total pension liability	<u>11,540,208</u>	<u>4,106,004</u>
Total pension liability at beginning of year	<u>49,263,627</u>	<u>45,157,623</u>
Total pension liability at end of year (a)	<u>60,803,835</u>	<u>49,263,627</u>
Fiduciary net position:		
Employer contributions	3,046,377	2,692,422
Member contributions	-	-
Investment income net of investment expense	6,195,576	(1,941,101)
Benefit payments/refunds of contributions	(1,117,525)	(932,072)
Administrative expenses	(76,658)	(58,478)
Net change in fiduciary net position	<u>8,047,770</u>	<u>(239,229)</u>
Fiduciary net position at beginning of year	29,770,966	30,010,195
Fiduciary net position at end of year (b)	<u>37,818,736</u>	<u>29,770,966</u>
Net pension liability at end of year = (a) - (b)	<u>\$ 22,985,099</u>	<u>\$ 19,492,661</u>

10 – DEFINED BENEFIT RETIREMENT PLANS, continued

Sensitivity Analysis

The following presents the net pension liability of Capital Metro, calculated using the discount rate of 5.10% and 5.54% as of December 31, 2019 and 2018, as well as what Capital Metro's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
December 31, 2019	4.10%	5.10%	6.10%
Net pension liability	\$ 32,743,785	\$ 22,985,099	\$ 14,995,470
December 31, 2018	4.54%	5.54%	6.54%
Net pension liability	\$ 27,175,973	\$ 19,492,661	\$ 13,176,540

Pension Expense

For the fiscal year ended September 30, 2020 and 2019, (measurement dates December 31, 2019 and 2018 respectively), Capital Metro recognized the following pension-related expense:

<u>Pension Expense/(Income)</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Service cost	\$ 2,938,855	\$ 2,793,032
Interest on total pension liability	2,694,810	2,445,407
Changes of benefit terms	-	-
Administrative expenses	(76,658)	(58,478)
Expected investment return net of investment expenses	(2,065,016)	(2,075,195)
Recognition of deferred outflows (inflows)		
Experience	462,676	490,291
Change in assumptions	1,895,616	951,715
Investment gains or losses	(273,525)	609,076
Pension expense	<u>\$ 5,576,758</u>	<u>\$ 5,155,848</u>

Deferred Inflows and Outflows of Resources

As of September 30, 2020, and 2019 (measurement date of December 31, 2019 and 2018), the deferred inflows and outflows of resources are as follows:

	<u>2019</u>	<u>2018</u>
<u>Deferred Outflows of Resources</u>		
Differences between expected and actual experience	\$ 1,390,115	\$ 709,140
Changes of assumptions	6,148,416	2,541,101
Net difference between projected and actual earnings	-	1,940,696
Contributions made subsequent to measurement date	2,613,051	2,176,377
	<u>\$ 10,151,582</u>	<u>\$ 7,367,314</u>
<u>Deferred Inflows of Resources</u>		
Differences between expected and actual experience	\$ (176,359)	\$ (264,105)
Changes of assumptions	(538,501)	(828,239)
Net difference between projected and actual earnings	(1,916,339)	-
	<u>\$ (2,631,199)</u>	<u>\$ (1,092,344)</u>

10 – DEFINED BENEFIT RETIREMENT PLANS, continued

Capital Metro reported \$2,613,051 as deferred outflow of resources resulting from contributions made subsequent to the measurement date and which are eligible employer contributions made from January 1, 2020 through September 30, 2020. For the same period in 2019, Capital Metro reported \$2,176,377 as deferred outflow of resources resulting from contributions made. Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to pensions, excluding contributions made subsequent to the measurement date, will be recognized as pension expense. The amortization period for these deferrals is over a period of 5 years for investment (gains)/losses.

The remaining balance to be recognized in future years will be impacted by additional future deferred inflows and outflows of resources.

Year ended September 30:

2021	\$ 1,371,536
2022	1,430,227
2023	1,898,290
2024	207,279
	<u>\$ 4,907,332</u>

Capital Metropolitan Transportation Authority Retirement Plan for Bargaining Unit Employees of StarTran, Inc.

Plan Description

The Capital Metropolitan Transportation Authority Retirement Plan for Bargaining Unit Employees of StarTran, Inc. (the Plan) was closed and for GASB Statement No. 68 reporting, is a “special funding situation.” Special funding situations are defined as circumstances in which a non-employer entity is legally responsible for making contributions directly to a pension plan that is used to provide pensions to the employees of another entity or entities and either (1) the amount of contributions for which the non-employer entity legally is responsible is not dependent upon one or more events unrelated to pensions or (2) the non-employer is the only entity with a legal obligation to make contributions directly to a pension plan. The Authority is the only legal entity obligated to contribute to the Plan. The benefits were frozen for all participants as of August 18, 2012 and there are no longer any employee contributions. All future valuations will have an employer cost only.

All Plan assets are maintained under a trust agreement. Under the terms of the trust agreement, Graystone Consulting (the Trustee) serves as trustee on behalf of the Plan and carries out an investment policy established by the Retirement Plan Committee, consistent with the purposes of the Plan and the requirements of applicable laws and regulations. The following is a description of the Capital Metropolitan Transportation Authority Retirement Plan for Bargaining Unit Employees of StarTran Inc.

The Retirement Plan Committee for the Plan is the administrator of a single employer defined benefit pension plan sponsored by Capital Metro. Eligible participants are covered by the Plan. The following table summarizes membership of the plan at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Retirees and beneficiaries currently receiving benefits	521	511
Terminated plan members entitled to but not yet receiving benefits	308	313
Active plan members	153	170
	<u>982</u>	<u>994</u>

10 – DEFINED BENEFIT RETIREMENT PLANS, continued

The most recently available financial statements of the Plan are for the year ended December 31, 2019 and 2018. A copy of the Plan's annual audit may be obtained from:

Capital Metropolitan Transportation Authority
2910 East Fifth Street
Austin, Texas 78702

Plan Benefits

The Plan provides retirement, death and disability benefits. All participants participating as of August 18, 2012 are considered 100% vested. Participants may retire with unreduced accrued benefits at age 65, or when benefit accrual service equals or exceeds 22.5 years of Benefit Accrual Service. The monthly benefit at retirement is payable in a ten-year certain and life thereafter form of annuity. Participants are eligible for early retirement at the age of 55 with 5 years of service, such participants shall be entitled to a normal pension accrued reduced in accordance with plan provisions.

Retirement benefit payments are determined by application of a benefit formula based on the participant's years of pension credited service. Effective July 1, 2000, the monthly retirement benefit for each year of benefit accrual service is \$60.00 per month per year of Benefit Accrual Service for years earned.

Participants with disability benefits have no age requirement must have 15 years of employment and the benefit is equal to the actuarial greater of 1) two times the participant derived benefit, or 2) the accrued benefit. The pre-retirement death benefit is equal to the present value of accrued vested benefit.

There are no automatic or guaranteed post-retirement cost-of-living adjustments, but ad hoc retiree benefits increases may be created via plan amendments. Amendments to the plan are made only with the authority of the Retirement Plan Committee.

The following plan changes, adopted as a result of the plan freeze on August 18, 2012 are reflected in the latest valuation dated December 31, 2019.

- Participants are eligible for immediate distributions.
- Service requirements for Unreduced Early Retirement Age (UERA) was changed from 25 years to 22.5 years and participants receive credit toward UERA while working for the new contractor.
- Lump sums are capped unless a participant is eligible for UERA.
- Effective May 11, 2015, the Plan was amended to allow 15 former Bargaining Unit participants to earn credit toward unreduced retirement eligibility while working for the new contractor.

Contributions

There are no participant contributions after August 18, 2012. However, make up contributions are permissible under the Plan. Interest on participant contributions is credited annually based on the 120% of the Federal Mid-term rate in effect each January 1.

The Authority makes contributions, which are actuarially determined as of each valuation date and compliant with the terms of applicable labor contracts. The actuarially determined annual contributions consist of a normal cost contribution and an amortization of the unfunded actuarial accrued liability contribution.

The 2019 plan years' employer contribution funded the normal cost and amortized the existing unfunded actuarial accrued liability on a "closed" 30-year level percent of amortization with 19 years remaining and with a 3% annual increase of the unfunded actuarial accrued liability.

10 – DEFINED BENEFIT RETIREMENT PLANS, continued

Net Pension Liability

The Plan's net pension liability was measured as of December 31, 2019 and 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The actuarial assumptions that determined the total pension liability as of December 31, 2019 and 2018 is based on the results of an actuarial experience study conducted in 2017.

The total pension liability in the December 31, 2019 and 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Measurement date: December 31, 2019

Actuarial cost method	Unit Credit Cost Method
Salary increases	NA
Investment rate of return	6.75% net of pension plan investment expenses
Discount rate	6.75%
Retirement age and withdrawal rates	Age 55-61 is 13% to 14%
	Age 62 is 15%
	Age 63 is 17%
	Age 64-70 is 30% to 100%
Mortality rates Healthy and Disabled	Healthy: PUB-2010 Amounts-Weighted Mortality for General Employees with Generational Improvements from 2010 using Scale MP-2019
	Disabled: PUB-2010 Amounts-Weighted Disabled Retirement Mortality Table for General Employees with Generational Improvements from 2010 using Scale MP-2019

Measurement date: December 31, 2018

Actuarial cost method	Early age entry normal cost method
Salary increases	NA
Investment rate of return	7.0% net of pension plan investment expenses
Discount rate	7.0%
Retirement age and withdrawal rates	Age 55-61 is 13% to 14%
	Age 62 is 15%
	Age 63 is 17%
	Age 64-70 is 30% to 100%
Mortality rates	Healthy: PUB-2010 Amounts-Weighted Mortality for General Employees with Generational Improvements from 2010 using Scale MP-2018
	Disabled: PUB-2010 Amounts-Weighted Disabled Retirement Mortality Table for General Employees with Generational Improvements from 2010 using Scale MP-2018

10 – DEFINED BENEFIT RETIREMENT PLANS, continued

Long-Term Rate of Return on Assets

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the 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. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2019:

Asset Class	Asset Allocation	Long-Term Expected Rate of Return
U.S. Large Cap Equity	19.20%	6.70%
U.S. Small Cap Equity	8.50%	7.20%
REITs	6.00%	6.30%
Non U.S. Develop Equity	27.70%	7.30%
Fixed Income	30.00%	3.00%
Emerging Markets Equity	8.60%	7.90%
	<u>100.00%</u>	

Discount rate – The discount rate used to measure the total pension liability as of December 31, 2019 and 2018 was 6.75% and 7.0% respectively. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contribution will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on these assumptions, the Pension Fund's fiduciary net position was projected to be available to make all projected benefit payments for current plan members. Therefore, the long-term expected rate of return on Pension Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

10 – DEFINED BENEFIT RETIREMENT PLANS, continued

Changes in Net Pension Liability (Asset)

The following presents the changes in total fiduciary net position and liabilities and plan fiduciary net position at September 30, 2020 and 2019 (measurement date of December 31, 2019 and 2018):

	<u>2020</u>	<u>2019</u>
Total pension liability:		
Service cost		
Interest on total pension liability	\$ 4,322,203	\$ 4,346,270
Effect of experience changes or inputs	32,703	(213,616)
Change in benefit term	1,279,922	2,453,043
Benefit payments/refunds of contributions	(4,910,211)	(4,668,156)
Net change in total pension liability	<u>724,617</u>	<u>1,917,541</u>
Total pension liability at beginning of year	<u>64,159,335</u>	<u>62,241,794</u>
Total pension liability at end of year (a)	<u>64,883,952</u>	<u>64,159,335</u>
Fiduciary net position:		
Employer contributions	3,999,996	4,000,556
Member contributions	-	654
Investment income net of investment expense	6,505,803	(2,411,068)
Benefit payments/refunds of contributions	(4,910,211)	(4,668,156)
Administrative expenses	(205,491)	(227,031)
Net change in fiduciary net position	<u>5,390,097</u>	<u>(3,305,045)</u>
Fiduciary net position at beginning of year	<u>29,894,535</u>	<u>33,199,580</u>
Fiduciary net position at end of year (b)	<u>35,284,632</u>	<u>29,894,535</u>
Net pension liability at end of year = (a)-(b)	<u>\$ 29,599,320.00</u>	<u>\$ 34,264,800.00</u>

Sensitivity Analysis

The following presents the net pension liability of Capital Metro Retirement Plan for Bargaining Unit of StarTran, Inc., calculated using the discount rate of 6.75% and 7.0% for December 31, 2019 and 2018, as well as what Capital Metro's Bargaining Unit of StarTran, Inc. net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate.

	<u>1%</u> <u>Decrease</u>	<u>Current</u> <u>Discount</u> <u>Rate</u>	<u>1%</u> <u>Increase</u>
December 31, 2019	5.75%	6.75%	7.75%
Net pension liability	\$ 35,826,496	\$ 29,599,320	\$ 24,300,976
December 31, 2018	6.00%	7.00%	8.00%
Net pension liability	\$ 40,365,614	\$ 34,264,800	\$ 29,047,634

10 – DEFINED BENEFIT RETIREMENT PLANS, continued

Pension Expense

For the fiscal year ended September 30, 2020 and 2019 (measurement date of December 31, 2019 and 2018), Capital Metro recognized the following pension-related expense:

<u>Pension Expense/(Income)</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Service cost	\$ -	\$ -
Interest on total pension liability	4,322,203	4,346,270
Member contributions	-	(654)
Administrative expenses	205,491	227,031
Expected investment return net of investment expenses	(2,054,228)	(2,375,130)
Recognition of deferred inflows/outflows of resources		
Change in assumptions	1,279,922	2,453,043
Recognition of demographic differences – current year	32,703	(213,616)
Recognition of investment gains or losses – current year	(890,315)	957,240
Recognition of investment gains or losses – prior years	1,063,283	168,313
Pension expense	<u><u>\$ 3,959,059</u></u>	<u><u>\$ 5,562,497</u></u>

Deferred Inflows and Outflows of Resources

As of September 30, 2020, and 2019 (measurement date of December 31, 2019 and 2018), the deferred inflows and outflows of resources are as follows:

	<u>2019</u>	<u>2018</u>
<u>Deferred Outflows of Resources</u>		
Contributions made subsequent to measurement date	\$ 2,999,997	\$ 2,999,997
Differences between expected and actual experience	-	3,139,434
	<u><u>\$ 2,999,997</u></u>	<u><u>\$ 6,139,431</u></u>
<u>Deferred Inflows of Resources</u>		
Net difference between expected and actual earnings	\$ (1,485,109)	\$ -
	<u><u>\$ (1,485,109)</u></u>	<u><u>\$ -</u></u>

Capital Metro reported \$2,999,997 as deferred outflow of resources resulting from contributions made subsequent to the measurement date and which are eligible employer contributions made from January 1, 2020 through September 30, 2020. For the same period last year, the amount reported as deferred outflow of resources resulting from contributions was unchanged. Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to pensions, excluding contributions made subsequent to the measurement date, will be recognized in pension expense. Investment (gains)/losses are recognized in pension expense over a period of five years.

Capital Metropolitan Transportation Authority
Notes to the Financial Statements—September 30, 2020 and 2019

10 – DEFINED BENEFIT RETIREMENT PLANS, continued

Aggregate pension related amounts for all plans are as follows:

	The Authority's Retirement Plan for Administrative Employees	The Authority's Retirement Plan for Bargaining Unit Employees of StarTran, Inc	Total
Net pension liability	\$ 22,985,099	\$ 29,599,320	\$ 52,584,419
Deferred outflows of resources, pension-related amounts	10,151,582	2,999,997	13,151,579
Deferred inflows of resources, pension-related amounts	(2,631,199)	(1,485,109)	(4,116,308)
Pension expense	5,576,758	3,959,059	9,535,817
Year ended Sept 30:			
2021	1,371,536	(281,991)	1,089,545
2022	1,430,227	(379,725)	1,050,502
2023	1,898,290	66,923	1,965,213
2024	207,279	(890,316)	(683,037)
	<u>4,907,332</u>	<u>(1,485,109)</u>	<u>3,422,223</u>
Deferred outflows-contributions subsequent to the measurement date	2,613,051	2,999,997	5,613,048
	<u>\$ 7,520,383</u>	<u>\$ 1,514,888</u>	<u>\$ 9,035,271</u>

11 – CAPITAL ASSETS

Changes in capital assets for the year ended September 30, 2020 were:

	September 30, 2019	Additions	Retirements	Completed Projects	September 30, 2020
Capital assets not being depreciated					
Land and improvement	\$ 69,889,511	\$ -	\$ -	\$ 5,439,183	\$ 75,328,694
Projects in process	63,769,381	91,997,778	-	(84,987,398)	70,779,761
Total capital assets not being depreciated	<u>133,658,892</u>	<u>91,997,778</u>	<u>-</u>	<u>(79,548,215)</u>	<u>146,108,455</u>
Depreciable capital assets:					
Building and improvements	105,726,911	-	-	4,457,887	110,184,798
Railroad	167,819,219	-	-	10,642,522	178,461,741
Buses and equipment	364,175,340	-	(10,054,540)	55,802,036	409,922,836
Passenger parking and stations	97,156,719	-	-	8,292,862	105,449,581
Leasehold improvement	-	-	-	352,908	352,908
Total other capital assets	<u>734,878,189</u>	<u>-</u>	<u>(10,054,540)</u>	<u>79,548,215</u>	<u>804,371,864</u>
Less accumulated depreciation:					
Building and improvements	52,306,025	4,375,129	-	-	56,681,154
Railroad	125,537,284	8,039,151	-	-	133,576,435
Buses and equipment	168,442,741	26,598,811	(10,054,540)	-	184,987,012
Passenger parking and stations	61,735,694	5,361,701	-	-	67,097,395
Leasehold improvement	-	41,174	-	-	41,174
Total accumulated depreciation	<u>408,021,744</u>	<u>44,415,966</u>	<u>(10,054,540)</u>	<u>-</u>	<u>442,383,170</u>
Depreciable capital assets, net	<u>326,856,445</u>	<u>(44,415,966)</u>	<u>-</u>	<u>79,548,215</u>	<u>361,988,694</u>
Total capital assets	<u>\$ 460,515,337</u>	<u>\$ 47,581,812</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 508,097,149</u>

11 – CAPITAL ASSETS, continued

Depreciation and amortization expense was \$45.2 million for the year ended September 30, 2020.

Changes in capital assets for the year ended September 30, 2019 were:

	September 30, 2018	Additions	Retirements	Completed Projects	September 30, 2019
Capital assets not being depreciated					
Land and improvement	\$ 59,689,545	\$ -	\$ (69,715)	\$ 10,269,681	\$ 69,889,511
Projects in process	74,723,419	100,236,045		(111,190,083)	63,769,381
Total capital assets not being depreciated	<u>134,412,964</u>	<u>100,236,045</u>	<u>(69,715)</u>	<u>(100,920,402)</u>	<u>133,658,892</u>
Depreciable capital assets:					
Building and improvements	86,079,657	-	(24,980)	19,672,234	105,726,911
Railroad	149,028,997	-	-	18,790,222	167,819,219
Buses and equipment	326,473,243	-	(17,024,730)	54,726,827	364,175,340
Passenger parking and stations	89,425,600	-	-	7,731,119	97,156,719
Total other capital assets	<u>651,007,497</u>	<u>-</u>	<u>(17,049,710)</u>	<u>100,920,402</u>	<u>734,878,189</u>
Less accumulated depreciation:					
Building and improvements	49,040,929	3,290,076	(24,980)	-	52,306,025
Railroad	116,412,803	9,124,577	(96)	-	125,537,284
Buses and equipment	157,471,110	27,776,110	(16,804,479)	-	168,442,741
Passenger parking and stations	56,349,983	5,385,711	-	-	61,735,694
Total accumulated depreciation	<u>379,274,825</u>	<u>45,576,474</u>	<u>(16,829,555)</u>	<u>-</u>	<u>408,021,744</u>
Depreciable capital assets, net	<u>271,732,672</u>	<u>(45,576,474)</u>	<u>(220,155)</u>	<u>100,920,402</u>	<u>326,856,445</u>
Total capital assets	<u>\$ 406,145,636</u>	<u>\$ 54,659,571</u>	<u>\$ (289,870)</u>	<u>\$ -</u>	<u>\$ 460,515,337</u>

Depreciation and amortization expense were \$46.5 million for the year ended September 30, 2019.

Capital Metro owns certain real properties and a mass transit easement, which are used for current rail operations and held for future mass transit purposes. Such property is listed at cost.

12 – CONTINGENCIES

Various claims have been asserted against Capital Metro from personal injuries involving Capital Metro property. Capital Metro plans to vigorously defend all allegations and no liability is reflected in the financial statements. Certain other claims have been asserted for which estimation of potential loss, if any, may be determined. Potential losses on these claims are included in the financial statements.

Capital Metro receives federal grants that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. Capital Metro's management believes such disallowances, if any, will not have a material effect on the financial statements.

13 – SELF-INSURANCE

Workers' compensation claims are reserved and paid in accordance with the provisions of the Texas Workers' Compensation Act. Claims that are probable and can be reasonably estimated are reported as a part of accrued expenses. The self-insurance retention levels as of September 30, 2020 and 2019 for workers' compensation are \$25,000 per occurrence. At September 30, 2020 and 2019, there are no claims exceeding Capital Metro's retention limits. The following represents the workers' compensation claims activity and the end of year liability, which includes claims incurred and reported, as well as estimated claims incurred but not reported for the year ended September 30, 2020 and 2019:

Workers' Compensation Claims	2020	2019
Beginning of year liability	\$ 80,000	\$ 80,000
Current year claims and/or changes in estimates	23,665	63,240
Claim payments	(38,665)	(63,240)
End of year current year liability	<u>\$ 65,000</u>	<u>\$ 80,000</u>

Capital Metro has been self-insured for health and dental since January 1, 2003. United Health Care, Inc. administers the plan for Capital Metro employees. Capital Metro carries Excess Loss coverage starting at \$150,000.

Health and Dental Self-Insurance	2020	2019
Beginning of year liability	\$ 284,000	\$ 203,445
Current year claims and/or changes in estimates	4,254,206	3,942,373
Claim payments	(4,254,206)	(3,861,818)
End of year current year liability	<u>\$ 284,000</u>	<u>\$ 284,000</u>

Due to the types of risk associated with being self-insured, the ultimate amount to be paid out may be more or less than the amounts accrued within accrued expenses at September 30, 2020 and 2019.

14 – OTHER POST EMPLOYMENT BENEFITS (OPEB)

Plan description: Capital Metro's defined benefit OPEB plan, a single-employer, health care plan provides OPEB for eligible employees of the Authority. The plan is administered by Capital Metro and Capital Metro has the authority to establish or amend the plan provisions or contribution requirements. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75. Retirees must elect within six months of becoming Medicare eligible. The plan does not issue a stand-alone financial report.

Benefits

Capital Metro provides a Medicare supplement insurance stipend to all eligible retired administrative employees of Capital Metro to supplement retiree health care. Employee benefits are set at a fixed amount (varies from \$1,450 up to \$2,900) per year and employees are eligible based on the following:

- Age 62-64 with at least 10 years of service at retirement
- Age 62-64 that meet the Rule of 80 at retirement
- Age 65 with 10 or more years of service at retirement

Spouses are not eligible for postemployment benefits. The Authority has eliminated benefits for all bargaining employees.

14 – OTHER POST EMPLOYMENT BENEFITS (OPEB), continued

Contributions: The contribution requirements of plan members and the Authority are approved and may be amended by the Board of Directors. The Authority funds all obligations arising under this plan on a pay-as-you-go basis.

The following is the participant summary as of September 30, 2020 and 2019 (the most recent actuarial valuation date):

	<u>2020</u>	<u>2019</u>
Participants:		
Actives—fully eligible	7	16
Actives—not eligible	317	288
Retirees	<u>26</u>	<u>23</u>
Total	<u>350</u>	<u>327</u>

Total OPEB Liability

The Authority's total OPEB liability of \$3,119,108 was measured as of September 30, 2020 and \$2,876,405 was measured as of September 30, 2019 and was determined by an actuarial valuation as of September 30, 2020.

Actuarial methods and assumptions: The total OPEB liability in the September 30, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Salary increases	3.5% per annum
Discount rate	2.21% per annum (EOY)
Health care cost trend rates	Benefit will remain constant in the future.
Actuarial cost method	Entry Age Normal based on level percentage of projected salary.
Mortality rates	PUB-2010 mortality table with generational scale MP-2019 applied on a gender-specific basis.
Plan participation percentage	The participation percentage is the assumed rate of future eligible retirees who elect to continue health coverage at retirement. It is assumed that 100% of all employees and their dependents who are eligible for early retiree benefits will participate in the retiree medical plan. This assumes that a one-time irrevocable election to participate is made at retirement.

The discount rate was based on *Bond Buyer 20-Bond GO index*.

14 – OTHER POST EMPLOYMENT BENEFITS (OPEB), continued

Capital Metro did not perform an actuarial experience study for the actuarial assumptions used in the September 30, 2020 valuation.

	<u>September 30, 2020</u>	<u>September 30, 2019</u>
Net OPEB obligation, beginning	\$ 2,876,405	\$ 3,339,100
Changes for the year:		
Service cost	273,875	256,296
Interest	82,805	150,911
Changes in assumptions or other inputs	(39,350)	(797,538)
Contributions and payments made	(74,626)	(72,364)
Net changes	242,704	(462,695)
Net OPEB Obligation, ending	<u>\$ 3,119,109</u>	<u>\$ 2,876,405</u>

The total OPEB liability as of September 30, 2020 and 2019 assumes a discount rate of 2.21% and 2.66%, respectively.

Sensitivity of the total OPEB liability to changes in the discount rate: The following presents the total OPEB liability of the Authority, as well as what the Authority's approximate total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
September 30, 2020	1.21%	2.21%	3.21%
Total OPEB liability	\$ 3,614,000	\$ 3,119,000	\$ 2,715,000
	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
September 30, 2019	1.66%	2.66%	3.66%
Total OPEB liability	\$ 3,316,724	\$ 2,876,000	\$ 2,515,209

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates: The following presents the total OPEB liability of the Authority, as well as what the Authority's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Cost Trend</u> <u>Current</u>	<u>1% Increase</u>
September 30, 2020			
Total OPEB liability	\$ 3,119,000	\$ 3,119,000	\$ 3,119,000
	<u>1% Decrease</u>	<u>Cost Trend</u> <u>Current</u>	<u>1% Increase</u>
September 30, 2019			
Total OPEB liability	\$ 2,876,000	\$ 2,876,000	\$ 2,876,000

14 – OTHER POST EMPLOYMENT BENEFITS (OPEB), continued

OPEB expense and deferred outflows of resources and deferred inflows of resources:

For the year ended September 30, 2020 and 2019, the Authority recognized OPEB expenses of \$275,942 and \$329,234 respectively.

The Authority reported deferred inflows of resources related to OPEB from the following source:

	<u>2020</u>	<u>2019</u>
<u>Deferred Outflows of Resources</u>		
Changes of assumptions/inputs	\$ 142,351	\$ -
	<u>\$ 142,351</u>	<u>\$ -</u>
<u>Deferred Inflows of Resources</u>		
Difference between expected and actual experience	\$ (315,626)	\$ (148,215)
Changes of assumptions/inputs	(781,730)	(848,188)
	<u>\$ (1,097,356)</u>	<u>\$ (996,403)</u>

Amounts reported as the deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense over the average future service to retirement of plan participants as follows:

Years ending September 30:	<u>2020</u>	<u>2019</u>
2021	\$ (80,738)	(77,973)
2022	(80,738)	(77,973)
2023	(80,738)	(77,973)
2024	(80,738)	(77,973)
Thereafter	(632,053)	(684,511)
	<u>\$ (955,005)</u>	<u>\$ (996,403)</u>



2020 Comprehensive Annual Financial Report
Required Supplementary Information

**Capital Metropolitan Transportation Authority Retirement Plan for Bargaining Unit Employees of StarTran, Inc.
Schedules of Changes in Net Pension Liability and Related Ratios
Years Ended September 30, 2020, 2019, 2018, 2017, 2016 and 2015**

	2020	2019	2018	2017	2016	2015
Total pension liability:						
Service cost	\$ -	\$ -	\$ -	\$ 303,363	\$ 486,248	\$ 391,902
Interest on total pension liability	4,322,203	4,346,270	4,287,202	4,206,646	4,226,699	4,221,102
Effect of assumption changes or inputs	32,703	(213,616)	(1,769,787)	1,878,042	(730,963)	-
Change in benefit term	1,279,922	2,453,043	3,305,720	934,709	-	302,377
Benefits payment/refunds of contributions	(4,910,211)	(4,668,156)	(4,540,291)	(4,221,793)	(4,959,966)	(4,721,559)
Net change in total pension liability	724,617	1,917,541	1,282,844	3,100,967	(977,982)	193,822
Total pension liability at beginning of year	64,159,335	62,241,794	60,958,950	57,857,983	58,835,965	58,642,143
Total pension liability at end of year (a)	<u>\$ 64,883,952</u>	<u>\$ 64,159,335</u>	<u>\$ 62,241,794</u>	<u>\$ 60,958,950</u>	<u>\$ 57,857,983</u>	<u>\$ 58,835,965</u>
Fiduciary net position:						
Employer contributions	\$ 3,999,996	\$ 4,000,556	\$ 4,004,599	\$ 4,005,413	\$ 4,010,205	\$ 3,915,395
Member contributions	-	654	4,578	5,417	5,760	6,322
Investment income net of investment expense	6,505,803	(2,411,068)	4,420,550	1,621,196	(98,010)	1,813,047
Benefit payments/refunds of contributions	(4,910,211)	(4,668,156)	(4,540,291)	(4,221,793)	(4,959,966)	(4,721,559)
Administrative expenses	(205,491)	(227,031)	(225,052)	(216,313)	(225,290)	(259,705)
Net change in fiduciary net position	5,390,097	(3,305,045)	3,664,384	1,193,920	(1,267,301)	753,500
Fiduciary net position at beginning of year	29,894,535	33,199,580	29,535,196	28,341,276	29,608,577	28,855,077
Fiduciary net position at end of year (b)	<u>35,284,632</u>	<u>29,894,535</u>	<u>33,199,580</u>	<u>29,535,196</u>	<u>28,341,276</u>	<u>29,608,577</u>
Net pension liability/(asset) at end of year = (a) - (b)	<u>\$ 29,599,320</u>	<u>\$ 34,264,800</u>	<u>\$ 29,042,214</u>	<u>\$ 31,423,754</u>	<u>\$ 29,516,707</u>	<u>\$ 29,227,388</u>
Fiduciary net position as a % of total pension liability	54.38%	46.59%	53.34%	48.45%	48.98%	50.32%
Pensionable covered payroll*	\$ 7,612,940	\$ 8,732,490	\$ 9,672,912	\$ 9,807,345	\$ 10,882,123	\$ 12,270,378
Net pension liability as a % of covered payroll	388.8%	392.4%	300.2%	320.4%	271.2%	238.2%

Notes to Schedule:

Method changes: There have been no method changes in the accounting valuation since the prior year.

Assumption Changes: The financial accounting valuation reflects the following assumption changes:

- The expected return on assets decreased from 7.00% to 6.75% to reflect target asset allocation as shown in the Investment Policy Statement and Graystone Consulting and Aon capital markets long term return expectations.
- The funding discount rate decreased from 7.00% to 6.75% to be consistent with changes in the expected return on assets.
- The mortality assumption for healthy lives changed from PUB-2010 Amounts-Weighted Mortality Table from General Employees with Generational Improvements from 2010 using Scale MP-2018, to the PUB-2010 Amounts-Weighted Mortality Table for General Employees with Generational Improvements from 2010 using Scale MP-2019.
- The mortality assumption for disabled lives changed from the disabled base rates from the PUB-2010 Amounts-Weighted Disabled Retirement Mortality Table for General Employees with Generational Improvements from 2010 using Scale MP-2018 to PUB-2010 Amounts-Weighted Disable Retirement Mortality Table for General Employees with Generational Improvements from 2010 using Scale MP-2019.

* Capital Metropolitan Transportation Plan for Bargaining Unit Employees of StarTran, Inc. was frozen to all participants in 2012 and the work previously performed by the StarTran participants was outsourced to a vendor (purchased transportation). As the Plan sponsor, Capital Metro is required to make the annual required contributions. Additionally, certain employees are eligible for unreduced retirement benefits while working for Capital Metro's Purchased Transportation provider. Under GASB Statement No. 68, the Plan qualifies for special funding which requires the reporting of the liability and related pensionable activity by Capital Metro. Capital Metro's purchased transportation provider incurred the reported pensionable covered payroll for eligible participants who are eligible for unreduced early retirement benefits upon completion of 22.5 years of credited benefit service credits.

Capital Metropolitan Transportation Authority Retirement Plan for Bargaining Unit of StarTran, Inc.
Schedule of Plan Contributions

Schedule of Employer Contributions

Year Ending September 30	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Actual Contribution as a % of Covered Payroll
2011	\$ 2,034,486	\$ 1,279,245	\$ 755,241	\$ 30,523,684	4.2%
2012	4,246,630	4,163,071	83,559	21,222,724	19.6%
2013	2,685,614	4,264,824	(1,579,210)	-	*
2014	2,750,231	4,006,229	(1,255,998)	-	*
2015	2,701,768	4,010,272	(1,308,504)	-	*
2016	2,680,205	4,005,412	(1,325,207)	-	*
2017	2,476,752	4,004,599	(1,527,847)	-	*
2018	2,399,389	3,999,996	(1,600,607)	-	*
2019	2,481,007	4,000,556	(1,519,549)	-	*
2020	2,633,692	3,999,996	(1,366,304)	-	*

Methods and Used Assumptions to Determine Contribution Rates:

Valuation Date	January 1, 2020
Investment Rate of Return	6.75% including inflation, net of pension plan investment expenses
Actuarial Cost Method	Unit Credit Cost Method
Discount Rate	6.75%
Projected Salary Increases	N/A
Administrative Expenses	\$200,000 per annum
Decrement Timing	Middle of year decrements
Withdrawal Rates	Varies by age with age 55 at 13% withdrawal rate and up to age 70 with a 100% withdrawal rate.
Surviving Spouse Benefit	Assumed 80% have an eligible spouse and that males are 3 years older than their spouse.
Retirement age	Varies by age with 13% retirement at age 55 and with 100% of retirement at age 70.
Mortality	
Healthy	PUB-2010 Amounts-Weighted Mortality table for General Employees with generational Improvements from 2010 using Scale MP-2019
Disabled	PUB-2010 Amounts-Weighted Disabled Retirement Mortality table for General Employees with generational Improvements from 2010 using Scale MP-2019.

* Capital Metropolitan Transportation Plan for Bargaining Unit Employees of StarTran, Inc. was frozen to all participants in 2012 and the work previously performed by the StarTran participants was outsourced to a vendor (purchased transportation). As the Plan sponsor, Capital Metro is required to make the annual required contributions. Additionally, certain employees are eligible for unreduced retirement benefits while working for Capital Metro's Purchased Transportation provider. Under GASB Statement No. 68, the Plan qualifies for special funding which requires the reporting of the liability and related pensionable activity by Capital Metro. Capital Metro's purchased transportation provider incurred the reported pensionable covered payroll for eligible participants who are eligible for unreduced early retirement benefits upon completion of 22.5 years of credited benefit service credits.

Capital Metropolitan Transportation Authority
Required Supplementary Information

Capital Metropolitan Transportation Authority Retirement Plan for Administrative Employees
Schedules of Changes in Net Pension Liability and Related Ratios
Years Ended September 30, 2020, 2019, 2018, 2017, 2016 and 2015

	2020	2019	2018	2017	2016	2015
Total pension liability:						
Service cost	\$ 2,938,855	\$ 2,793,032	\$ 2,964,773	\$ 2,087,251	\$ 2,225,673	\$ 1,453,304
Interest on total pension liability	2,694,810	2,445,407	2,235,084	1,863,897	1,573,679	1,538,740
Changes of benefit terms	-	-	-	2,054,914	-	-
Difference between expected and actual experience	1,231,398	720,052	(288,769)	(86,781)	1,984,816	(319,936)
Change in assumptions	5,792,670	(920,415)	3,035,050	209,630	(1,415,858)	5,067,915
Benefits payment/refunds of contributions	(1,117,525)	(932,072)	(916,317)	(892,937)	(833,716)	(717,439)
Net change in total pension liability	11,540,208	4,106,004	7,029,821	5,235,974	3,534,594	7,022,584
Total pension liability at beginning of year	49,263,627	45,157,623	38,127,802	32,891,828	29,357,234	22,334,650
Total pension liability at end of year (a)	<u>\$ 60,803,835</u>	<u>\$ 49,263,627</u>	<u>\$ 45,157,623</u>	<u>\$ 38,127,802</u>	<u>\$ 32,891,828</u>	<u>\$ 29,357,234</u>
Fiduciary net position:						
Employer contributions	\$ 3,046,377	\$ 2,692,422	\$ 3,106,829	\$ 1,974,973	\$ 1,882,377	\$ 1,600,160
Investment income net of investment expense	6,195,576	(1,941,101)	4,081,936	1,795,013	(11,187)	1,017,006
Benefit payments/refunds of contributions	(1,117,525)	(932,072)	(916,317)	(892,937)	(833,716)	(717,439)
Administrative expenses	(76,658)	(58,478)	(74,118)	(58,222)	(63,645)	(38,209)
Net change in fiduciary net position	8,047,770	(239,229)	6,198,330	2,818,827	973,829	1,861,518
Fiduciary net position at beginning of year	29,770,966	30,010,195	23,811,865	20,993,038	20,019,209	18,157,691
Fiduciary net position at end of year (b)	<u>37,818,736</u>	<u>29,770,966</u>	<u>30,010,195</u>	<u>23,811,865</u>	<u>20,993,038</u>	<u>20,019,209</u>
Net pension liability/(asset) at end of year = (a) - (b)	<u>\$ 22,985,099</u>	<u>\$ 19,492,661</u>	<u>\$ 15,147,428</u>	<u>\$ 14,315,937</u>	<u>\$ 11,898,790</u>	<u>\$ 9,338,025</u>
Fiduciary net position as a % of total pension liability	62.20%	60.43%	66.46%	62.45%	63.82%	68.19%
Pensionable covered payroll	\$ 24,700,473	\$ 22,758,461	\$ 20,966,199	\$ 22,195,764	\$ 18,663,437	\$ 16,183,596
Net pension liability as a % of covered payroll	93.06%	85.65%	72.25%	64.50%	63.75%	57.70%

Note to Schedule:

Changes in Assumptions and The discount rate for year-end disclosure was 5.10%.

Methods Since the Last Actuarial Valuation

The assumed 20-year municipal bond rate was 2.49%. For GASB determination, the accounting mortality table was Pri-2012 White Collar Dataset Amount-Weighted Mortality Projected with Scale MP-2019 with separate rates for employees, retirees, and contingent survivors.

Actuarial Assumptions

The year-end disclosure discount rate was reduced to 5.10% in accordance with GASB Nos. 67 and 68. The assumed rate of return was revised due to updated expectations.

Capital Metropolitan Transportation Authority Retirement Plan for Administrative Employees
Schedule of Plan Contributions

Schedule of Employer Contributions

Year Ending September 30	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Actual Contribution as a % of Covered Payroll
2011	\$ 1,453,308	\$ 1,448,542	\$ 4,766	\$ 16,565,032	8.7%
2012	1,659,488	1,704,070	(44,582)	18,347,486	9.3%
2013	1,393,056	1,393,490	(434)	15,021,918	9.3%
2014	1,588,278	1,600,160	(11,882)	16,183,596	9.9%
2015	1,894,044	1,863,116	30,928	17,038,110	10.9%
2016	1,971,655	1,971,655	-	18,791,825	10.5%
2017	2,166,745	2,166,745	-	19,911,349	10.9%
2018	3,243,014	3,243,014	-	20,757,338	15.6%
2019	3,065,508	3,065,508	-	22,758,461	13.5%
2020	3,483,051	3,192,712	290,339	24,700,473	12.9%

Note to Schedule:

Valuation date: Actuarially determined contribution rates are calculated as of January 1 for the respective year of contributions.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry age normal
Amortization Method	Level percent of payroll
Remaining Amortization Period	20 years
Asset Valuation Method	Deferred recognition over 5 year period
Salary Increases	3.5%
Investment Rate of Return	6.75%
Retirement Age	Age 60 to 61 is 5%
	Age 62-64 is 1
	Age 65 is 50%,
	Age 66-69 is 15%
	Age 70 is 100%
Mortality Rates	Mortality as provided in Notice 2018-2, male and female, with separate rates for annuitants and non-annuitants (as prescribed by IRC 430).

Capital Metropolitan Transportation Authority
Required Supplementary Information

**Capital Metropolitan Transportation Authority Other Post
Employment Benefits**

**Other Post-Employment Benefits –
Schedule of Changes in the Total OPEB Liability and Related Ratios**

	2020	2019	2018
Total OPEB liability			
Service cost	\$ 273,875	\$ 256,296	\$ 245,871
Interest	82,805	150,911	149,467
Changes of benefit terms			-
Differences between expected and actual experience			-
Changes of assumptions or other inputs	(39,350)	(797,538)	(297,311)
Benefit payments	(74,627)	(72,364)	(76,713)
Net change in total OPEB liability	242,703	(462,695)	21,314
Total OPEB liability—beginning	2,876,405	3,339,100	3,317,786
Total OPEB liability—ending	<u>\$ 3,119,108</u>	<u>\$ 2,876,405</u>	<u>\$ 3,339,100</u>
Covered- payroll	\$ 28,224,000	\$ 25,798,970	\$ 20,757,338
Total OPEB liability as a percentage of covered- payroll	11%	11%	16%

Changes of assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

2020	2.21%
2019	2.66%
2018	4.24%
2017	3.63%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

The Plan is unfunded and does not have assets in a trust compliant with GASB Statement No. 75, paragraph 4 to pay for the related benefits of the OPEB plan.



2020 Comprehensive Annual Financial Report

Statistical Section

This section of Capital Metro's comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about Capital Metro's overall financial condition.

Financial Trends

These schedules contain trend information to help the reader understand how Capital Metro's financial performance and well-being have changed over time. (Pages 57-59)

Revenue Capacity

These schedules contain information to help the reader assess Capital Metro's most significant local revenue source. (Pages 60-61)

Debt Capacity

This schedule presents information to help the reader assess the affordability of Capital Metro's current level of outstanding debt and the ability to issue additional debt in the future. (Pages 62-63)

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which Capital Metro's financial activities take place. (Pages 64-65)

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in Capital Metro's financial report relates to the services Capital Metro provides and the activities it performs. (Pages 66-72-84)

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

CAPITAL METROPOLITAN TRANSPORTATION AUTHORITY
CONDENSED STATEMENT OF NET POSITION
LAST TEN YEARS

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Net Position										
Total assets	\$850,601,773	\$736,412,006	\$687,181,390	\$631,671,906	\$581,284,435	\$549,866,540	\$483,139,154	\$456,513,478	\$424,222,373	\$377,672,823
Deferred Outflow	17,229,238	14,287,244	9,416,391	11,040,533	14,502,678	13,394,914	-	-	-	-
Total liabilities	127,150,737	118,047,916	106,423,127	121,349,555	98,573,715	100,896,496	74,546,316	79,719,171	92,197,909	59,345,298
Unearned grant revenue	-	8,797,035	17,140,344	18,828,476	41,375,065	45,450,146	-	-	-	-
Deferred Inflow	5,071,313	2,088,748	5,841,826	1,765,739	1,288,901	261,124	-	-	-	-
Net position										
Invested in capital assets	503,897,130	455,646,696	403,270,271	356,182,839	292,329,115	282,032,104	287,038,610	286,448,356	287,763,068	288,856,610
Restricted for construction	-	-	-	-	-	-	-	-	-	-
Unrestricted	231,711,832	166,118,857	163,922,213	144,585,830	162,220,317	134,621,584	121,554,228	90,345,951	44,261,396	29,470,915
Total net position	\$735,608,962	\$621,765,553	\$567,192,484	\$500,768,669	\$454,549,432	\$416,653,688	\$408,592,838	\$376,794,307	\$332,024,464	\$318,327,525

Unaudited - see accompanying auditor's report

**CHANGES IN NET POSITION
LAST TEN YEARS**

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Operating Revenue										
Transportation fares	\$8,361,017	\$11,903,616	\$12,031,326	\$13,455,755	\$14,124,211	\$13,594,470	\$12,104,556	\$11,142,027	\$10,967,223	\$9,928,579
Contract revenue and fares	6,519,695	9,083,445	8,968,191	8,151,879	7,286,377	6,834,345	7,263,506	7,425,924	7,150,215	6,820,131
Rail - freight	6,486,192	5,110,051	5,453,100	4,522,523	4,756,093	5,063,456	5,119,927	5,030,110	4,998,943	7,550,692
Commuter rail	1,587,322	3,281,916	2,589,108	2,541,925	2,656,212	3,301,561	3,778,188	3,358,278	2,265,523	954,666
Total operating revenue	22,954,226	29,379,028	29,041,725	28,672,082	28,822,893	28,793,832	28,266,177	26,956,339	25,381,904	25,254,068
Operating Expenses										
Labor/fringe benefits (1)	46,376,213	45,237,327	42,698,314	44,196,009	35,894,236	33,972,657	30,627,326	27,550,575	84,599,834	82,985,900
Services	23,521,469	18,360,137	19,113,196	18,619,086	19,249,051	21,697,474	25,298,173	20,701,207	19,651,851	18,015,338
Materials	13,018,975	13,696,518	14,099,827	14,564,759	16,459,622	17,141,586	18,425,437	18,250,925	23,529,099	24,340,524
Utilities	3,131,335	3,016,639	2,768,950	2,784,922	2,678,320	2,595,727	2,278,593	2,185,680	2,052,397	2,021,342
Insurance	386,174	640,414	1,279,723	517,691	681,159	2,321,705	1,748,556	2,461,415	1,367,652	1,329,780
Taxes	1,081,957	1,218,503	1,107,702	1,056,256	1,045,710	1,088,166	983,295	983,894	949,247	990,353
Purchased transportation (1)	165,234,291	158,795,657	152,361,385	143,514,968	145,026,467	123,661,911	113,472,564	103,479,414	35,326,960	28,316,877
Other expenses	5,561,594	4,783,567	4,537,502	3,759,197	4,385,484	2,703,674	3,198,500	2,337,366	2,003,727	1,975,810
Interest expense	-	-	252,919	369,935	480,141	589,510	697,383	800,365	750,835	975,403
Depreciation	45,204,201	46,522,354	44,010,538	39,145,873	35,561,903	33,553,776	33,742,878	31,579,554	33,229,888	34,680,209
Total operating expenses	303,516,209	292,271,116	282,230,056	268,528,696	261,462,093	239,326,186	230,472,705	210,330,395	203,461,490	195,631,536
Operating Loss	(280,561,983)	(262,892,088)	(253,188,331)	(239,856,614)	(232,639,200)	(210,532,354)	(202,206,528)	(183,374,056)	(178,079,586)	(170,377,468)
Non-Operating Revenue (Expenses)										
Sales and use tax	262,434,630	261,540,589	243,571,292	228,545,196	221,298,639	210,413,738	193,818,456	179,022,794	165,248,523	151,156,042
Investment income	4,440,688	5,659,749	1,990,000	1,395,002	1,386,061	54,646	92,949	99,480	86,006	24,616
Other income, net	3,899,394	2,221,765	2,147,901	2,407,217	2,964,311	3,183,851	2,343,535	2,282,734	805,412	1,201,994
Other federal grants	117,090,152	40,798,618	53,422,347	30,797,301	29,172,453	29,944,881	28,569,256	33,747,010	15,643,959	11,664,109
Capital Contribution - Other Juris	(4,497,317)	(420,730)	(542,830)	(57,160)	-	-	-	-	-	-
Build Central Texas Program	(148,510)	(570,966)	(409,978)	(2,927,158)	(180,544)	(563,293)	(756,097)	(1,808,588)	(1,216,386)	(1,090,985)
Mobility interlocal agreements	(3,508,715)	(7,066,622)	(5,669,095)	(3,998,451)	(1,709,281)	(2,342,069)	(4,975,704)	(7,764,324)	(4,598,153)	(8,398,120)
Long-term mobility planning	(6,699,699)	(3,895,780)								
Total non-operating revenue (e)	373,010,623	298,266,623	294,509,637	256,161,947	252,931,639	240,691,754	219,092,395	205,579,106	175,969,361	154,557,656
Income (loss) before contributions	92,448,640	35,374,535	41,321,306	16,305,333	20,292,439	30,159,400	16,885,867	22,205,050	(2,110,225)	(15,819,812)
Capital contributions	21,398,445	19,198,534	27,441,971	29,913,904	17,603,305	8,830,998	14,912,664	22,564,793	15,807,164	11,623,579
Change in net position	\$113,847,085	\$54,573,069	\$68,763,277	\$46,219,237	\$37,895,744	\$38,990,398	\$31,798,531	\$44,769,843	\$13,696,939	(\$4,196,233)

(1) Capital Metro changed its business model to one that contracted out all transit operations and collections of fares in August 2012

Unaudited - see accompanying auditor's report.

**CAPITAL METROPOLITAN TRANSPORTATION AUTHORITY
REVENUE BY SOURCE
LAST TEN YEARS**

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Revenue										
Operating Revenue										
Transportation fares	\$8,361,017	\$11,903,616	\$12,031,326	\$13,455,755	\$14,124,211	\$13,594,470	\$12,104,556	\$11,142,027	\$10,967,223	\$9,928,579
Contract revenue and fares	6,519,695	9,083,445	8,968,191	8,151,879	7,286,377	6,834,345	7,263,506	7,425,924	7,150,215	6,820,131
Rail freight revenue	6,486,192	5,110,051	5,453,100	4,522,523	4,756,093	5,063,456	5,119,927	5,030,110	4,998,943	7,550,692
Commuter rail revenue	1,587,322	3,281,916	2,589,108	2,541,925	2,656,212	3,301,561	3,778,188	3,358,278	2,265,523	954,666
Total Operating Revenue	22,954,226	29,379,028	29,041,725	28,672,082	28,822,893	28,793,832	28,266,177	26,956,339	25,381,904	25,254,068
Non-Operating Revenue										
Sales tax	262,434,630	261,540,589	243,571,292	228,545,196	221,298,639	210,413,738	193,818,456	179,022,794	165,248,523	151,156,042
Investment income	4,440,688	5,659,749	1,990,000	1,395,002	1,386,061	54,646	92,949	99,480	86,006	24,616
Grant income	138,488,597	59,997,152	80,864,318	60,711,205	46,775,758	38,775,869	43,481,920	56,311,803	31,451,123	23,287,688
Other Income	3,899,394	2,221,765	2,147,901	2,407,217	2,964,311	3,183,851	2,343,535	2,282,734	805,412	1,201,994
Total Non-Operating Revenue	409,263,309	329,419,255	328,573,511	293,058,620	272,424,769	252,428,104	239,736,860	237,716,811	197,591,064	175,670,340
Total revenue	\$432,217,535	\$358,798,283	\$357,615,236	\$321,730,702	\$301,247,662	\$281,221,936	\$268,003,037	\$264,673,150	\$222,972,968	\$200,924,408

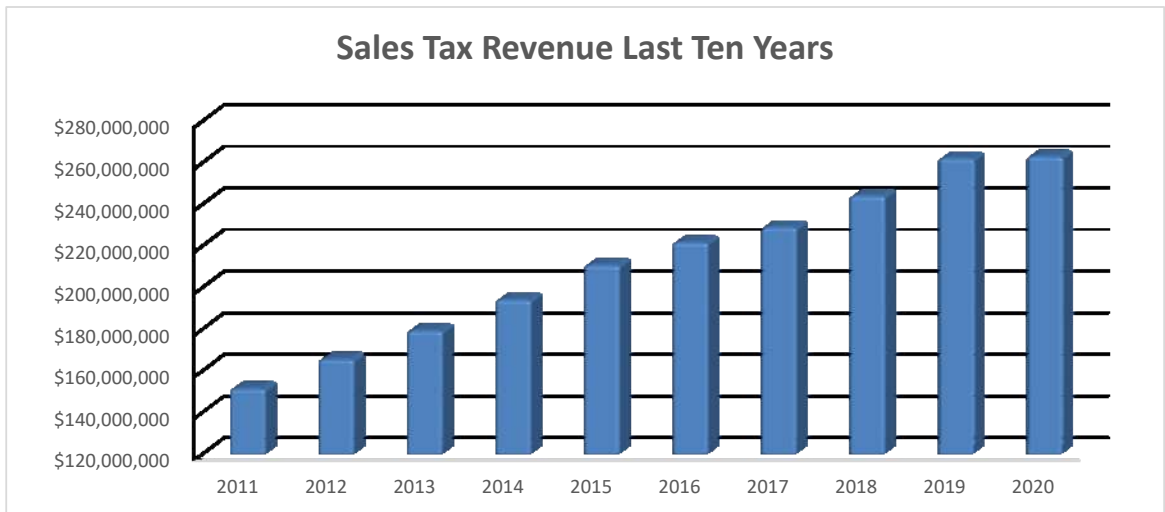
Unaudited - see accompanying auditors' report.

**CAPITAL METROPOLITAN TRANSPORTATION AUTHORITY
SALES TAX REVENUE
LAST TEN YEARS**

Fiscal Year	Sales Tax Revenue	Compounded Percent Change From Base Year	Percent Change From Prior Year
2010	\$141,867,771		
2011	\$151,156,042	6.5%	6.5%
2012	\$165,248,523	16.5%	9.3%
2013	\$179,022,794	26.2%	8.3%
2014	\$193,818,456	36.6%	8.3%
2015	\$210,413,739	48.3%	8.6%
2016	\$221,298,639	56.0%	5.2%
2017	\$228,545,196	61.1%	3.3%
2018	\$243,571,292	71.7%	6.6%
2019	\$261,540,589	84.4%	7.4%
2020	\$262,434,630	85.0%	0.3%

Notes:

- (1) Sales tax revenue accounts for 60.7 % of revenue in FY 2020
- (2) Sales tax rate 1% since 1995
- (3) Base year for 2011 through 2020 is 2010



Unaudited - see accompanying auditors' report.

**CAPITAL METROPOLITAN TRANSPORTATION AUTHORITY
ESTIMATED SALES TAX RECEIPTS BY CITY
LAST TEN YEARS**

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Austin	\$237,947,136	\$239,726,641	\$223,315,718	\$210,339,780	\$203,818,259	\$195,031,837	\$180,714,534	\$167,830,291	\$156,339,645	\$143,501,921
Leander	7,780,850	6,037,488	5,133,277	4,575,949	4,132,318	3,443,493	2,957,311	2,586,120	2,181,535	2,029,704
Manor	1,624,939	1,344,004	1,155,286	1,068,012	998,823	818,330	716,592	526,223	431,028	381,878
Lago Vista	731,745	528,727	478,798	443,462	413,984	371,054	364,704	317,522	286,891	279,397
Jonestown	185,860	152,737	160,874	123,936	115,269	101,117	102,155	91,234	102,180	108,337
Volente	-	-	-	-	62,280	46,538	46,767	62,989	45,214	41,188
Point Venture	97,322	65,181	59,006	57,198	42,811	37,414	27,500	25,538	23,851	30,068
Unincorporated Areas	14,066,778	13,685,812	13,268,333	11,936,859	11,714,897	10,563,956	8,888,893	7,582,877	5,838,179	4,783,549
Total	\$262,434,630	\$261,540,589	\$243,571,292	\$228,545,196	\$221,298,639	\$210,413,739	\$193,818,456	\$179,022,794	\$165,248,523	\$151,156,042

Source: The Comptroller of Public Accounts does not provide detailed tax receipts for MTAs by member city; therefore the numbers above are allocated based on city sales tax receipts.

Unaudited - see accompanying auditors' report.

**CAPITAL METROPOLITAN TRANSPORTATION AUTHORITY
LONG-TERM DEBT
LAST TEN YEARS**

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Note payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Rail lease purchase	-	-	-	3,657,979	6,504,050	9,280,618	11,989,380	14,631,995	17,210,076	19,968,234
Long-term financing	-	-	-	10,550,000	12,525,000	14,460,000	16,355,000	18,210,000	20,000,000	-
Total debt	\$ -	\$ -	\$ -	\$ 14,207,979	\$ 19,029,050	\$ 23,740,618	\$ 28,344,380	\$ 32,841,995	\$ 37,210,076	\$ 19,968,234
Per capita income (MSA)	\$ -	\$ -	\$ -	\$ 53,908	\$ 51,566	\$ 51,014	\$ 49,001	\$ 46,241	\$ 45,943	\$ 42,948
Total debt/per capita income	\$ -	\$ -	\$ -	\$ 264	\$ 369	\$ 465	\$ 578	\$ 710	\$ 810	\$ 465

Note: Prior year statistics are subject to change as more precise numbers become available

(1) Per capita statistics not available

Unaudited - see accompanying auditors' report

**CAPITAL METROPOLITAN TRANSPORTATION AUTHORITY
DEBT - NET REVENUE COVERAGE RATIO**

	Sales Tax Revenue	Operating Revenue	Operating Grants	Operating Expenses Net of Depreciation	Net Available Revenue	Principal Debt Payment	Coverage Ratio
2020	\$ 262,434,630	\$ 22,954,226	\$ 117,090,152	\$ (258,312,008)	\$ 144,167,000	\$ -	-
2019	261,540,589	29,379,028	40,798,618	(245,748,762)	85,969,473	-	-
2018	243,571,292	29,041,725	53,422,347	(238,219,519)	87,815,845	14,207,979	6.18
2017	228,545,196	28,672,082	30,797,301	(229,382,823)	58,631,756	4,821,070	12.16
2016	221,298,639	28,822,893	29,172,453	(225,900,189)	53,393,796	4,711,568	11.33
2015	210,413,739	28,793,832	29,944,881	(205,772,410)	63,380,042	4,603,762	13.77
2014	193,818,456	28,266,177	28,569,256	(196,729,827)	53,924,062	4,497,615	11.99
2013	179,022,794	26,956,339	33,797,010	(178,750,841)	61,025,302	4,368,081	13.97
2012	165,248,523	25,381,904	15,643,959	(170,231,602)	36,042,784	2,758,158	13.07
2011	151,156,042	25,254,068	11,664,109	(160,951,327)	27,122,892	6,047,097	4.49
2010	141,867,771	28,234,434	20,119,207	(165,378,678)	24,842,734	3,431,556	7.24
2009	139,895,675	28,833,861	15,929,606	(166,631,430)	18,027,712	3,305,024	5.45
2008	154,156,602	20,572,296	12,341,231	(165,270,951)	21,799,178	3,183,158	6.85
2007	150,295,291	18,617,996	13,157,633	(149,953,021)	32,117,899	2,594,031	12.38

Capital Metro first incurred debt in 2006 with first payment due in 2007.

CAPITAL METROPOLITAN TRANSPORTATION AUTHORITY
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN YEARS

Year	City of Austin Population (1)	Population MSA (2)	Personal Income (MSA) (thousands of dollars) (2)	Per Capita Personal Income (MSA) (2)	Unemployment Rate (MSA) (3)
2009	770,296	1,682,338	65,636,196	38,215	6.9
2010	778,560	1,727,627	69,239,230	40,009	7.0
2011	805,662	1,781,409	76,507,673	42,948	6.6
2012	821,012	1,835,298	84,319,550	45,943	5.7
2013	841,649	1,884,439	87,138,010	46,241	5.1
2014	878,002	1,943,465	95,231,402	49,001	4.2
2015	899,119	2,000,860	102,072,207	51,014	3.4
2016	925,491	2,056,405	106,040,064	51,566	3.2
2017	946,080	2,077,789	112,009,610	53,908	2.9
2018	963,797	2,168,316	127,439,164	58,773	2.9
2019	980,880	2,227,083	138,028,065	61,997	2.5

Note: Prior year statistics are subject to change as more precise numbers become available.

(1) Source : City Demographer, City of Austin, Planning and Zoning Department based on full purpose area as of September 30, 2019

(2) Source: Bureau of Economic Analysis

(3) Source: Bureau of Labor Statistics, United States Dept. of Labor as of September 30.

Unaudited - see accompanying auditors' report.

**CAPITAL METROPOLITAN TRANSPORTATION AUTHORITY
PRINCIPAL EMPLOYERS**

Fiscal Year Ended September 30

10 Largest Employers	Industry	2019				2010			
		Rank	Employees	Percent of MSA Total (1)		Rank	Employees	Percent of MSA Total	
State Government	Government	1	38,589	(2)	3.52%	1	38,538		4.90%
The University of Texas at Aus	Education	2	27,426	(8)	2.50%	2	24,864		3.16%
City of Austin	Government	3	14,471	(5)	1.32%	4	11,815		1.50%
HEB	Retail	4	13,901	(4)	1.27%	8	10,904		1.39%
Federal Government	Government	5	13,400	(6)	1.22%	7	11,100		1.41%
Dell Computer Corporation	Computers	6	13,000	(9)	1.19%	3	14,000		1.78%
Austin Independent School Dis	Education	7	11,098	(3)	1.01%	5	11,570		1.47%
St. David's Healthcare Partner:	Healthcare	8	10,665	(4)	0.97%	9	6,600		0.84%
Ascension Seton	Healthcare	9	10,513	(4)	0.96%	6	11,500		1.46%
Samsung Austin Semiconduct	Semiconductor	10	8,935	(10)	0.82%				
IBM Corporation	Computers					10	6,239	(7)	0.81%
			161,998		14.79%		147,130		18.72%

Notes:

(1) Texas Workforce Commission - Total refers to a Metropolitan Statistical Area (MSA) employed work force of 1,095,500 for 2019 and 787,000 for 2010.

(2) Texas State Auditor's Office: Regular and Part Time State Employees for 2019 in Bastrop, Caldwell, Hays, Travis and Williamson Counties.

(3) Texas Education Agency 2018-2019 Texas Academic Performance Report for AISD District

(4) Austin Chamber of Commerce - Top Employers for Austin MSA - Fall 2019

(5) FY2019-2020 Personnel Summary (FTE's) City of Austin Approved Budget Page 505 (2018-19 Amended Budget Column).

(6) Bureau of Labor Statistics Federal Government employees in Austin MSA in September 2019

(7) 2019 and 2010 Principal Employers - IBM Corporation Ranked 10 in 2010

(8) The University of Texas at Austin Appointments and WD filled Positions

(9) Austin Business Journal January 2019

(10) Austin Business Journal November 2018

**CAPITAL METROPOLITAN TRANSPORTATION AUTHORITY
EXPENSES BY OBJECT CLASS
LAST TEN YEARS**

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Operating Expenses										
Labor/fringe benefits	\$ 46,376,213	\$ 45,237,327	\$ 42,698,314	\$ 44,196,009	\$ 35,894,237	\$ 33,972,657	\$ 30,627,326	\$ 27,550,575	\$ 84,599,834	\$ 82,985,900
Services	23,521,469	18,360,137	19,113,196	18,619,086	19,249,051	21,697,474	25,298,173	20,701,207	19,651,851	18,015,338
Materials	13,018,975	13,696,518	14,099,827	14,564,759	16,459,622	17,141,586	18,425,437	18,250,925	23,529,099	24,340,524
Utilities	3,131,335	3,016,639	2,768,950	2,784,922	2,678,320	2,595,727	2,278,593	2,185,680	2,052,397	2,021,342
Insurance	386,174	640,414	1,279,723	517,691	681,159	2,321,705	1,748,556	2,461,415	1,367,652	1,329,780
Taxes	1,081,957	1,218,503	1,107,702	1,056,256	1,045,709	1,088,166	983,295	983,894	949,247	990,353
Purchased transportation	165,234,291	158,795,657	152,361,386	143,514,969	145,026,467	123,661,911	113,472,564	103,479,414	35,326,960	28,316,877
Other expenses	5,561,594	4,783,567	4,537,502	3,759,197	4,385,483	2,703,674	3,198,500	2,337,366	2,003,727	1,975,810
Interest expense	-	-	252,919	369,935	480,142	589,510	697,383	800,365	750,835	975,403
Depreciation	45,204,201	46,522,354	44,010,538	39,145,873	35,561,903	33,553,776	33,742,878	31,579,554	33,229,888	34,680,209
Total operating expenses	\$ 303,516,209	\$ 292,271,116	\$ 282,230,057	\$ 268,528,697	\$ 261,462,093	\$ 239,326,186	\$ 230,472,705	\$ 210,330,395	\$ 203,461,490	\$ 195,631,536
Non-Operating Expenses										
Build Central Texas	\$ 148,510	\$ 570,966	\$ 409,978	\$ 2,927,158	\$ 180,544	\$ 563,293	\$ 756,097	\$ 1,808,588	\$ 1,216,386	\$ 1,090,985
Mobility programs	3,508,715	7,066,622	5,669,095	3,998,451	1,709,281	2,342,069	4,975,704	7,764,324	4,598,153	8,398,120
Long-term mobility planning	6,699,699	3,895,780	-	-	-	-	-	-	-	-
Capital contributions - other jurisdictions	4,497,317	420,730	542,830	57,160	-	-	-	-	-	-
Total non-operating expenses	\$ 14,854,241	\$ 11,954,098	\$ 6,621,903	\$ 6,982,769	\$ 1,889,825	\$ 2,905,362	\$ 5,731,801	\$ 9,572,912	\$ 5,814,539	\$ 9,489,105

Unaudited - see accompanying auditor's report.

**CAPITAL METROPOLITAN TRANSPORTATION AUTHORITY
OPERATING STATISTICS
LAST TEN YEARS**

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Operating expenses										
Demand reponse directly operated	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 23,163,134	\$ 24,581,584
Demand reponse-purchased transportation	41,344,741	38,949,933	40,844,729	42,199,986	40,362,921	37,772,056	32,953,872	31,490,408	6,809,517	997,269
Demand reponse taxi cab	-	-	-	-	846,445	849,406	357,792	515,059	857,353	2,427,171
Express bus directly operated	-	-	-	-	-	-	-	-	8,755,409	-
Express bus-purchased transportation	4,671,770	8,828,809	7,750,079	6,379,211	5,688,832	5,019,117	7,722,055	7,724,750	1,108,609	-
Motor bus directly operated	-	-	-	-	-	-	-	-	70,627,459	80,191,085
Motor bus-purchased transportation	158,612,670	164,620,099	153,795,357	145,368,852	144,263,239	134,770,798	127,143,429	112,150,468	38,799,019	34,272,011
Commuter rail-purchased transportation	22,536,132	19,319,510	23,182,822	21,743,560	24,246,860	14,779,117	15,810,047	13,712,449	11,358,085	9,388,517
Vanpool-directly operated	-	-	-	-	-	-	365,156	2,137,476	2,220,742	1,240,439
Vanpool-purchased transportation	2,385,786	2,401,218	1,143,337	1,452,639	1,273,091	2,387,524	1,126,906	-	-	-
Total operating expenses**	\$ 229,551,099	\$ 234,119,569	\$ 226,716,324	\$ 217,144,248	\$ 216,681,388	\$ 195,578,018	\$ 185,479,257	\$ 167,730,610	\$ 163,699,327	\$ 153,098,076
Actual vehicle revenue miles										
Demand reponse directly operated	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,956,691	\$ 3,005,416
Demand reponse purch. trans.	4,472,209	5,615,709	5,514,405	5,395,478	5,028,095	4,942,463	4,666,043	4,487,043	1,536,889	364,638
Demand response taxi cab	-	-	-	-	146,782	149,625	111,189	122,604	228,402	775,874
Express bus directly operated	-	-	-	-	-	-	-	-	626,413	-
Express bus purch. Trans.	605,598	1,147,318	928,475	737,780	736,798	747,633	739,055	701,561	80,303	-
Motor bus directly operated	-	-	-	-	-	-	-	-	7,509,440	8,579,614
Motor bus purch. trans.	14,707,589	15,950,516	15,396,804	14,473,436	14,343,211	14,001,707	12,982,104	12,801,955	5,035,222	5,508,516
Commuter rail purch. Trans.	532,347	291,066	310,272	301,020	298,379	287,997	279,757	279,359	237,125	176,196
Vanpool-directly operated	-	-	-	-	-	-	338,077	1,132,983	1,135,160	1,150,070
Vanpool-purchased transportation	3,797,043	4,416,865	4,339,303	3,747,150	3,109,432	2,241,335	870,967	-	-	-
Total actual vehicle revenue miles	\$ 24,114,786	\$ 27,421,474	\$ 26,489,259	\$ 24,654,864	\$ 23,662,697	\$ 22,370,760	\$ 19,987,192	\$ 19,525,505	\$ 19,345,645	\$ 19,560,324

** Total operating expense does not include depreciation, rail freight expense, or other nonallocated expenses for NTD.

Source: NTD report for each year

Unaudited - see accompanying auditors' report

OPERATING STATISTICS LAST TEN YEARS, continued

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Actual vehicle revenue hours										
Demand reponse directly operated	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 204,046	\$ 241,291
Demand reponse purch. trans.	414,642	404,492	385,547	396,660	382,088	367,735	333,772	314,473	104,261	30,802
Demand response taxi cab	-	-	-	-	6,725	7,043	5,598	5,187	8,780	36,343
Express bus directly operated	-	-	-	-	-	-	-	-	32,761	-
Express bus purch. Trans.	32,738	61,632	47,486	40,364	40,182	40,132	39,564	36,780	4,192	-
Motor bus directly operated	-	-	-	-	-	-	-	-	632,112	693,325
Motor bus purch. trans.	1,297,870	1,434,665	1,325,923	1,230,076	1,167,955	1,162,528	1,065,774	1,020,612	383,347	397,959
Commuter rail purch. trans.	22,117	12,393	13,157	12,725	12,536	11,976	11,613	11,559	10,174	7,594
Vanpool-directly operated	-	-	-	-	-	-	12,754	42,089	41,243	42,080
Vanpool-purchased transportation	93,532	119,102	116,427	101,553	86,694	67,713	29,007	-	-	-
Total actual vehicle revenue hours	\$ 1,860,899	\$ 2,032,284	\$ 1,888,540	\$ 1,781,378	\$ 1,696,180	\$ 1,657,127	\$ 1,498,082	\$ 1,430,700	\$ 1,420,916	\$ 1,449,394
Annual Unlinked Trips										
Demand reponse directly operated	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 382,786	\$ 464,902
Demand reponse purch. trans.	550,702	706,989	694,632	650,696	656,476	647,054	613,590	592,042	195,529	55,658
Demand response taxi cab	-	-	-	-	25,902	28,678	19,730	20,144	33,431	126,439
Express bus directly operated	-	-	-	-	-	-	-	-	520,834	-
Express bus purch. Trans.	412,468	779,887	611,298	527,351	542,266	585,298	594,020	641,492	78,818	-
Motor bus directly operated	-	-	-	-	-	-	-	-	19,010,826	21,012,071
Motor bus purch. trans.	20,929,440	28,313,157	26,879,277	27,297,092	27,261,362	32,261,330	31,976,519	34,124,841	14,437,866	12,474,899
Commuter rail purch. trans.	377,703	729,508	811,242	824,704	806,331	833,195	763,551	834,699	527,370	377,666
Vanpool-directly operated	-	-	-	-	-	-	65,624	219,902	225,192	228,636
Vanpool-purchased transportation	432,153	548,873	511,337	459,555	432,558	344,695	168,300	-	-	-
Total actual unlinked trips	\$ 22,702,466	\$ 31,078,414	\$ 29,507,786	\$ 29,759,398	\$ 29,724,895	\$ 34,700,250	\$ 34,201,334	\$ 36,433,120	\$ 35,412,652	\$ 34,740,271

Unaudited - see accompanying auditors' report

OPERATING STATISTICS LAST TEN YEARS, continued

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Annual Passenger Miles										
Demand reponse directly operated	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	2,978,934	\$ 3,317,279
Demand reponse purch. trans.	3,951,985	6,008,746	5,615,058	5,581,909	5,222,308	5,006,753	4,944,288	4,772,554	1,591,830	400,623
Demand response taxi cab	-	-	-	-	169,347	179,147	128,787	138,430	261,435	895,136
Express bus directly operated	-	-	-	-	-	-	-	-	8,204,168	-
Express bus purch. Trans.	7,329,378	14,695,729	10,302,794	7,701,902	8,811,515	9,596,464	9,198,180	9,728,554	1,091,142	-
Motor bus directly operated	-	-	-	-	-	-	-	-	84,687,015	99,697,872
Motor bus purch. trans.	90,381,986	115,921,268	116,078,132	115,795,824	112,049,203	144,788,219	135,348,047	134,593,131	45,975,542	34,902,303
Commuter rail purch. trans.	5,491,355	11,187,645	12,269,528	13,034,972	13,241,488	13,491,230	12,006,789	13,281,938	8,534,175	6,424,718
Vanpool-directly operated	-	-	-	-	-	-	1,835,645	5,824,978	5,631,716	5,353,528
Vanpool-purchased transportation	17,430,461	20,766,873	19,572,510	16,720,887	14,763,768	10,508,902	4,485,538	-	-	-
Total actual passenger miles	\$ 124,585,165	\$ 168,580,261	\$ 163,838,022	\$ 158,835,494	\$ 154,257,629	\$ 183,570,715	\$ 167,947,274	\$ 168,339,585	\$ 158,955,957	\$ 150,991,459

**Total operating expenses does not include depreciation, rail freight expenses, or other nonallocated expenses for NTD.

Source: NTD report for each year

Unaudited - see accompanying auditors' report.

CAPITAL METROPOLITAN TRANSPORTATION AUTHORITY
CAPITAL ASSETS
LAST TEN YEARS

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Capital assets not being depreciated:										
Land and Improvement	\$75,328,694	\$69,889,511	\$59,689,545	\$59,166,866	\$56,637,590	\$53,434,238	\$53,434,238	\$53,434,238	\$53,434,238	\$53,464,669
Construction in process - rail	-	-	-	-	-	-	-	-	-	-
Construction in process	70,779,761	63,769,381	74,723,419	59,247,399	22,204,736	14,746,255	10,852,403	18,629,684	10,198,381	6,332,694
Total capital assets not being depreciated	146,108,455	133,658,892	134,412,964	118,414,265	78,842,326	68,180,493	64,286,641	72,063,922	63,632,619	59,797,363
Other Capital Assets:										
Building and equipment	110,184,798	105,726,911	86,079,657	84,692,633	84,264,315	86,235,633	86,388,814	84,498,819	84,366,351	84,420,220
Railroad	178,461,741	167,819,219	149,028,997	139,643,809	135,922,532	123,424,501	122,520,746	118,507,063	116,277,808	115,028,241
Buses and equipment	409,922,836	364,175,340	326,473,242	290,922,992	270,202,037	261,467,893	259,299,553	251,960,816	240,658,237	236,207,013
Passenger parking & stations	105,449,581	97,156,719	89,425,600	87,162,200	86,785,928	86,390,678	83,801,047	69,997,889	67,712,096	70,677,031
Leashold improvements	352,908.00	-	-	-	-	-	-	82,198	82,198	82,198
Total other capital assets	804,371,864	734,878,189	651,007,495	602,421,634	577,174,812	557,518,705	552,010,160	525,046,785	509,096,690	506,414,703
Less: accumulated depreciation										
Building and equipment	56,681,154	52,306,025	49,040,930	46,826,275	44,721,335	43,285,522	41,136,061	38,230,502	35,382,804	32,649,558
Railroad	133,576,435	125,537,284	116,412,803	107,339,494	98,233,020	89,641,759	80,768,170	71,385,481	61,402,547	50,840,742
Buses and equipment	184,987,012	168,442,741	157,471,109	145,116,087	158,391,786	160,628,154	158,932,408	153,296,860	150,083,251	153,189,434
Passenger parking & stations	67,097,395	61,735,694	56,349,983	49,869,377	43,312,833	36,604,533	30,077,172	24,825,317	20,805,367	20,625,292
Leashold improvements	41,174.00	-	-	-	-	-	-	82,196	82,196	82,196
Total accumulated depreciation	442,383,170	408,021,744	379,274,825	349,151,233	344,658,974	330,159,968	310,913,811	287,820,356	267,756,165	257,387,222
Total capital assets, net	\$508,097,149	\$460,515,337	\$406,145,634	\$371,684,666	\$311,358,164	\$295,539,230	\$305,382,990	\$309,290,351	\$304,973,144	\$308,824,844

Unaudited - see accompanying auditors' report.

**CAPITAL METROPOLITAN TRANSPORTATION AUTHORITY
TOTAL EMPLOYEES
LAST TEN YEARS**

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Employee Count										
Capital Metro - administration	503	495	504	463	428	443	447	407	384	357
Startran Inc. - administrative	-	-	-	-	-	-	-	-	-	78
Startran Inc. - bargaining unit	-	-	-	-	-	-	-	-	-	842
Total Active Employees	503	495	504	463	428	443	447	407	384	1,277

Source: Capital Metro Human Resource Department

Employee count includes 178 part-time Security officers in 2020

Note: In August 2012, Capital Metro contracted out all bus operator employees

Unaudited - see accompanying auditors' report.

**CAPITAL METRO TRANSPORTATION AUTHORITY
FAREBOX RECOVERY PERCENTAGE LAST EIGHT YEARS (UNAUDITED)**

YEAR	PERCENTAGE	YEAR	PERCENTAGE
2013	11.20%	2017	10.60%
2014	10.60%	2018	9.90%
2015	9.92%	2019	9.90%
2016	10.69%	2020	6.50%

FARE STRUCTURE

	Local MetroBus, UT Shuttle, MetroRapid, High Frequency Routes plus PickUp	Commuter MetroRail, MetroExpress	Para Transit MetroAccess 1
Single Ride	\$1.25	\$3.50	\$1.75
Single Ride, Reduced ²	\$0.60	\$1.75	N/A
Grades K-12 students ⁴	FREE	FREE	FREE
Active/Reserve duty in uniform ²	FREE	FREE	FREE
Active/Reserve duty no uniform ²	Elig For reduced	Elig For reduced	Elig For reduced
Capital Metro Employees/Family	FREE	FREE	FREE
UT/ACC Students and Faculty ³	FREE	FREE	FREE
Passes and Tickets			
Day Pass	\$2.50	\$7.00	N/A
Day Pass, Reduced	\$1.25	\$3.50	N/A
7-Day Pass	\$11.25	\$27.50	N/A
31-Day Pass	\$41.25	\$96.25	N/A
31-Day Pass, Reduced	\$20.60	\$48.10	N/A
Monthly Pass ⁵	N/A	N/A	\$46.50

Stored Value Cards

\$20.00 & \$40.00. Stored Value Cards come pre-loaded with cash value that can be used at the farebox.

10-Ride MetroAccess Booklet

\$15.00 (Fare: 1 Ticket-One Way. Valid for MetroAccess services only.)

1 Para Transit Services (MetroAccess) are for individuals who, due to disability, are unable to use the fixed route system. Individuals must meet enrollment criteria. MetroAccess is a cashless based service, it requires pre-purchased MetroAccess tickets or a valid MetroAccess monthly pass. The MetroAccess Single Ride tickets are not valid for any fixed route services or rail, however; the MetroAccess Monthly pass is valid for all bus and rail services.

2 To be eligible for a reduced fare, the individual must be a Senior 65+ years of age, Medicare qualified, Disability qualified, Para transit qualified. In addition, the individual is required to obtain a Capital Metro issued ID in order to ride at the reduced cash fare and to purchase reduced fare passes. Active or Reserve Duty personnel in uniform ride free. Active or Reserve Duty Military personnel not in uniform are eligible to pay a reduced fare, but must present a valid military ID and/or a reduced fare ID.

3 University of Texas and Austin Community College have agreements with Capital Metro to pay for student and faculty fares. Students and faculty are required to swipe their UT ID or ACC pass to ride fixed route services and must present their ID or pass upon the request of a MetroRail conductor when riding MetroRail services.

4 Children in grades K through 12 ride for free and need to present their student IDs to the operator.

5 This is a monthly pass, not a 31-Day rolling pass

Upon meeting certain requirements, 31 & 7-Day rolling passes, day passes, ticket booklets and monthly Para Transit passes are available at discount to qualified non-profit agencies. An enrollment process is required.

Unaudited - see accompanying auditors' report.