



Agenda - Final revised
Capital Metropolitan
Transportation Authority
Finance, Audit and Administration
Committee

2910 East 5th Street
Austin, TX 78702

Monday, June 13, 2022

10:00 AM

Rosa Parks Boardroom

This meeting will be livestreamed at capmetrotx.legistar.com

I. Call to Order

II. Public Comment

III. Action Items

1. Approval of minutes from the February 14, 2022 Finance, Audit and Administration Committee meeting.

IV. Presentations

1. FY2021 Annual Comprehensive Financial Report
2. Initial Review and Discussion of the FY2023 Proposed Budget
3. Internal Audit FY2022 Audit Plan Status
4. UT Austin Spring 2022 Intern Reports - Facilities Maintenance and Purchasing Card Process

V. Items for Future Discussion

VI. Adjournment

ADA Compliance

Reasonable modifications and equal access to communications are provided upon request. Please call (512) 369-6040 or email ed.easton@capmetro.org if you need more information.

Committee Members: Wade Cooper, Leslie Pool, Becki Ross and Terry Mitchell.

The Board of Directors may go into closed session under the Texas Open Meetings Act. In accordance with Texas Government Code, Section 551.071, consultation with attorney for any legal issues, under Section 551.072 for real property issues; under Section 551.074 for personnel matters, or under Section 551.076, for deliberation regarding the deployment or implementation of security personnel or devices; arising regarding any item listed on this agenda.



Capital Metropolitan Transportation Authority

2910 East 5th Street
Austin, TX 78702

Finance, Audit and Administration Committee

Item #: AI-2022-379

Agenda Date: 6/13/2022

Approval of minutes from the February 14, 2022 Finance, Audit and Administration Committee meeting.

Minutes
Capital Metropolitan
Transportation Authority
Finance, Audit and Administration
Committee

2910 East 5th Street
Austin, TX 78702

Monday, February 14, 2022

10:00 AM

Rosa Parks Boardroom

I. Call to Order

10:12 a.m. Meeting Called to Order

Present	Terry Mitchell, Wade Cooper, Leslie Pool, and Becki Ross
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II. Public Comment

Zenobia Joseph provided public comment.

III. Action Items

1. Approval of minutes from the December 8, 2021 Finance, Audit and Administration Committee meeting.
2. Approval of a resolution appointing Nadia Nahvi, Capital Metro Controller, to the Capital Metro Investment Committee as an investment officer, with the authorization to withdraw, invest, reinvest, and accept payment with interest, consistent with the investment policy.

A motion was made by Pool, seconded by Cooper, that this Resolution be recommended for the consent agenda to the Board of Directors, due back on 2/28/2022. The motion carried by the following vote:

Aye: Mitchell, Cooper, Pool, and Ross

3. Approval of a resolution affirming the Charter Statement for the Finance, Audit and Administration Committee.

A motion was made by Cooper, seconded by Pool, that this Resolution be recommended for the consent agenda. The motion carried by the following vote:

Aye: Mitchell, Cooper, Pool, and Ross

4. Approval of a resolution affirming the Internal Audit Charter.

A motion was made by Cooper, seconded by Ross, that this Resolution be recommended for the consent agenda to the Board of Directors, due back on 2/28/2022. The motion carried by the following vote:

Aye: Mitchell, Cooper, Pool, and Ross

5. Approval of Updates to the Board of Directors Advisory Committees Policy.

A motion was made by Pool, seconded by Cooper, that this Resolution be recommended for the action item agenda to the Board of Directors, due back on 2/28/2022. The motion carried by the following vote:

Aye: Mitchell, Cooper, Pool, and Ross

IV. Presentations

1. FY2022 Financial Report - December 2021
2. Long-Range Financial Plan
3. Audit Report - Plaza Saltillo Lease Revenue
4. Internal Audit Semi-Annual Implementation Report
5. Internal Audit FY2022 Audit Plan Status

V. Items for Future Discussion

VI. Adjournment

11:31 a.m. Meeting Adjourned

ADA Compliance

Reasonable modifications and equal access to communications are provided upon request. Please call (512) 369-6040 or email ed.easton@capmetro.org if you need more information.

Committee Members: Terry Mitchell, Chair; Wade Cooper, Leslie Pool and Becki Ross.

The Board of Directors may go into closed session under the Texas Open Meetings Act. In accordance with Texas Government Code, Section 551.071, consultation with attorney for any legal issues, under Section 551.072 for real property issues; under Section 551.074 for personnel matters, or under Section 551.076, for deliberation regarding the deployment or implementation of security personnel or devices; arising regarding any item listed on this agenda.



Capital Metropolitan Transportation Authority

2910 East 5th Street
Austin, TX 78702

Finance, Audit and Administration Committee

Item #: AI-2022-415

Agenda Date: 6/13/2022

FY2021 Annual Comprehensive Financial Report

CAPITAL METROPOLITAN TRANSPORTATION AUTHORITY

Presentation to the Finance, Audit and Administration
Committee



Audit for the Year Ended September 30, 2021

Agenda

- Scope of Services
- Audit Overview
 - Financial Statement Audit Results
 - Federal and State Compliance Audit Results
- Required Auditor Communications
- Certificate of Achievement for Excellence in Financial Reporting

Scope of Services

- We were engaged by Capital Metro to:
 - Perform the audit of the basic financial statements of Capital Metro.
 - The basic financial statements are prepared by management in accordance with accounting principles generally accepted in the United States of America, as applied to governments
 - Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting standards
 - Perform the audit of Federal and State Awards and report on internal controls over financial reporting, and on compliance for major programs and the Texas Public Funds Investment Act
 - Perform the required National Transit Database “NTD” agreed-upon procedures, as required by FTA’s 2021 NTD Policy Manual

Audit Overview

- Financial Statement Audit Scope
 - The basic financial statements are prepared by management
 - Our procedures include
 - Examining evidence supporting amounts and disclosures on a test basis
 - Assessing the internal control structure for purposes of auditing the financial statements, but not for providing an opinion on internal control
 - Assessing the accounting principles, significant estimates made by management and disclosures in the financial statements
- Financial Statement Audit Results
 - Opinion on the financial statements: **Unmodified**
 - No significant deficiencies in internal control were reported

Audit Overview—continued

- Federal and State Compliance Audit Results
 - Report on Federal Compliance Audit:
 - Federal Transit Cluster
 - Report on State Compliance Audit:
 - Texas Clean Fleet Program
 - Texas Volkswagon Environmental Mitigation Program
 - Report on compliance for each major program:
Unmodified—No Findings Reported
 - Report on internal control over compliance and other matters for each major program and the Public Funds Investment Act—**No Findings Reported**

Required Communications

- **Management's Responsibilities**
 - Preparing and fairly presenting the financial statements in accordance with accounting principles generally accepted in the United States of America
 - Establishing and maintaining effective internal controls
 - Adopting and following industry standard accounting policies
 - Identifying and confirming that Capital Metro complies with laws and regulations related to its activities
- **Committee's Responsibilities**
 - Oversight of financial reporting process
 - Setting an appropriate tone for creating a culture of high ethical standards surrounding financial reporting and compliance

Required Communications—continued

- Significant Accounting Policies

- The implementation of GASB 84, *Fiduciary Activities*, requires the presentation and reporting of a statement of fiduciary net position and statement of changes in net position. The implementation of the Statement is the only change from prior year that required significant changes to the report
- The implementation requires Fiduciary fund reporting:
 - Retirement Plan for Administrative Employees
 - Retirement Plan for Bargaining Unit Employees of StarTran, Inc
- There were no accounting policies in controversial or emerging areas where there is a lack of authoritative guidance or consensus

Required Communications—continued

- Significant Accounting Estimates and Disclosures
 - Significant estimates
 - Fair value of investments
 - Estimated useful lives of capital assets, which impacts depreciation expense
 - Pension plan expense and related liabilities


Required Communications—continued

- Significant difficulties encountered during the audit—none
- Uncorrected and corrected misstatements
 - Uncorrected misstatements—none
 - Corrected misstatements—none
- Disagreements with management—none
- Management's consultations with other accountants—none
- Other significant findings or issues—none
- Received standard representation letter from management

Certificate of Achievement for Excellence in Financial Reporting

- The Annual Comprehensive Financial Report (ACFR) is a comprehensive disclosure document that communicates information to an audience including citizens, rating agencies, investors, regulatory bodies, insurance companies, etc.
 - Our responsibility is on our opinion on the financial statements.
 - However, we read the other information in the ACFR to make sure it is not inconsistent with the financial statements.
- Capital Metro submitted the 2021 ACFR to the Government Finance Officers Association (GFOA) for an additional quality review. Capital Metro has received the Certificate of Achievement for Excellence in Financial Reporting in the past and expects to receive the award for the 2021 ACFR.

QUESTIONS AND ANSWERS?



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Comprehensive Annual Financial Report

For the years ended September 30, 2021 and 2020



ANNUAL COMPREHENSIVE FINANCIAL REPORT
For the Fiscal Years Ended September 30, 2021 and 2020



CAPITAL METROPOLITAN TRANSPORTATION AUTHORITY
AUSTIN, TEXAS



Prepared by the Finance Department

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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
Basic Financial Statements	
Statements of Net Position	11
Statements of Revenue, Expenses, and Changes in Net Position.....	13
Statements of Cash Flows	14
Statements of Fiduciary Net Position	16
Statements of Changes in Fiduciary Net Position	17
Notes to Financial Statements	19
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	56
Capital Metropolitan Transportation Authority Retirement Plan for Bargaining Unit of StarTran, Inc. schedule of plan contributions.....	57
Capital Metropolitan Transportation Authority Retirement Plan for Administrative Employees schedules of changes in net pension liability and related ratios	58
Capital Metropolitan Transportation Authority Retirement Plan for Administrative Employees schedule of plan contributions	59
Capital Metropolitan Transportation Authority Other Post-Employment Benefits – Schedule of changes in the total OPEB liability and related ratios	60
Other Supplementary Information – Combining Statements of Pension Trust Funds	
Combining Statements of Fiduciary Net Position.....	62
Combining Statements of Changes in Fiduciary Net Position	63

STATISTICAL SECTION

Condensed Statement of Net Position	67
Changes in Net Position	68
Revenue by Source	69
Sales Tax Revenue	70
Estimated Sales Tax Receipts by City	71
Long-Term Debt	72
Debt - Net Revenue Coverage Ratio.....	73
Demographic and Economic Statistics.....	74
Principal Employers.....	75
Expenses by Object Class.....	76
Operating Statistics	77
Capital Assets.....	80
Total Employees.....	81
Farebox Recovery Percentages and Fare Structure.....	82

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Annual Comprehensive Financial Report

Introductory Section

March 31, 2022

Dear Central Texas Community,

On behalf of the board of directors of Capital Metropolitan Transportation Authority (CapMetro), I am pleased to submit to you the Annual Comprehensive Financial Report for the year ending September 30, 2021.

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 CapMetro 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 CapMetro's financial affairs have been included.

During Fiscal Year 2021, CapMetro dealt with the continuing local effects of the COVID-19 pandemic, focusing on the physical health and safety of both its staff and its customers, as well as the financial wellbeing of the agency. COVID health and safety efforts primarily took the form of promoting and hosting vaccination opportunities for staff members. Amid the fluctuating COVID situation, CapMetro also began work on implementation of Project Connect, our long-term vision to transform regional transit in Central Texas. In addition to a monumental community engagement process, we also formed (with the city of Austin) the Austin Transit Partnership, a local government corporation that will have responsibility for implementing the program.

CapMetro Profile

Even amid the pandemic and the accompanying economic fallout, CapMetro is delivering on its promise to connect people, jobs and communities with quality transportation options. In FY2021, CapMetro provided 16.9 million rides on the agency's buses, trains and vans, a decrease of 26% from the previous year and just more than half of ridership at the end of FY2019.

With a fleet of 425 buses, CapMetro provides MetroBus, MetroRapid and MetroExpress bus routes and shuttle service to the University of Texas at Austin. We also use 49 vehicles to operate the on-demand Pickup service and another 181 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. FY2021 saw reduced service and lower ridership as a result of the pandemic. But the year also brought the opening of CapMetro's new Downtown Station with space for three trains at once. This will greatly enhance the agency's ability to serve rail customers during high-demand events like the annual South By Southwest festival. Coupled with additional improvements along the entire track, the MetroRail Red Line is prepared to reach its full potential.

The agency operates a vanpool program called MetroRideShare, which served 96 groups and 573 participants amid the pandemic at the end of September 2021. That number was only a third of the program's pre-pandemic heights, with so many more people working from home. Even at its reduced number, MetroRideShare replaced what would have been almost 200,000 solo commuting trips and

accounted for more than 7 million metric tons in reduced CO₂ emissions. CapMetro 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, CapMetro moves freight along its own 162-mile railroad line between Llano and Giddings. In FY2021, the freight rail operation shipped cargo on more than 54,975 rail cars, removing 219,900 freight trucks from our roadways.

CapMetro 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. CapMetro provides service to more than 1.3 million residents within a 542-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 CapMetro.

Governance

CapMetro 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 CapMetro'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 CapMetro meets its mission, goals and objectives.

CapMetro 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, MetroBike and paratransit service. CapMetro's service providers during FY2021 were BCycle, MV Transportation, CARTS, Herzog Contracting Corporation and MTM Transit.

Our Workforce

CapMetro helps the local economy by employing and contracting a diverse workforce of approximately 2,100. CapMetro 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.

CapMetro'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.

CapMetro 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 childcare facility.

With the onset of the COVID-19 pandemic in 2020, CapMetro 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. The agency has continued to provide staff with the option to work remotely as the pandemic has ebbed and flowed in risk.

FY2021 saw labor shortages affect CapMetro service and operations. CapMetro adjusted schedules to ensure CapMetro was able to reliably meet service commitments to its customers. CapMetro began negotiations with the service providers and the transit union to develop a more attractive and rewarding compensation package for operators, mechanics and other frontline team members.

Budget Control

By state law, CapMetro'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 CapMetro conducts any business in the new fiscal year. The budget is amended if operating and/or capital expenditures will exceed their budgeted amounts. 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, CapMetro strives for both financial accountability and transparency. CapMetro 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.

CapMetro'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. By the end of FY2021, unemployment numbers in the Austin area had stabilized and the region had added nearly 17,000 more jobs than it had in February 2020. A magnet for corporate relocations for many years, the Austin area has scored big in that department recently, with news of Tesla moving its headquarters to the capital city and Samsung building a manufacturing facility in nearby Taylor.

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 five cities in the nation to live, citing its strength in attractiveness to those looking to move within the U.S., 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, CapMetro has joined with regional partners like the city of Austin and CAMPO on

Project Connect. A multiyear process led to a successful 2020 election that will provide a secure, long-term funding source for Project Connect. It will enable CapMetro and its partners to create a regional public transportation system that will transform Central Texas for generations to come.

The Project Connect vision is being built on the strong foundation of the CapMetro transit system, which experienced ridership increases in 19 of the 20 months prior to the pandemic. Since then, CapMetro continued to provide necessary transit service to essential workers and begun to return to previous levels of service, gaining back ridership at a steady pace.

The agency has also worked with local governments outside CapMetro's 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 Pflugerville, Round Rock and parts of Travis County that are outside of the CapMetro service area.

The 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 11 neighborhood zones throughout the region, including six that were launched in FY2021. One of the new zones was in Pflugerville, initiated through an interlocal agreement between CapMetro and the city of Pflugerville.

There has been an understandable decrease in live events during the pandemic, but the Austin region continues 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 events like the Pecan Street and Moontower Comedy Festivals bring in tourists from around the country and world. In 2021, Major League Soccer's Austin FC played its initial season, bringing another set of major events to the capital city. CapMetro worked closely with the stadium and the club to ensure the agency would be prepared to be a primary transportation option for games, and that collaboration enabled great transit service was available for thousands of fans at the more than 20 games held at Q2 Stadium.

These events provide a significant positive economic impact and increased exposure for Austin on an international stage while providing CapMetro with the opportunity to serve new riders.

Management's Discussion and Analysis

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

GAAP requires 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. CapMetro's MD&A can be found directly following the independent auditor's report.

Certificate of Achievement for Financial Reporting

CapMetro has again received the Certificate of Achievement for Excellence in Financial Reporting for the Fiscal Year 2020 Annual Comprehensive 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 annual comprehensive

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. CapMetro also thanks its board of directors for their continuing support, and to the customers and taxpayers for whom we work.

Respectfully submitted,

E-SIGNED by Randy Clarke
on 2022-03-31 14:30:17 GMT

Randy Clarke
CapMetro President & Chief Executive Officer

E-SIGNED by Catherine Walker
on 2022-03-31 15:25:03 GMT

Catherine Walker
CapMetro EVP, Chief Financial & Risk Officer



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Capital Metropolitan Transportation Authority
Texas**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

September 30, 2020

Christopher P. Morill

Executive Director/CEO

BOARD OF DIRECTORS APPOINTING BODY

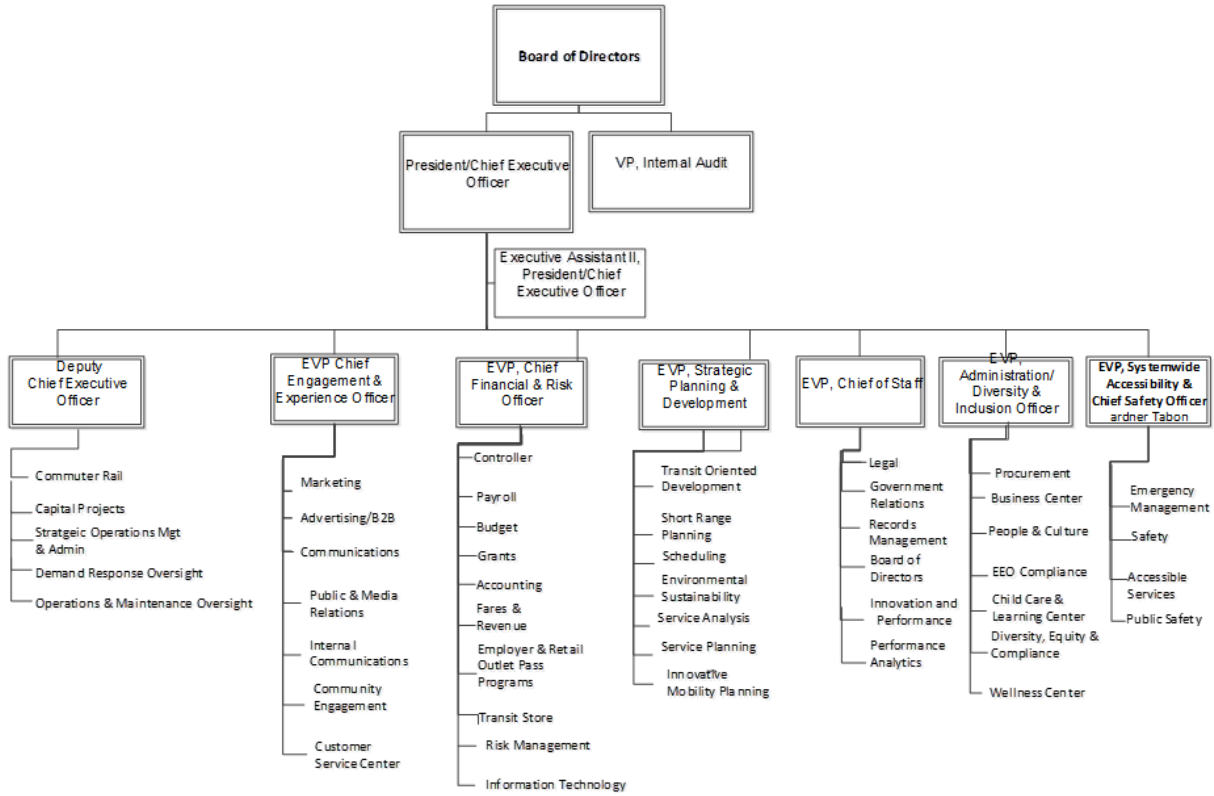
Wade Cooper – Chair	Capital Area Metropolitan Planning Organization
Jeffrey Travillion – Vice Chair	Travis County
Eric Stratton, Secretary	Williamson County
Terry Mitchell	Capital Area Metropolitan Planning Organization
Leslie Pool	City of Austin
Becki Ross	Small Cities
Sabino “Pio” Renteria	City of Austin
Ann Kitchen	Capital Area Metropolitan Planning Organization

ADMINISTRATION

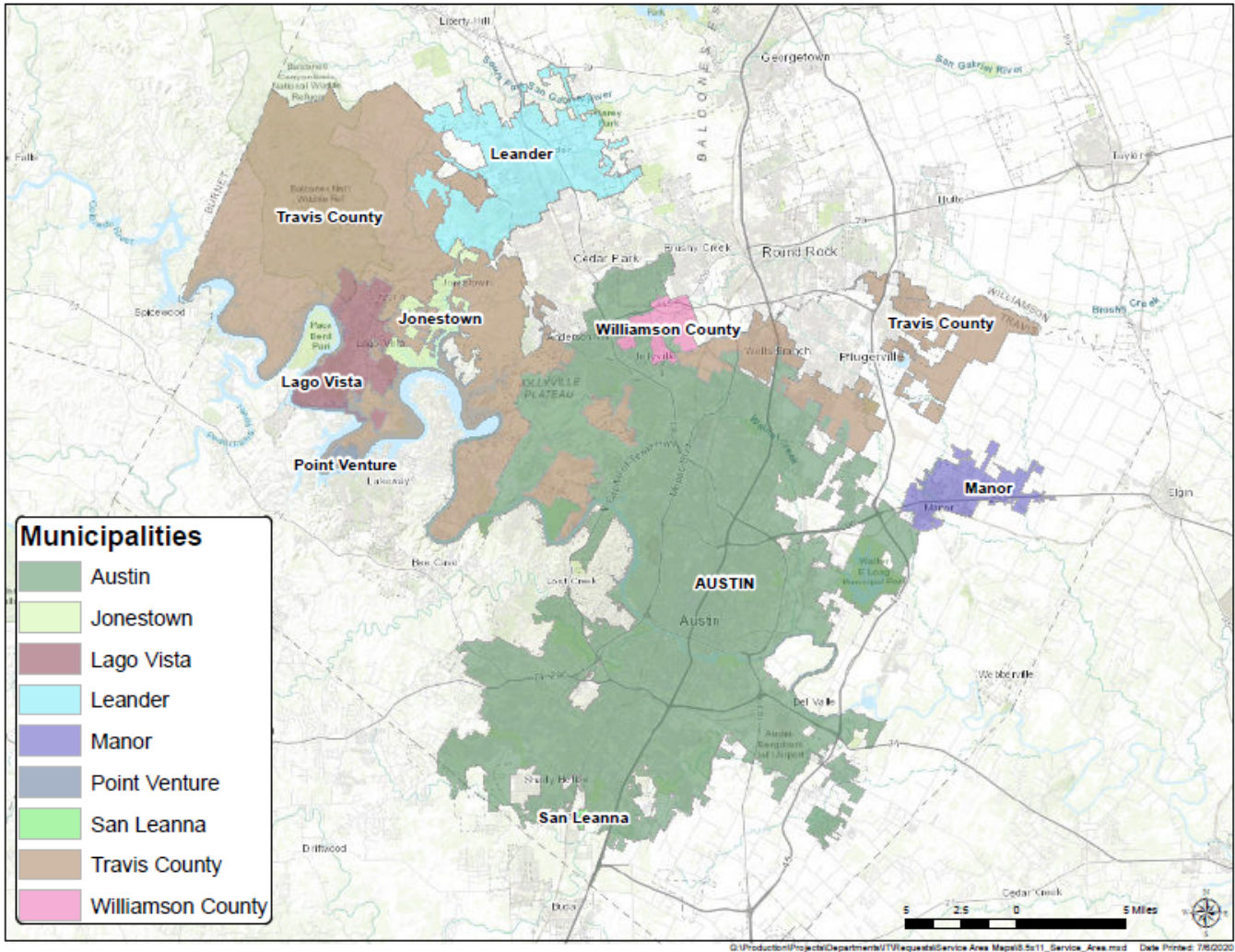
Randy Clarke	President/Chief Executive Officer
Dottie Watkins	Chief Customer Officer, Chief Operating Officer
Catherine Walker	Executive Vice President, Chief Financial & Risk Officer
Sharmila Mukherjee	Executive Vice President, Strategic and Planning Development
Donna Simmons	Executive Vice President, Administration, Diversity and Inclusion Officer
Kerri Butcher	Executive Vice President, Chief of Staff
Gardner Tabon	Executive Vice President, Systemwide Accessibility and Chief Safety Officer
Brian Carter	Executive Vice President, Chief Engagement and Experience Officer

Capital Metropolitan Transportation Authority

Organization Chart



Service Area Map



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Annual Comprehensive Financial Report
Financial Section

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Independent Auditor's Report

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 the business-type activities and the fiduciary fund activities of Capital Metropolitan Transportation Authority (the Authority) as of and for the years ended September 30, 2021 and 2020, 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 did not audit the StarTran Retirement Pension Plan which represents 46% and 48% of the total assets and 50% and 53% of total additions of the fiduciary fund activities for the period ending September 30, 2021 and 2020, respectively. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and, our opinion, insofar as it related to the amounts included in the fiduciary fund activities is based on the reports of the other auditors. 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 opinions.

Opinion

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and fiduciary activities of the Authority as of September 30, 2021 and 2020, and the respective changes in its financial position and cash flows (if applicable) for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1, effective October 1, 2019, the authority adopted Statement No. 84 of the Governmental Accounting Standards Board, *Fiduciary Activities*. The adoption of this pronouncement required the presentation and reporting of a statement of fiduciary net position and statement of changes in fiduciary net position. The impact to the financial statements, as a result of the adoption of the pronouncement, is disclosed on Note 1. Our opinions are not modified with respect to this matter

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 combining statement of pension trust funds and 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.

The combining statements of pension trust funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the reports of the other auditors, the combining statements of pension trust funds are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have 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 31, 2022

This section of the financial statements of the Capital Metropolitan Transportation Authority (CapMetro, or the Authority) offers a narrative overview and analysis of the financial activities for fiscal years ended September 30, 2021 and 2020. The information contained within the Management Discussion and Analysis (MD&A) should be considered only part of a greater whole. The reader 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 \$731.6 million as of September 30, 2021, decreased 0.5% from \$735.6 million as of September 30, 2020. Net position was \$735.6 million as of September 30, 2020, increased 18.3% from \$621.8 million as of September 30, 2019 (Table A-1).
- Sales tax revenue was \$301.4 million, \$262.4 million and \$261.5 million in FY2021, FY2020 and FY2019, respectively. Transportation fares decreased to \$7.0 million in FY2021 from \$9.9 million in FY2020, a decrease of 29.4%. Transportation fares decreased to \$9.9 million in FY2020 from \$15.2 million in FY2019, a decrease of 34.5%. Rail freight revenue decreased to \$5.8 million in FY2021 from \$6.5 million in FY2020 and decrease of 13.7%. Rail freight revenue increased to \$6.5 million in FY2020 from \$5.1 million in FY2019, an increase of 27.3% (Table A-2).
- Operating expenses (including depreciation) were \$304.0 million for FY2021 compared to \$303.5 million for FY2020, an increase of 0.1% (Table A-3).
- Expenses of approximately \$1.9 million in FY2021 and \$3.5 million in FY2020 were made for capital contributions-other jurisdictions. Expenses of \$18.2 million in FY 2021 and \$4.5 million were made for mobility projects (Table A-4).
- Expenses were made for preliminary costs for long term mobility planning project also known as Project Connect for FY2019, FY2020 and FY2021 in the amounts of \$3.9 million, \$6.7 million and \$66.8 million, respectively (Table A-4).
- Capital assets (net of depreciation) decreased by \$21.5 million to \$486.6 million as of September 30, 2021 from \$508.1 million as of September 30, 2020 (Table A-5).

Overview of the Financial Statements

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

The Statements of Net Position reports CapMetro'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 CapMetro'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 77.8% of all revenues in FY2021, and 60.7% of all revenues in FY2020, 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 CapMetro. Non-operating expenses include funding for regional mobility projects and includes contributions to Project

Connect in the amount of \$66.7 million in accordance with Interlocal Agreement with Austin Transit Partnership.

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 CapMetro'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 (GAAP).

The Statements of Fiduciary Net Position and Statements of Changes in Fiduciary Net Position report the combined assets and liabilities and plan activity associated with the Capital Metro Retirement Plan for Administrative Employees and the Retirement Plan for Bargaining Unit Employees of StarTran, Inc. (collectively the Plans). The Plans are reported using the economic resources measurement focus and are prepared on the accrual basis of accounting in conformity with GAAP. Contributions and income are recorded when earned and benefits and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flow. The Pension Plans apply all applicable Governmental Accounting Standards Board (GASB) pronouncements.

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 CapMetro decreased \$4.0 million, from \$735.6 million in FY2020 to \$731.6 million in FY2021, primarily due to an increase of \$39.0 million in sales and use tax receipts, offset by increases in mobility program expenses of \$60.1 million due to contributions made as part of the Interlocal Agreement with Austin Transit Partnership for Project Connect.

The total net position of CapMetro 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.

Total assets and deferred outflows remained relatively the same in FY2021 at \$867.1 million compared to \$867.8 million in FY2020. Total current period capital asset additions are \$29.2 in project costs. The capital asset additions are offset by depreciation expense of \$50.6 million for a net decrease in capital assets of \$21.5 million. The decrease in capital assets is offset by an increase of \$27.7 million in current assets. 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 liabilities and deferred inflows increased from \$132.2 million in FY2020 to \$135.5 million in FY2021 primarily due to an increase of \$6.8 million in deferred inflows-pension and an increase of \$4.8 million in deferred inflow-fuel hedge which were offset by decrease of approximately \$3.1 million in accounts payables and accrued liabilities and a decrease of \$7.1 million in the net pension liability. The increase in deferred inflows are deferred gains of approximately \$6.8 million due to actual return on pension assets compared to the actuarial expected returns for the Capital Metro sponsored pension plans. An additional

deferred gain of \$4.8 million is reported in FY2021 for the outstanding fuel contracts under Capital Metro's Energy Price Risk Management Program which seeks to decrease the volatility of diesel fuel cost.

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.

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 CapMetro's Net Position
(in millions of dollars)

	FY 2021	FY 2020	FY 2019
Current assets	\$ 320.9	\$ 293.2	\$ 189.9
Capital assets, net	486.6	508.1	460.5
Other noncurrent assets	46.8	49.3	86.0
Total assets	<u>\$ 854.3</u>	<u>\$ 850.6</u>	<u>\$ 736.4</u>
Deferred outflow of resources	<u>\$ 12.8</u>	<u>\$ 17.3</u>	<u>\$ 14.3</u>
Current liabilities	\$ 66.7	\$ 68.7	\$ 59.2
Long-term liabilities	52.1	58.4	67.6
Total liabilities	<u>\$ 118.8</u>	<u>\$ 127.1</u>	<u>\$ 126.8</u>
Deferred inflows of resources	<u>\$ 16.7</u>	<u>\$ 5.2</u>	<u>\$ 2.2</u>
Net position			
Net investment in capital assets	\$ 486.6	\$ 503.9	\$ 455.7
Unrestricted	245.0	231.7	166.1
Total net position	<u>\$ 731.6</u>	<u>\$ 735.6</u>	<u>\$ 621.8</u>

Certain unrestricted assets are designated through the Authority's board of directors' directive for specific uses. As of September 30, 2021, the CapMetro Board has designations of \$43.1 million for a statutory operating reserve, \$21.5 million for a budget stabilization reserve, and \$1.1 million for self-insurance. The reserves as of September 30, 2020 were \$40.1 million for statutory operating, \$20.5 million for budget stabilization, and \$1.3 million for self-insurance.

Commitments

Capital Metro has a capital spending plan for projects for upcoming and future years. CapMetro's contractual commitments related to its capital improvement plan are \$21.5 million and \$56.1 million as of September 30, 2021 and 2020, respectively. CapMetro has also executed contracts with various goods and services providers totaling \$524.5 million extending to August 2029. CapMetro 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 FY2021 was a decrease of \$4.0 million or 0.2% of total beginning net position due to a decrease in non-operating revenue in addition to an increase in non-operating expenses as noted below. The change in net position for FY2020 was an increase of \$113.8 million or 18.3% of total beginning net position.

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

	FY 2021	FY 2020	FY 2019
Operating revenue:			
Transportation fares	\$ 7.0	\$ 10.0	\$ 15.2
Contract fare revenue	7.4	6.5	9.1
Rail—freight	5.8	6.5	5.1
Total operating revenue	<u>20.2</u>	<u>23.0</u>	<u>29.4</u>
Operating expenses:			
Purchased transportation	152.6	165.2	158.8
Depreciation and amortization	50.5	45.2	46.5
Salary and wages	27.2	25.9	23.9
Professional services	29.7	23.5	18.4
Employee benefits	20.3	20.5	21.3
Materials and supplies - fuel and fluid	10.9	12.6	13.4
Leases and other	5.7	5.6	4.8
Utilities	3.4	3.1	3.0
Casualty and liability	2.7	0.4	0.6
Materials and supplies - other	1.0	1.6	1.5
Total operating expenses	<u>304.0</u>	<u>303.5</u>	<u>292.2</u>
Operating loss	<u>(283.8)</u>	<u>(280.5)</u>	<u>(262.8)</u>
Non-operating revenue (expenses):			
Sales and use tax revenue	301.4	262.4	261.5
Investment income	0.4	4.4	5.7
Other income, net	3.5	3.9	2.2
Other federal grants	48.5	117.1	40.8
Long-term mobility planning	(66.8)	(6.7)	(3.9)
Build Central Texas Program	(0.2)	(0.1)	(0.6)
Mobility programs and capital contributions-other jurisdictions	(20.1)	(8.0)	(7.5)
Total non-operating revenue (expenses)	<u>266.7</u>	<u>373.0</u>	<u>298.2</u>
Income before contributions	(17.2)	92.4	35.4
Capital contributions	<u>13.2</u>	<u>21.4</u>	<u>19.2</u>
Change in net position	(4.0)	113.8	54.6
Total net position, beginning of the year	<u>735.6</u>	<u>621.8</u>	<u>567.2</u>
Total net position, end of the year	<u>\$ 731.6</u>	<u>\$ 735.6</u>	<u>\$ 621.8</u>

Operating Revenue

FY2021 operating revenue decreased by 12.2% to \$20.2 million. FY2020 operating revenue decreased 21.9% to \$23.0 million from \$29.4 million in FY 2019. The decrease in operating revenue is due to service level cutbacks, a decreased ridership beginning in March 2020 as well as the suspension of fares as a result of the COVID-19 pandemic.

Operating Expenses

FY2021 operating expenses decreased 0.6% to \$304.0 million from \$303.5 million in FY2020, primarily due to the ongoing COVID-19 pandemic which attributed to a decrease in purchased transportation expenses offset by an increase in professional services and depreciation expense. 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.

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

	FY 2021	FY 2020	FY 2019
Purchased transportation	\$ 152.6	\$ 165.2	\$ 158.8
Depreciation and amortization	50.5	45.2	46.5
Salary and wages	27.2	25.9	23.9
Professional services	29.7	23.5	18.4
Employee benefits	20.3	20.5	21.3
Materials and supplies - fuel and fluid	10.9	12.6	13.4
Leases and other	5.7	5.6	4.8
Utilities	3.4	3.1	3.0
Casualty and liability	2.7	0.4	0.7
Materials and supplies - other	1.0	1.6	1.5
Total operating expenses	\$ 304.0	\$ 303.5	\$ 292.3

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

	FY 2021	FY 2020	FY 2019
Sales and use tax	\$ 301.4	\$ 262.4	\$ 261.5
Other federal grants	48.5	117.1	40.8
Other income, net	3.5	3.9	2.2
Investment income	0.4	4.4	5.7
Long-term mobility planning	(66.8)	(6.7)	(3.9)
Build Central Texas Program	(0.2)	(0.1)	(0.6)
Mobility interlocal agreements	(18.2)	(4.5)	(0.4)
Capital contributions - other jurisdictions	(1.9)	(3.5)	(7.1)
Total net non-operating revenue	<u>\$ 266.7</u>	<u>\$ 373.0</u>	<u>\$ 298.2</u>

Non-Operating Revenue and Expenses

Non-operating revenue consists of a 1% sales tax levied in CapMetro'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 CapMetro's revenue. For FY2021 sales tax revenue of \$301.4 million increased by \$39.0 million or 14.9% from FY2020 sales tax amount of \$262.4 million, due to a continued robust economy in the Austin area. FY2020 and FY2019 sales tax revenue was comparable at \$262.4 million and \$261.5 million respectively as receipts significantly decreased from March through August 2020 due to the COVID-19 pandemic.

In FY2021, investment income was \$0.4 million net of unrealized loss of approximately \$0.84 million, earned on CapMetro's cash, cash equivalent and investment balance of \$229.2 million. Investment income of \$4.4 million for FY2020 net of unrealized gain of approximately \$0.7 million was earned on CapMetro's cash, cash equivalent and investment balance of \$282.9 million. CapMetro's portfolio balance is less in 2021 compared to 2020 due to the contribution to ATP of \$66.7 million. The decrease in investment income is the result of a decrease in the investment portfolio balance combined with lower market rates received from TexasDAILY and TexasTERM in 2021 compared to 2020. CapMetro investments in TexasDAILY and TexasTERM are overnight investment, and the balances make up the largest portion of the portfolio with a smaller portion invested in U.S. Government issues and Commercial Paper for both 2021 and 2020.

CapMetro 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.

Grants and Capital Contributions

Total federal and state grant revenue and capital contributions in FY2021 was \$56.8 million which is \$80.9 million less than the \$138.5 million received in FY2020 but almost the same amount as grant revenue collected in FY2019. In FY2021, CapMetro received \$4.9 million in local contributions from ATP. The significant variance in FY2020 is due to the \$102 million in supplemental federal funds received from the CARES act to help offset revenue losses and added safety and operations costs due to the coronavirus pandemic. Grants used for CapMetro's capital improvement program totaled \$21.5 million in FY2020 and \$8.4 million in FY2021. During FY2020, these funds were used primarily for the statutorily mandated

implementation of positive train control (PTC) and the completion of construction of the Downtown Station. In FY2021 capital grants were used for continuing PTC implementation costs as well as bus replacements.

Capital Assets

Capital assets consist of buildings and improvements, railroad, buses and equipment, passenger parking stations, leasehold improvements, land, and construction in progress. CapMetro's net capital assets decreased \$21.5 million from \$508.1 million in FY2020 to \$486.6 million in FY2021, primarily due to the construction additions offset by depreciation expense plus additions to the bus fleet, equipment and the railroad capital asset category. FY2021 net capital assets represent a decrease of 4.2% from FY2020. For more detailed information on capital assets, see Note 11 to the financial statements.

Table A-5
CapMetro's Capital Assets Information
(in millions of dollars)

	FY 2021	FY 2020	FY 2019
Building and improvements	\$ 96.3	\$ 110.2	\$ 105.7
Leasehold improvement	0.4	0.3	-
Railroad	197.4	178.5	167.8
Buses and equipment	440.5	409.9	364.2
Passenger parking and stations	113.3	105.4	97.1
	<u>847.9</u>	<u>804.3</u>	<u>734.8</u>
Less accumulated depreciation	<u>(471.0)</u>	<u>(442.3)</u>	<u>(408.0)</u>
Net depreciable property/improvements	376.9	362.0	326.8
Land and improvements	71.5	75.3	69.9
Projects in progress	38.2	70.8	63.8
Capital assets, net	<u>\$ 486.6</u>	<u>\$ 508.1</u>	<u>\$ 460.5</u>

Economic Factors and Outlook for FY2021

CapMetro's adopted FY2022 budget totaled \$658.2 million in revenue, \$318.6 million in operating expenses, \$303.8 million for new capital expenditures, \$23.4 million for contribution to the Austin Transit Partnership and \$4.1 million for Regional Mobility programs. FY2022 sales tax revenue is budgeted at an 18.1% increase from the FY2021 budget due to the reopening after COVID-19 vaccine availability in the Austin region. FY2022 budgeted operating expenses are projected to increase 14.5% from the FY2021 budget. Management anticipates that its existing resources will be adequate to satisfy its liquidity requirements for FY2022.

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 CapMetro'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 nadia.nahvi@capmetro.org.

Capital Metropolitan Transportation Authority
Statements of Net Position
September 30, 2021 and 2020

	2021	2020
Assets		
Current assets:		
Cash and cash equivalents	\$ 160,738,095	\$ 216,803,427
Investments	21,634,583	16,762,866
Due from federal governments	23,612,613	5,395,907
Fuel hedge asset	2,125,559	1,326,270
Materials and supplies inventory, net	3,345,375	2,806,370
Prepaid transit expense and other	2,972,674	1,905,315
Intergovernmental receivables-Project Connect	46,252,317	-
Other receivables	2,627,103	4,465,521
Sales and use taxes receivable	57,583,273	43,750,887
Total current assets	320,891,592	293,216,563
Non-current assets:		
Investments – designated for system expansion	46,836,740	49,288,061
Capital assets:		
Land and improvements	71,535,284	75,328,693
Depreciable capital assets, net of depreciation	376,845,621	361,988,694
Projects in process	38,216,729	70,779,761
Total non-current assets	533,434,374	557,385,209
Total assets	854,325,966	850,601,772
Deferred outflow of resources – OPEB	131,592	142,351
Deferred outflow of resources – pension plan	12,671,767	13,151,579
Deferred outflow of resources – fuel hedge	-	4,077,659
Total deferred outflows of resources	12,803,359	17,371,589
Total assets and deferred outflows of resources	\$ 867,129,325	\$ 867,973,361

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Capital Metropolitan Transportation Authority
Statement of Net Position
September 30, 2021 and 2020
(continued)

	2021	2020
Liabilities		
Current liabilities:		
Accounts payable	\$ 32,687,467	\$ 29,198,529
Accrued expenses	29,253,709	31,726,351
Benefits payable	478,217	503,188
Accrued salary and wages	1,261,074	830,778
Accrued sick and vacation	3,034,380	2,277,845
Retainage	49,949	4,200,019
Total current liabilities	66,764,796	68,736,710
Long-term liabilities:		
Accrued sick and vacation	2,539,736	2,157,691
Other post employment liability	3,439,936	3,119,109
Other rent liability	581,423	549,273
Pension liability	45,492,983	52,584,419
Total long-term liabilities	52,054,078	58,410,492
Total liabilities	118,818,874	127,147,202
Deferred inflow of resources – OPEB	1,028,703	1,097,213
Deferred inflow of resources – fuel hedge	4,785,325	-
Deferred inflow of resources – pension plan	10,882,406	4,116,308
Total deferred inflows of resources	16,696,434	5,213,521
Total liabilities and deferred inflow of resources	135,515,308	132,360,723
Net position:		
Net investment in capital assets	486,547,685	503,897,131
Unrestricted	245,066,332	231,715,507
Total net position	\$ 731,614,017	\$ 735,612,638

See notes to the financial statements.

Capital Metropolitan Transportation Authority
Statements of Revenues, Expenses, and Changes in Net Position
For the Year Ended September 30, 2021 and 2020

	2021	2020
Operating revenue:		
Transportation fares	\$ 7,019,405	\$ 9,948,339
Contract revenue	7,375,983	6,519,695
Rail – freight	5,757,035	6,486,192
Total operating revenue	20,152,423	22,954,226
Operating expenses:		
Purchased transportation	152,615,784	165,234,291
Depreciation and amortization	50,552,475	45,204,201
Salary and wages	27,254,302	25,873,265
Professional services	29,696,493	23,521,469
Employee benefits	20,331,991	20,502,948
Materials and supplies – fuel and fluid	10,882,714	12,550,862
Leases and other	5,662,001	5,561,594
Utilities	3,378,981	3,131,335
Casualty and liability	2,663,563	386,174
Materials and supplies – other	989,157	1,550,070
Total operating expenses	304,027,461	303,516,209
Operating loss	(283,875,038)	(280,561,983)
Non-operating revenue (expenses):		
Sales and use tax revenue	301,419,604	262,434,630
Other federal grants	48,474,464	117,090,152
Other income, net	3,483,709	3,899,394
Investment income	373,750	4,440,688
Long-term mobility planning	(66,749,749)	(6,699,699)
Build Central Texas Program	(243,000)	(148,510)
Capital contributions – other jurisdictions	(18,229,137)	(4,497,317)
Mobility interlocal agreements	(1,860,141)	(3,508,715)
Total non-operating revenue (expenses)	266,669,500	373,010,623
(Decrease) Increase in net position before capital contributions	(17,205,538)	92,448,640
Federal grants and other capital contributions	13,206,917	21,398,445
Change in net position	(3,998,621)	113,847,085
Net position at the beginning of year	735,612,638	621,765,553
Net position at the end of year	\$ 731,614,017	\$ 735,612,638

See notes to the financial statements.

Capital Metropolitan Transportation Authority
Statements of Cash Flows
For the Year Ended September 30, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Receipts from customers	\$ 21,991,364	\$ 22,954,226
Payments to employees	(30,422,607)	(28,331,927)
Payments to purchased transportation service providers	(153,911,909)	(155,380,976)
Payments to suppliers of goods and services	(72,038,140)	(63,432,609)
Net cash used in operating activities	(234,381,292)	(224,191,286)
Cash flows from non-capital financing activities:		
Sales and use tax	287,587,218	263,087,504
Cash/proceeds received from operating grants	30,257,758	118,956,616
Cash/proceeds received from other revenue	3,551,471	3,899,394
Payments to other jurisdictions	(18,229,137)	(4,497,317)
Intergovernmental Receivable-Project Connect	(33,892,865)	-
Payments for Long-term Mobility Planning	(66,749,749)	(6,699,699)
Payments for Build Central Texas Program	(243,000)	(148,510)
Payments for mobility projects	(1,860,141)	(3,508,715)
Net cash provided by non-capital financing activities	200,421,555	371,089,273
Cash flows from capital and related financing activities:		
Proceeds from capital grants and other capital contributions	13,206,917	8,044,430
Purchase of capital assets	(33,359,613)	(98,116,224)
Proceeds from sale of capital assets	93,749	158,342
Net cash used in capital and related financing activities	(20,058,947)	(89,913,452)
Cash flows from investing activities:		
Purchase of investments	(23,189,207)	(4,208,760)
Sale of investments	19,872,724	38,524,400
Net investment income	1,269,835	4,440,688
Net cash (used in)/ provided by investing activities	(2,046,648)	38,756,328
Net change in cash and cash equivalents	(56,065,332)	95,740,864
Cash and cash equivalents at beginning of year	216,803,427	121,062,563
Cash and cash equivalents at the end of the year	\$ 160,738,095	\$ 216,803,427
Cash and cash equivalents at the end of the year:		
Restricted	\$ -	\$ -
Unrestricted	160,738,095	216,803,427
	\$ 160,738,095	\$ 216,803,427

See notes to the financial statements.

Capital Metropolitan Transportation Authority
Statement of Cash Flows
For the Year Ended September 30, 2021 and 2020
(Continued)

	<u>2021</u>	<u>2020</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (283,875,038)	\$ (280,561,983)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	50,552,475	45,204,201
Changes in assets and liabilities:		
Other receivables	1,838,419	(1,653,751)
Materials and supply inventory, net	(539,006)	(194,266)
Fuel hedge asset	(799,289)	12,212
Other assets	(1,067,358)	2,557,810
Accounts payable	(3,861,866)	5,395,905
Accrued liability and expenses	(5,937,385)	6,341,355
Other liabilities	27,364	(403,000)
Deferred outflows – pension	479,813	355,165
Deferred inflows – pension	6,766,098	3,023,963
Deferred inflows – OPEB	(57,894)	(41,398)
Net pension liability	(7,091,436)	(1,173,042)
Total OPEB liability	320,827	242,703
Deferred outflows/inflows fuel hedge	8,862,984	(3,297,160)
Net cash used in operating activities	<u><u>\$ (234,381,292)</u></u>	<u><u>\$ (224,191,286)</u></u>
Supplemental cash flow information:		
Capital asset acquisition included in accounts payable, accrued expenses and retainage	<u><u>\$ 13,136,158</u></u>	<u><u>\$ 4,926,775</u></u>

See notes to the financial statements.

Capital Metropolitan Transportation Authority
Statements of Fiduciary Net Position
As of December 31

	Pension Trust Funds 2021	Pension Trust Funds 2020
Assets		
Cash	\$ 162,098	\$ 132,584
Receivables:		
Accrued interest and other dividends	55,774	44,280
Investment trades pending receivable	-	95,720
Total receivables	<u>55,774</u>	<u>140,000</u>
Investments:		
Corporate bonds and other	5,546,919	4,585,861
Government securities	3,779,929	4,247,233
Common stock	3,732,368	5,253,217
Grouped fixed annuity	3,451,276	2,788,429
Mutual funds	67,846,495	55,721,760
Money market funds	392,899	338,665
Total investments	<u>84,749,886</u>	<u>72,935,165</u>
Total assets	84,967,758	73,207,749
Liabilities		
Accounts payable	31,602	44,127
Investment trades pending payable	<u>16,535</u>	<u>62,815</u>
Total liabilities	<u>48,137</u>	<u>106,942</u>
Net Position		
Restricted for pensions	<u>\$ 84,919,621</u>	<u>\$ 73,100,807</u>

See notes to the financial statements.

Capital Metropolitan Transportation Authority
Statements of Changes in Fiduciary Net Position
For the Years Ended December 31

	Pension Trust Funds 2021	Pension Trust Funds 2020
Additions		
Contributions:		
Employer	\$ 7,261,226	\$ 7,046,373
Total contributions	<u>7,261,226</u>	<u>7,046,373</u>
Investment earnings:		
Interest and dividend income	2,021,754	2,264,643
Net appreciation in fair value of investments	9,378,744	10,592,222
Total investment earnings	<u>11,400,498</u>	<u>12,856,865</u>
Investment expenses:		
Investment expenses	169,982	162,438
Net investment earnings	<u>11,230,516</u>	<u>12,694,427</u>
Total additions	<u>18,491,742</u>	<u>19,740,800</u>
Deductions		
Benefit payments	6,377,283	6,027,736
Administrative expenses	295,645	277,760
Total deductions	<u>6,672,928</u>	<u>6,305,496</u>
Net increase in fiduciary net position	11,818,814	13,435,304
Net position – beginning	<u>73,100,807</u>	<u>59,665,503</u>
Net position – ending	<u><u>\$ 84,919,621</u></u>	<u><u>\$ 73,100,807</u></u>

See notes to the financial statements.

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1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

CapMetro is governed by an eight-member Board of Directors (the Board) which has governance responsibilities over all activities related to CapMetro. 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.

CapMetro 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 (GAAP), these financial statements presented CapMetro (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 CapMetro, StarTran was reported as if it were part of CapMetro because it was incorporated for the purpose of providing employee services to operate mass transit service on behalf of CapMetro. Pursuant to the contract effective January 1, 1992, between CapMetro and StarTran, CapMetro 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, CapMetro implemented a new business model to streamline operations and improve its business practices. CapMetro now contracts with private companies to operate passenger service, including fixed route and paratransit services. StarTran is inactive but remains a blended component unit.

The fiduciary financial statements include two fiduciary funds related to the CapMetro Retirement Plan for Administrative Employees and the Retirement Plan for Bargaining Unit Employees of StarTran, Inc. (collectively, the Plans). The financial results of the Plans are reported on a calendar year basis and included in the Statements of Fiduciary Net Position and Statements of Changes in Fiduciary Net Position. The Plans are also separately audited. Additional disclosures in accordance with GASB Statement No. 68, (*Accounting and Financial Reporting for Pensions – Amendment of GASB Statement No. 27*), are presented for the Retirement Plans in Note 10 – Defined Benefit Retirement Plans and in Required Supplementary Information (RSI).

Basis of Accounting – The financial statements of Capital Metro have been prepared in conformity with GAAP as applied to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting standards. CapMetro 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.

Restricted consists of net position that is legally restricted by outside parties or by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, generally it is the Authority's policy to use restricted resources first, and then unrestricted resources when they are needed.

Unrestricted resources consist of net position that does not meet the definition of "restricted" or "net investment in capital 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. CapMetro'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. CapMetro 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 CapMetro 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 CapMetro 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. The Austin Transit Partnership (ATP), a component unit of the City of Austin (the City), is the designated agency for the implementation and funding of the Project Connect program. The 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 and long-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 CapMetro'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 transit service is provided.

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 80.6% of revenues in FY2021 and 63.9% in FY2020.

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 – CapMetro 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 or upon disposal.

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 CapMetro 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 CapMetro 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). CapMetro is authorized to invest in obligations and instruments as defined in the Act. All investments held by CapMetro 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, 2021 and 2020, management determined net accounts receivable to be fully collectible.

Intergovernmental Receivable – CapMetro executed various interlocal agreements for the sole purpose of supporting the Project Connect program. As part of the interlocal agreements, CapMetro provides administrative support and professional services including support functions in connection with the operation, implementation and maintenance of the assets funded by ATP and to perform certain other project-related services.

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.

Expenses 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 CapMetro 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 \$3.8 million and \$2.9 million as of September 30, 2021 and 2020 respectively. Earned and vested sick leave for CapMetro 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, 2021 and 2020 in the amount of \$1.7 million and \$1.6 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 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 CapMetro that is applicable to a future reporting period and, therefore, will not be recognized as a revenue or expense until then. CapMetro has deferred outflows which consist of deferred charge for pension for contributions made subsequent to the measurement date of December 31, 2020, 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 – CapMetro 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 FY2021 and 2020, CapMetro was covered under a variety of insurance policies at a cost it considers to be economically justifiable.

CapMetro 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.

CapMetro is self-insured up to \$25,000 per occurrence for losses related to workers' compensation. (See Note 13) CapMetro 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 GAAP 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.

Reclassifications – Certain amounts in the prior year's financial statements have been reclassified to conform to the current-year presentation

Current Year GASB Implementation

GASB Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments for accounting and financial reporting purposes and how those activities should be reported. Evaluation of Capital Metro's fiduciary activities resulted in the identification of the Plans meeting the criteria to be reported under this guidance. Implementation of GASB Statement No. 84 resulted in the addition of the Statements of Fiduciary Net Position and Statements of Changes in Fiduciary Net Position as part of the basic financial statements. The additional statements present the combined activity of the separately audited Plans.

Upcoming GASB Pronouncements

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. This Statement is effective for the Authority beginning with its year ending September 30, 2022. Management has not yet determined the impact, if any, the pronouncement will have on the financial statements.

2 – CASH AND CASH EQUIVALENT DEPOSITS AND INVESTMENTS

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

	2021	2020
	Carrying Amount	Carrying Amount
TexasDAILY and TexasTERM (investment pool)	\$ 160,309,622	\$ 218,465,618
Concentration account and other deposits	1,028,635	692,835
Less: Outstanding reconciling items	(600,162)	(2,355,026)
Total cash and cash equivalents	<u>\$ 160,738,095</u>	<u>\$ 216,803,427</u>
Restricted cash for system expansion and acquisition	\$ -	\$ -
Unrestricted cash	160,738,095	216,803,427
Total cash and cash equivalents	<u>\$ 160,738,095</u>	<u>\$ 216,803,427</u>

Investments – The Public Funds Investment Act authorizes CapMetro 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. CapMetro deposits and investments are invested pursuant to the Investment Policy, which is approved annually by the Board. 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.

CapMetro 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 its 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 365 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.

CapMetro participates in one Local Government Investment Pool.

TexasTERM Local Government Investment Pool – The TexasTERM Local Government Investment Pool (the Pool) was established by its Advisory Board pursuant to provisions of its Common Investment Contract and organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The Advisory Board composed of participant and non-participant members, has oversight responsibility and reviews the investment policy and management fee structure of all investment options provided by the Pool. In September 2021, TexasTERM was rebranded as the Texas Range Investment Pool (Texas Range). Texas Range offers two investment options which CapMetro has historically used to invest funds: TexasDAILY and TexasTERM.

TexasDAILY follows the guidelines established under GASB Statement No. 79 (*Certain External Investment Pools and Pool Participants*) so that it is able to measure and reports its investments at amortized cost. As such, the Authority carries its investment in TexasDAILY using net asset value (NAV) as a practical expedient of fair value based on amortized cost as provided by GASB Statement No. 72 (*Fair Value Measurement and Application*). 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. TexasDAILY is rated AAmmf by Fitch Ratings. For the year ended September 30, 2021 and 2020 the Authority's investment in TexasDAILY was \$125,309,622 and \$212,165,618, respectively.

TexasTERM is a fixed-rate, fixed-term portfolio, rated AAAf by Fitch Ratings. Texas Term are short term investments in nonparticipating interest earning investment contracts which are stated NAV based on amortized cost. CapMetro reports investment in TexasTERM at their original cost until their maturity date. All of Capital Metro's investment in TexasTERM mature in one year or less and all portfolio investments made by TexasTERM are for periods of one year or less. Capital Metro's investment in TexasTERM was \$35,000,000 for 2021 and \$6,300,000 for 2020.

The Authority has all of its fixed income securities held in custody by U.S. Bank and include U.S. Treasury Notes, Federal Agency Notes, and commercial paper. As of September 30, 2021, Capital Metro's investment was \$36,759,536 in U.S. Treasury Notes, \$13,278,557 in Federal Agency Notes, and \$18,433,230 in 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.

Deposit Risk – Deposit risk is the risk that, in the event of a bank failure, Capital Metro's deposits might not be recovered. CapMetro follows all requirements of Collateral for Public Funds Act, Chapter 2257 of the Texas Government Code and therefore 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. Capital Metro has engaged U.S. Bank to hold all fixed income securities in custody in the name of the Authority.

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.

At September 30, 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 2021					
	Less Than 180 Days	From 181 Days to 360 Days	From 1 to 3 years	Greater Than 3 years	Total
Investments:					
Commercial paper	\$ 6,946,437	\$ 11,486,793	\$ -	\$ -	\$ 18,433,230
Federal agency notes	7,929,211	3,692,992	1,656,354	-	13,278,557
U.S. Treasury notes	6,656,500	7,219,121	22,883,915	-	36,759,536
Total investments	<u>\$ 21,532,148</u>	<u>\$ 22,398,906</u>	<u>\$ 24,540,269</u>	<u>\$ -</u>	<u>\$ 68,471,323</u>
Investment Maturities in 2020					
	Less Than 180 Days	From 181 Days to 360 Days	From 1 to 3 years	Greater Than 3 years	Total
Investments:					
Commercial paper	\$ 4,149,648	\$ -	\$ -	\$ -	\$ 4,149,648
Federal agency notes	2,305,175	-	13,516,561	-	15,821,736
U.S. Treasury notes	5,090,069	17,033,025	23,956,449	-	46,079,543
Total investments	<u>\$ 11,544,892</u>	<u>\$ 17,033,025</u>	<u>\$ 37,473,010</u>	<u>\$ -</u>	<u>\$ 66,050,927</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, the Authority's exposure to credit risk by investment category as rated by Standard & Poor's and Fitch Ratings is as follows:

	2021		2020	
	Carrying Value	Rating	Carrying Value	Rating
Cash and cash equivalents:				
TexasDAILY	\$ 125,309,622	AAAmf	\$ 212,165,618	AAAm
TexasTERM	35,000,000	AAAf	6,300,000	AAAm
Outstanding deposits and reconciling item	428,473		(1,662,191)	
	<u>\$ 160,738,095</u>		<u>\$ 216,803,427</u>	
Investments:				
Commercial paper	\$ 14,686,133	A-1	\$ 4,149,648	A-1
Commercial paper	3,747,097	A-1+	-	A-1+
Federal agency notes	13,278,557	AA+	15,821,736	Aaa
U.S. Treasury notes	36,759,536	AA+	46,079,543	Aaa
Total investments	<u>\$ 68,471,323</u>		<u>\$ 66,050,927</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, 2021, the Authority's investment in Federal National Mortgage Association and Federal Home Loan Mortgage Corporation are 7.1% and 9.5%, respectively of the Authority's total investment. As of September 30, 2020, the Authority's investment in Federal National Mortgage Association and Federal Home Loan Mortgage Corporation were 11.1% and 11.4%, respectively of the Authority's total investment.

Fair Value – The Authority categorizes its fair value measurement disclosure in accordance with GASB Statement No. 72, 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.

TexasDAILY invests in money market investments of high quality and low risk with the objective of capital preservation. As of September 30, 2021 and 2020, Capital Metro has no unfunded commitments relating to this investment. Investments in TexasDAILY 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, for Capital Metro's assets and liabilities measured at fair value:

	2021			
	Fair Value	Level 1	Level 2	Level 3
Investments:				
Commercial paper	\$ 18,433,230	\$ -	\$ 18,433,230	\$ -
Federal agency notes	13,278,557	-	13,278,557	-
U.S. Treasury notes	36,759,536	-	36,759,536	-
Total investments	\$ 68,471,323	\$ -	\$ 68,471,323	\$ -

	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	-
U.S. Treasury notes	46,079,543	-	46,079,543	-
Total investments	\$ 66,050,927	\$ -	\$ 66,050,927	\$ -

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.

Fiduciary Funds' Investments

As mentioned previously, the fiduciary financial statements include the Plans. The Plans report their assets on a calendar year basis; therefore, information related to the Plans are as of December 31, 2020 and 2019. The tables in this section address interest rate risk exposure by investment type, concentration of credit risk, credit risk and foreign currency risk. Investments held by the Plans are recorded at fair value. All assets held by the Plans are held in irrevocable trusts.

Investment policies. The Plans' allowable investments are established and amended by their respective Plan Committees. The Plan Committees ensure the Plans' assets are invested in accordance with the investment policy of the Plans, engaging investment consultants and independent investment managers as needed.

Custodial credit risk: The Plans' investment policies do not specifically address custodial credit risk. Custodial credit risk is the risk that in the event of bank or investment failure, the Plans' deposits or investments may not be returned. Mutual funds and money market accounts are not subject to custodial credit risk. All other investments are insured, registered, or held by an agent in the retirement plans' name.

2 – CASH AND CASH EQUIVALENT DEPOSITS AND INVESTMENTS, continued

Interest rate risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Plans do not have a formal policy regarding interest rate risk. The Plans monitor credit exposure using segmented time distribution. The fixed income mutual funds maturities are based on the average maturity of the fund, as noted by the fund manager. The following is a listing of the Plans' investments exposed to interest rate risk and related maturity schedule (in years) as of December 31:

December 31, 2020					
Fair Value	Less Than 1 Year	1-5 Years	6-10 Years	More Than 11 Years	
Baird Funds Core Plus Bond Instl.	\$ 3,976,597	\$ -	\$ -	\$ 3,976,597	\$ -
Lord Abbett Inv't TR Shrt Duration R6	3,046,408	-	3,046,408	-	-
Nuveen Preferred Securities	1,595,473	1,595,473	-	-	-
Vanguard Group Inflation Protected Security	1,524,696	-	-	1,524,696	-
Vanguard Total Bond Index Admiral Class	1,706,716	-	-	1,706,716	-
Government securities	3,779,929	1,772,964	257,521	1,559,635	189,809
Corporate bonds	5,546,919	187,597	1,757,346	3,589,610	12,366
\$ 21,176,738	\$ 3,556,034	\$ 5,061,275	\$ 12,357,254	\$ 202,175	

December 31, 2019					
Fair Value	Less Than 1 Year	1-5 Years	6-10 Years	More Than 11 Years	
Baird Funds Core Plus Bond Instl.	\$ 4,140,866	\$ -	\$ -	\$ 4,140,866	\$ -
Blackrock Strategic Income Fund	2,445,436	-	-	2,445,436	-
Nuveen Preferred Securities	1,199,793	1,199,793	-	-	-
Vanguard Total Bond Index Admiral Class	2,006,430	-	-	2,006,430	-
Government securities	4,247,233	960,263	1,016,883	1,266,573	1,003,514
Corporate bonds	4,585,861	125,931	3,080,636	1,367,948	11,346
\$ 18,625,619	\$ 2,285,987	\$ 4,097,519	\$ 11,227,253	\$ 1,014,860	

Credit risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the Plans. The Plans' investment policy does not specifically address the quality rating of the investments. The Committees are responsible for determining the risks and commensurate returns of its portfolio. The Plans' investments with exposure to credit risk as of December 31, are as follows:

	Fair Value		Rating	Rating Agency
	2020	2019		
U.S. Treasury notes	\$ 2,388,432	\$ 3,270,647	AAA	Standard's & Poor
U.S. Government agency (Mortgage-backed security)	1,391,497	976,586	AA+	Standard's & Poor
Corporate bonds	175,851	170,126	AA+	Standard's & Poor
Corporate bonds	432,991	277,021	A+	Standard's & Poor
Corporate bonds	1,832,514	1,941,811	A-	Standard's & Poor
Corporate bonds	39,276	36,427	AAA	Standard's & Poor
Corporate bonds	199,909	188,515	AA	Standard's & Poor
Corporate bonds	222,508	163,230	AA-	Standard's & Poor
Corporate bonds	1,083,707	946,270	A	Standard's & Poor
Corporate bonds	1,449,848	750,886	BBB+	Standard's & Poor
Corporate bonds	110,315	11,575	BBB	Standard's & Poor
Fixed income mutual funds	11,849,890	9,792,525	not rated	n/a
Equity mutual funds	55,996,605	45,929,235	not rated	n/a
Grouped fixed annuity	3,451,276	2,788,429	not rated	n/a
Total	\$ 80,624,619	\$ 67,243,283		

2 – CASH AND CASH EQUIVALENT DEPOSITS AND INVESTMENTS, continued

Concentration risk: Concentration of credit risk is the risk of loss attributed to the magnitude of the Plans' investments in a single issuer. The Plan's investment policy does not specifically address concentration risk. Investments in mutual funds and other pooled investments are excluded from this requirement. There are no individual investments that represent 5% or more of either plans' total investment portfolio.

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 Plans' investment policy does not specifically address foreign currency risk. The Plans' investment in international mutual funds does not require disclosure of the individual investment within the fund and such fund balances are denominated in U.S. dollars.

Fair Value

The Plans use various methods to measure the fair value of investment on a recurring basis. GASB Statement No. 72, establishes a hierarchy that prioritizes inputs to valuation methods. The three levels of inputs are as follows:

Level 1: Inputs are unadjusted quoted prices in active markets for identical assets and liabilities that the Plan has the ability to access.

Level 2: Inputs, other than quoted prices included in Level 1, are observable for the asset or liability, either directly or indirectly. These inputs may include quoted prices for the identical instrument in an inactive market, prices for similar instruments, interest rates, prepayment speeds, credit risk, yield curves, default rates and similar data.

Level 3: Unobservable inputs for the asset or liability, to the extent relevant observable inputs are not available, represent the Plan's own assumptions about the assumptions a market participant would use in valuing the asset or liability, and would be based on the best information available.

Hierarchy: The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

The availability of observable inputs can vary from security to security and is affected by a wide variety of factors, including, for example, the type of security, whether the security is new and not yet established in the marketplace, the liquidity of markets and other characteristics particular to the security. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3.

The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls in its entirety, is determined based on the lowest level input that is significant to the fair value measurement in its entirety. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

Except for the Lincoln Stable Value Fund, a group fixed annuity contract valued at amortized cost, the investments of the Plan are valued at fair value based on quoted market prices.

2 – CASH AND CASH EQUIVALENT DEPOSITS AND INVESTMENTS, continued

Following is a description of the valuation techniques used for investments measured at fair value.

Money market funds, common stocks and mutual funds are valued at the net asset value of the shares held by the Plan at year end and / or quoted market prices. These investments are considered Level 1 investments.

Government securities and corporate bonds are valued using quotes from independent pricing vendors based on recent trading activity and other relevant information, including market interest rate curves, referenced credit spreads and estimated prepayment rates, where applicable. These investments are considered Level 2 investments.

The following table sets forth by level, within the fair value hierarchy, the Plans' assets at fair value as of December 31:

Description	December 31, 2020			
	Level 1	Level 2	Level 3	Amount
Corporate bonds and other	\$ -	\$ 5,546,919	\$ -	\$ 5,546,919
U.S. Government securities	-	3,779,929	-	3,779,929
Common stock	3,732,368			3,732,368
Fixed income mutual funds	11,849,890			11,849,890
Equity mutual funds	55,996,605	-	-	55,996,605
Money market funds	392,899	-	-	392,899
Total	<u>\$ 71,971,762</u>	<u>\$ 9,326,848</u>	<u>\$ -</u>	<u>81,298,610</u>
Group fixed annuity (amortized cost)				3,451,276
Total investments				<u>\$ 84,749,886</u>

Description	December 31, 2019			
	Level 1	Level 2	Level 3	Amount
Corporate bonds and other	\$ -	\$ 4,585,861	\$ -	\$ 4,585,861
Government securities	-	4,247,233	-	4,247,233
Common stock	5,253,217			5,253,217
Fixed income mutual funds	9,792,525			9,792,525
Equity mutual funds	45,929,235	-	-	45,929,235
Money market funds	338,665	-	-	338,665
Total	<u>\$ 61,313,642</u>	<u>\$ 8,833,094</u>	<u>\$ -</u>	<u>70,146,736</u>
Group fixed annuity (amortized cost)				2,788,429
Total investments				<u>\$ 72,935,165</u>

3 – RECEIVABLES

Receivables at September 30, consist of the following:

	2021	2020
Accounts receivable	\$ 2,812,182	\$ 4,669,032
Due from Federal and other governments	23,612,613	5,395,907
Intergovernmental receivables-Project Connect	46,252,317	-
Sales and use tax	57,583,273	43,750,887
Allowance for doubtful accounts	(185,079)	(203,511)
Total receivables	<u>\$ 130,075,306</u>	<u>\$ 53,612,316</u>

4 – ACCRUED EXPENSES

Accrued expenses at September 30, consist of the following:

	2021	2020
Accrued accounts payable	\$ 19,394,780	\$ 24,293,488
Worker's compensation self-insurance	75,000	65,000
Accrued other	9,783,929	7,367,863
Total accrued expenses	<u>\$ 29,253,709</u>	<u>\$ 31,726,351</u>

Accrued accounts payable at September 30, 2021, consists primarily of approximately \$5.0 million for capital projects, \$19.7 million related to purchased transportation services, and \$3.0 million for other services. Accrued accounts payable at September 30, 2020, consists primarily of \$12.2 million for service consolidation of two bus service providers into one, \$17.3 million for purchased transportation services, and \$2.2 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. The self insurance reserve is equal to at least 25% of the prior fiscal year's actual claim payments and the budget stabilization reserve is equal to one month of annual average operating expenses. As of September 30, 2021, \$43.1 million was allocated to the statutory operating reserve, \$21.5 million for a budget stabilization reserve, and \$1.1 million to the self-insurance 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.

6 – LEASES

Capital Metro has non-cancellable lease commitments for certain real property that expires in April 2024, December 2024 and October 2056 which is subject to an escalation clause.

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

	2021 Operating Leases
Fiscal Years Ending September 30:	
2022	\$ 1,560,800
2023	1,388,499
2024	1,272,580
2025	365,158
2026	126,106
2027-2031	630,531
2032-2036	630,531
2037-2041	630,531
2042-2046	630,531
2047-2051	630,531
2052-2056	\$ 514,934
Total lease commitments	<u>\$ 8,380,732</u>

Rent expense was approximately \$3,335,319 for the year ended September 30, 2021, and \$2,983,053 for the year ended September 30, 2020.

7 – LONG-TERM LIABILITIES

Changes in Long-Term Liabilities:

The changes in long-term liabilities for the year ended September 30, 2021 and 2020 are as follows:

	Balance as of 9/30/2020	Adjustments	Additions	Payments	Balance as of 9/30/2021
Accrued vacation	\$ 1,452,036	\$ -	\$ 1,058,288	\$ (937,627)	\$ 1,572,697
Accrued sick leave	705,655	-	1,109,390	(848,005)	967,040
Other rent liability	549,273	-	32,341	(192)	581,422
OPEB liability	3,119,109	320,827	-	-	3,439,936
Pension liability	52,584,419	(93,740)	-	(6,997,696)	45,492,983
Total	<u>\$ 58,410,492</u>	<u>\$ 227,087</u>	<u>\$ 2,200,019</u>	<u>\$ (8,783,520)</u>	<u>\$ 52,054,078</u>

	Balance as of 9/30/2019	Adjustments	Additions	Payments	Balance as of 9/30/2020
Accrued vacation	\$ 747,098	\$ -	\$ 1,413,240	\$ (708,302)	\$ 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)	-
OPEB liability	2,876,406	242,703	-	-	3,119,109
Pension liability	53,757,461	6,310,005	-	(7,483,047)	52,584,419
Total	<u>\$ 67,631,116</u>	<u>\$ 6,552,708</u>	<u>\$ 2,536,799</u>	<u>\$ (18,310,131)</u>	<u>\$ 58,410,492</u>

8 – COMMITMENTS

The Authority has a capital spending plan for projects for upcoming and future years. The Authority's FY2021 and capital budget has appropriations of approximately \$106.4 million. The Authority's remaining contractual commitments related to its capital improvement plan are \$39.8 million and \$56.1 million as of September 30, 2021 and 2020, respectively.

The Authority has executed contracts with various goods and services providers totaling approximately \$524.5 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, as amended in April 2010, to pay the City 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. The amount is payable when the City incurs an expenditure toward an approved mobility project. The remaining balance outstanding as of September 30, 2021 and 2020 was \$6.4 million and \$7.8 million, respectively.

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

Commitments for the programs are outlined below:

	2021	2020
BCT	\$ 386,176	\$ 386,176
Suburban Communities	305,996	251,496
Total commitment	<u>\$ 692,172</u>	<u>\$ 637,672</u>

Either the Authority or the City 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 (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, 2021. The hedge instruments utilize diesel fuel forwards contracts that are priced based on the underlying NY Harbor contract price, while the physical gas is typically purchased at prices based on Oil Price Information Service Pricing (OPIS) 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, 2021, the Authority had a total of 171 NY Harbor futures contracts at 42,000 gallons per contract and paid approximately \$4,874 for the execution of the trades. As of September 30, 2021, the Authority was hedged 86% and 57% for FY2022 and FY2023, respectively, based on projected fuel consumption.

As of September 30, 2020, the Authority has a total of 267 NY Harbor 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.

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 and are based on quoted market prices (level 1 inputs). As of September 30, 2021, and 2020, the outstanding fuel risk management account is approximately \$1.1 million and \$0.126 million respectively, and related unrealized market gain of \$4.8 million in FY2021 and unrealized market loss of \$4.1 million in FY2020. 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 FY2021 decreased diesel fuel cost by \$0.029 million whereas in FY2020 there was an increase to diesel fuel cost of \$2.9 million. 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 million and \$1.3 million as September 30, 2021 and 2020, respectively, with its Broker as required by its Fuel Risk Management Program. At September 30, 2021 and 2020, \$1,125,000 and \$126,000, 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 vs. NY Harbor.

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 \$26.1 million as of September 30, 2021 and \$29.6 million as of September 30, 2020 and the liability is recorded on the Statement of Net Position. 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 on the first day of the following payroll period. 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 receiving employer executive contributions are subject to terms and related vesting provision of the employment contract. 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 the Authority totaled \$27,008 and \$31,277 in discretionary employer contributions for the years ended September 30, 2021 and 2020, respectively.

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 Plan:

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 January 1:

	2021	2020
Retirees and beneficiaries currently receiving benefits	136	125
Terminated plan members entitled to but not yet receiving benefits	272	266
Active plan members	314	305
	<u>722</u>	<u>696</u>

10 – DEFINED BENEFIT RETIREMENT PLANS, continued

The most recently available financial statement of the Plan is for the year ended December 31, 2020. 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, 2020 and 2019, 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, 2020 and 2019 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.

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

FY 2020

Actuarial cost method	Entry age normal
Discount rate	5.39%
20-year Municipal Bond rate	1.73%
Salary increases	3.50%
Investment rate of return	6.75%
Retirement age	Age 60-61 is 5.00%, Age 62-64 is 10.00%, Age 65 is 50.00%, Age 66-69 is 15.00% and Age 70 is 100.00%
Mortality rates	Pri-2012 White Collar Dataset Amount-Weighted Mortality Projected with Scale MP-2020 with separate rates for employees, retirees and contingent survivors

FY 2019

Actuarial cost method	Entry age normal
Discount rate	5.10%
20-year Municipal Bond rate	2.49%
Salary increases	3.50%
Investment rate of return	6.75%
Retirement age	Age 60-61 is 5.00%, Age 62-64 is 10.00%, Age 65 is 50.00%, Age 66-69 is 15.00% and Age 70 is 100.00%
Mortality rates	Pri-2012 White Collar Dataset Amount-Weighted Mortality Projected with Scale MP-2019 with separate rates for employees, retirees and contingent survivors

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 2020:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equities:	51.1%	
U.S. broad equity		7.15%
Large cap		7.00%
Small/mid cap		7.25%
Domestic fixed income	26.1%	2.75%
International equities:	15.2%	
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		6.25%
Cash equivalents	7.6%	2.25%
	<u>100.0%</u>	

Discount Rate

The discount rate used to measure the total pension liability as of December 31, 2020 was 5.39%. 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 Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members until 2064. 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 2064. Subsequent to 2064, the 20-year municipal bond rate of 1.73% was utilized in the calculation of the 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 December 31, respectively:

	2020	2019
Total pension liability:		
Service cost	\$ 3,545,963	\$ 2,938,855
Interest on total pension liability	3,061,945	2,694,810
Difference between expected and actual experience	2,513,864	1,231,398
Change in assumptions	(3,616,413)	5,792,670
Benefit payments/refunds of contributions	(1,391,896)	(1,117,525)
Net change in total pension liability	4,113,463	11,540,208
Total pension liability at beginning of year	60,803,835	49,263,627
Total pension liability at end of year (a)	64,917,298	60,803,835
Fiduciary net position:		
Employer contributions	3,261,231	3,046,377
Investment income net of investment expense	5,928,766	6,195,576
Benefit payments/refunds of contributions	(1,391,896)	(1,117,525)
Administrative expenses	(62,527)	(76,658)
Net change in fiduciary net position	7,735,574	8,047,770
Fiduciary net position at beginning of year	37,818,736	29,770,966
Fiduciary net position at end of year (b)	45,554,310	37,818,736
Net pension liability at end of year = (a) - (b)	\$ 19,362,988	\$ 22,985,099

10 – DEFINED BENEFIT RETIREMENT PLANS, continued

Sensitivity Analysis

The following presents the net pension liability of Capital Metro, calculated using the discount rate of 5.39% and 5.10% as of December 31, 2020 and 2019, 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:

	December 31, 2020		
	Current		
	1%	Discount	1%
	Decrease	Rate	Increase
	4.39%	5.39%	6.39%
Net pension liability	\$ 29,423,556	\$ 19,362,988	\$ 11,073,994

	December 31, 2019		
	Current		
	1%	Discount	1%
	Decrease	Rate	Increase
	4.39%	5.39%	6.39%
Net pension liability	\$ 32,743,785	\$ 22,985,099	\$ 14,995,470

Pension Expense

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

Pension Expense (Income)	December 31	
	2020	2019
Service cost	\$ 3,545,963	\$ 2,938,855
Interest on total pension liability	3,061,945	2,694,810
Administrative expenses	62,527	(76,658)
Expected investment return net of investment expenses	(2,604,903)	(2,065,016)
Recognition of deferred outflows (inflows)		
Experience	893,027	462,676
Change in assumptions	803,410	1,895,616
Investment gains or losses	(1,227,806)	(273,525)
Pension expense	<u>\$ 4,534,163</u>	<u>\$ 5,576,758</u>

Deferred Inflows and Outflows of Resources

As of September 30, 2021, and 2020 (measurement date of December 31, 2020 and 2019), the deferred inflows and outflows of resources are as follows:

	2021	2020
Deferred Outflows of Resources		
Differences between expected and actual experience	\$ 2,949,083	\$ 1,390,115
Changes of assumptions	4,373,167	6,148,416
Net difference between projected and actual earnings	-	-
Contributions made subsequent to measurement date	2,349,520	2,613,051
	<u>\$ 9,671,770</u>	<u>\$ 10,151,582</u>
Deferred Inflows of Resources		
Differences between expected and actual experience	\$ (114,489)	\$ (176,359)
Changes of assumptions	(3,182,874)	(538,501)
Net difference between projected and actual earnings	(4,012,398)	(1,916,339)
	<u>\$ (7,309,761)</u>	<u>\$ (2,631,199)</u>

Capital Metro reported \$2,349,520 as deferred outflow of resources resulting from contributions made subsequent to the measurement date and which are eligible employer contributions made from January 1, 2021 through September 30, 2021. 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.

Years ending September 30:

2022	\$ 527,322
2023	995,385
2024	(695,625)
2025	(814,593)
	<u>\$ 12,489</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 StarTran 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 StarTran 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.

10 – DEFINED BENEFIT RETIREMENT PLANS, continued

All StarTran 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 StarTran Plan and carries out an investment policy established by the Retirement Plan Committee, consistent with the purposes of the StarTran 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 StarTran Plan is the administrator of a single employer defined benefit pension plan sponsored by Capital Metro. Eligible participants are covered by the StarTran Plan. The following table summarizes membership of the plan at January 1:

	2021	2020
Retirees and beneficiaries currently receiving benefits	548	521
Terminated plan members entitled to but not yet receiving benefits	292	308
Active plan members	137	153
	<u>977</u>	<u>982</u>

The most recently available financial statements of the StarTran Plan are for the year ended December 31, 2020 and 2019. 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 StarTran 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, 2020.

- 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.

10 – DEFINED BENEFIT RETIREMENT PLANS, continued

- 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 StarTran 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 2020 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 18 years remaining and with a 3% annual increase of the unfunded actuarial accrued liability.

Net Pension Liability

The StarTran Plan's net pension liability was measured as of December 31, 2020 and 2019, 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, 2020 and 2019 is based on the results of an actuarial experience study conducted in 2017.

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

Measurement date: December 31, 2020

Actuarial cost method	Entry age Normal Cost Method
Salary increases	NA
Investment rate of return	6.50%
Discount rate	6.50%
Retirement age	Age 55-61 is 13% to 14%
	Age 62 is 15%
	Age 63 is 17%
	Age 64-70 is 30% to 100%
Mortality	Healthy: PUB-2010 Amounts-Weighted Mortality for General Employees with Generational improvements from 2010 using Scale MP-2020
	Disabled: PUB-2010 Amounts-Weighted Disabled Retirement mortality Table for General Employees with Generational Improvements from 2010 using Scale MP-2020

10 – DEFINED BENEFIT RETIREMENT PLANS, continued

Measurement date: December 31, 2019

Actuarial cost method	Entry age Normal Cost Method
Salary increases	NA
Investment rate of return	6.75%
Discount rate	6.75%
Retirement age	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-2019
	Disabled: PUB-2010 Amounts-Weighted Disabled Retirement mortality Table for General Employees with Generational Improvements from 2010 using Scale MP-2019

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, 2020:

Asset Class	Asset Allocation	Long-Term Expected Rate of Return
U.S. Large Cap Equity	35.00%	6.40%
U.S. Small Cap Equity	15.00%	6.90%
REITs	0.00%	0.00%
Non U.S. Develop Equity	15.00%	7.50%
Fixed Income	30.00%	1.80%
Emerging Markets Equity	5.00%	7.80%
	<u>100.00%</u>	

Discount rate – The discount rate used to measure the total pension liability as of December 31, 2020 and 2019 was 6.5% and 6.75% 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 StarTran Plan'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 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 December 31, 2020 and 2019:

	2020	2019
Total pension liability:		
Service cost		
Interest on total pension liability	\$ 4,214,154	\$ 4,322,203
Differences between expected and actual experiences	164,257	32,703
Change in assumptions	1,235,860	1,279,922
Benefit payments/refunds of contributions	(4,985,498)	(4,910,211)
Net change in total pension liability	628,773	724,617
Total pension liability at beginning of year	64,883,952	64,159,335
Total pension liability at end of year (a)	65,512,725	64,883,952
Fiduciary net position:		
Employer contributions	3,999,996	3,999,996
Investment income net of investment expense	5,303,601	6,505,803
Benefit payments/refunds of contributions	(4,985,498)	(4,910,211)
Administrative expenses	(220,001)	(205,491)
Net change in fiduciary net position	4,098,098	5,390,097
Fiduciary net position at beginning of year	35,284,632	29,894,535
Fiduciary net position at end of year (b)	39,382,730	35,284,632
Net pension liability at end of year = (a)-(b)	\$ 26,129,995	\$ 29,599,320

Sensitivity Analysis

The following presents the net pension liability of StarTran Plan calculated using the discount rate of 6.50% and 6.75% for December 31, 2020 and 2019, as well as the StarTran Plan'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:

	December 31, 2021		
	1% Decrease	Current Discount Rate	1% Increase
	5.50%	6.50%	7.50%
Net pension liability	\$ 32,376,510	\$ 26,129,995	\$ 20,806,523
	December 31, 2020		
	1% Decrease	Current Discount Rate	1% Increase
	5.50%	6.50%	7.50%
Net pension liability	\$ 35,826,496	\$ 29,599,320	\$ 24,300,976

10 – DEFINED BENEFIT RETIREMENT PLANS, continued

Pension Expense

For the fiscal year ended September 30, 2021 and 2020 (measurement date of December 31, 2020 and 2019), Capital Metro recognized the following pension-related expense:

Pension Expense/(Income)	December 31, 2020	December 31, 2019
Interest on total pension liability	\$ 4,214,154	\$ 4,322,203
Administrative expenses	220,001	205,491
Expected investment return net of investment expenses	(2,341,691)	(2,054,228)
Recognition of deferred inflows/outflows of resources		
Change in assumptions	1,235,860	1,279,922
Recognition of demographic differences – current year	164,257	32,703
Recognition of investment gains or losses – current year	(874,373)	172,968
Pension expense	<u>\$ 2,618,208</u>	<u>\$ 3,959,059</u>

Deferred Inflows and Outflows of Resources

As of September 30, 2021, and 2020 (measurement date of December 31, 2020 and 2019), the deferred inflows and outflows of resources are as follows:

	2020	2019
Deferred Outflows of Resources		
Contributions made subsequent to measurement date	<u>\$ 2,999,997</u>	<u>\$ 2,999,997</u>
	<u>\$ 2,999,997</u>	<u>\$ 2,999,997</u>
Deferred Inflows of Resources		
Net difference between expected and actual earnings	<u>\$ (3,572,645)</u>	<u>\$ (1,485,109)</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, 2021 through September 30, 2021. 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.

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	\$ 19,362,988	\$ 26,129,995	\$ 45,492,983
Deferred outflows of resources, pension-related amounts	9,671,770	2,999,997	12,671,767
Deferred inflows of resources, pension-related amounts	(7,309,761)	(3,572,645)	(10,882,406)
Pension expense	4,534,163	2,618,208	7,152,371
Years ending September 30:			
2022	527,322	(972,108)	(444,786)
2023	995,385	(525,456)	469,929
2024	(695,625)	(1,482,699)	(2,178,324)
2025	(814,593)	(592,382)	(1,406,975)
	12,489	(3,572,645)	(3,560,156)
Deferred outflows-contributions subsequent to the measurement date	2,349,520	2,999,997	5,349,517

11 – CAPITAL ASSETS

Changes in capital assets for the year ended September 30, 2021 were:

	September 30, 2020	Additions	Retirements	Completed Projects	September 30, 2021
Capital assets not being depreciated:					
Land and improvement	\$ 75,328,694	\$ -	\$ -	\$ (3,793,410)	\$ 71,535,284
Projects in process	70,779,761	29,214,329	-	(61,777,361)	38,216,729
Total capital assets not being depreciated	146,108,455	29,214,329	-	(65,570,771)	109,752,013
Depreciable capital assets:					
Building and improvements	110,184,798	-	(106,493)	(13,754,968)	96,323,337
Railroad	178,461,741	-	-	18,895,080	197,356,821
Buses and equipment	409,922,836	-	(20,898,700)	51,429,487	440,453,623
Passenger parking and stations	105,449,581	-	(1,066,482)	8,962,597	113,345,696
Leasehold improvement	352,908	-	-	38,575	391,483
Total depreciable capital assets	804,371,864	-	(22,071,675)	65,570,771	847,870,960
Less accumulated depreciation:					
Building and improvements	56,681,154	3,453,768	(106,493)	-	60,028,429
Railroad	133,576,435	6,591,460	-	-	140,167,895
Buses and equipment	184,987,012	34,643,509	(20,737,332)	-	198,893,189
Passenger parking and stations	67,097,395	5,786,725	(1,066,482)	-	71,817,638
Leasehold improvement	41,174	77,014	-	-	118,188
Total accumulated depreciation	442,383,170	50,552,476	(21,910,307)	-	471,025,339
Depreciable capital assets, net	361,988,694	(50,552,476)	(161,368)	65,570,771	376,845,621
Total capital assets	\$ 508,097,149	\$ (21,338,147)	\$ (161,368)	\$ -	\$ 486,597,634

Depreciation and amortization expense was \$50.6 million for the year ended September 30, 2021. Capital Metro reclassified certain capital assets during the period between buses and equipment line and building and improvements. The reclass did not impact the total capital assets net of depreciation.

11 – CAPITAL ASSETS, continued

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	133,658,892	91,997,778	-	(79,548,215)	146,108,455
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 depreciable capital assets	734,878,189	-	(10,054,540)	79,548,215	804,371,864
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	408,021,744	44,415,966	(10,054,540)	-	442,383,170
Depreciable capital assets, net	326,856,445	(44,415,966)	-	79,548,215	361,988,694
Total capital assets	\$ 460,515,337	\$ 47,581,812	\$ -	\$ -	\$ 508,097,149

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

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, 2021 and 2020 for workers' compensation are \$25,000 per occurrence. At September 30, 2021 and 2020, 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:

Workers' Compensation Claims	2021	2020
Beginning of year liability	\$ 65,000	\$ 80,000
Current year claims and/or changes in estimates	65,092	56,447
Claim payments	(55,092)	(71,447)
End of year current year liability	<u>\$ 75,000</u>	<u>\$ 65,000</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	2021	2020
Beginning of year liability	\$ 284,000	\$ 284,000
Current year claims and/or changes in estimates	5,413,157	4,254,206
Claim payments	(5,432,157)	(4,254,206)
End of year current year liability	<u>\$ 265,000</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, 2021 and 2020.

14 – OTHER POST EMPLOYMENT BENEFITS

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. 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 (the most recent actuarial valuation date):

	2021	2020
Participants:		
Actives—fully eligible	7	7
Actives—not eligible	317	317
Retirees	26	26
Total	<u>350</u>	<u>350</u>

Total OPEB Liability

The Authority's total OPEB liability of \$3,439,936 was measured as of September 30, 2021 and \$3,119,109 was measured as of September 30, 2020 and was determined by an actuarial valuation as of September 30, 2021.

Actuarial methods and assumptions: The total OPEB liability in the September 30, 2021 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	2.26% 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.

	September 30, 2021	September 30, 2020
Net OPEB obligation, beginning	\$ 3,119,109	\$ 2,876,405
Changes for the year:		
Service cost	347,410	273,875
Interest	75,751	82,805
Changes in assumptions or other inputs	(24,575)	(39,350)
Contributions and payments made	(77,759)	(74,626)
Net changes	320,827	242,704
Net OPEB Obligation, ending	\$ 3,439,936	\$ 3,119,109

The total OPEB liability as of September 30, 2021 and 2020 assumes a discount rate of 2.26% and 2.21%, 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:

	September 30, 2021		
	1% Decrease	Discount Rate	1% Increase
	1.26%	2.26%	3.26%
Total OPEB liability	\$ 3,986,000	\$ 3,440,000	\$ 2,994,000

	September 30, 2020		
	1% Decrease	Discount Rate	1% Increase
	1.21%	2.21%	3.21%
Total OPEB liability	\$ 3,614,000	\$ 3,119,000	\$ 2,715,000

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:

	September 30, 2021		
	1% Decrease	Cost Trend Current	1% Increase
Total OPEB liability	\$ 3,440,000	\$ 3,440,000	\$ 3,440,000

	September 30, 2020		
	1% Decrease	Cost Trend Current	1% Increase
Total OPEB liability	\$ 3,119,000	\$ 3,119,000	\$ 3,119,000

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, 2021 and 2020, the Authority recognized OPEB expenses of \$341,000 and \$275,942 respectively.

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

	2021	2020
Deferred Outflows of Resources		
Changes of assumptions/inputs	\$ 131,592	\$ 142,351
	<u>\$ 131,592</u>	<u>\$ 142,351</u>
Deferred Inflows of Resources		
Difference between expected and actual experience	\$ (290,581)	\$ (315,483)
Changes of assumptions/inputs	(738,122)	(781,730)
	<u>\$ (1,028,703)</u>	<u>\$ (1,097,213)</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:	2021	2020
2022	\$ (82,465)	\$ (80,738)
2023	(82,465)	(80,738)
2024	(82,465)	(80,738)
2025	(82,465)	(80,738)
Thereafter	(567,251)	(631,910)
	<u>\$ (897,111)</u>	<u>\$ (954,862)</u>

15 – SUBSEQUENT EVENTS

Effective January 1, 2022, certain contracts for the operations of Capital Metro were modified. The contract modifications will result in a reduction of services to be provided by third party contractors. The reduction in services will be performed by the staff of Capital Metro. To address the additional responsibilities, as of March 29 2022, the Authority increased its workforce by approximately 15% of the total Capital Metro workforce as of September 30, 2021. The additional workforce will support the third party contractors with operational needs which include but is not limited to the maintenance of a formal training program for all vehicle operations, oversight of vehicle maintenance and operations including inventory management and additional oversight over all preventative maintenance on building systems.

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Annual Comprehensive 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
(UNAUDITED)

	2021	2020	2019	2018	2017	2016
Total pension liability:						
Service cost	\$ -	\$ -	\$ -	\$ -	\$ 303,363	\$ 486,248
Interest on total pension liability	4,214,154	4,322,203	4,346,270	4,287,202	4,206,646	4,226,699
Differences between expected and actual experiences	164,257	32,703	(213,616)	(1,769,787)	1,878,042	(730,963)
Change in assumptions	1,235,860	1,279,922	2,453,043	3,305,720	934,709	-
Benefits payment/refunds of contributions	(4,985,498)	(4,910,211)	(4,668,156)	(4,540,291)	(4,221,793)	(4,959,966)
Net change in total pension liability	628,773	724,617	1,917,541	1,282,844	3,100,967	(977,982)
Total pension liability at beginning of year	64,883,952	64,159,335	62,241,794	60,958,950	57,857,983	58,835,965
Total pension liability at end of year (a)	<u>\$ 65,512,725</u>	<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>
Fiduciary net position:						
Employer contributions	\$ 3,999,996	\$ 3,999,996	\$ 4,000,556	\$ 4,004,599	\$ 4,005,413	\$ 4,010,205
Member contributions	-	-	654	4,578	5,417	5,760
Investment income net of investment expense	5,303,601	6,505,803	(2,411,068)	4,420,550	1,621,196	(98,010)
Benefit payments/refunds of contributions	(4,985,498)	(4,910,211)	(4,668,156)	(4,540,291)	(4,221,793)	(4,959,966)
Administrative expenses	(220,001)	(205,491)	(227,031)	(225,052)	(216,313)	(225,290)
Net change in fiduciary net position	4,098,098	5,390,097	(3,305,045)	3,664,384	1,193,920	(1,267,301)
Fiduciary net position at beginning of year	35,284,632	29,894,535	33,199,580	29,535,196	28,341,276	29,608,577
Fiduciary net position at end of year (b)	<u>39,382,730</u>	<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>
Net pension liability/(asset) at end of year = (a) - (b)	<u>\$ 26,129,995</u>	<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>
Fiduciary net position as a % of total pension liability	60.11%	54.38%	46.59%	53.34%	48.45%	48.98%
Pensionable covered payroll*	\$ 6,851,646	\$ 7,612,940	\$ 8,732,490	\$ 9,672,912	\$ 9,807,345	\$ 10,882,123
Net pension liability as a % of covered payroll	381.4%	388.8%	392.4%	300.2%	320.4%	271.2%

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 6.75% to 6.50% 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 6.75% to 6.50% 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-2019, to the PUB-2010 Amounts-Weighted Mortality Table for General Employees with Generational Improvements from 2010 using Scale MP-2020.
- 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-2019 to PUB-2010 Amounts-Weighted Disable Retirement Mortality Table for General Employees with Generational Improvements from 2010 using Scale MP-2020.

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

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
2012	\$ 4,246,630	\$ 4,163,071	\$ 83,559	\$ 30,523,684	13.6%
2013	2,685,614	4,264,824	(1,579,210)	21,222,724	20.1%
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)	-	*
2021	4,000,000	3,999,996	4	-	*

Methods and Used Assumptions to Determine Contribution Rates:

Valuation Date	January 1, 2021
Investment Rate of Return	6.50% including inflation, net of pension plan investment expenses
Actuarial Cost Method	Unit Credit Cost Method
Discount Rate	6.50%
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-2020.
Disabled	PUB-2010 Amounts-Weighted Disabled Retirement Mortality table for General Employees with generational Improvements from 2010 using Scale MP-2020.

* 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 Administrative Employees

**Schedules of Changes in Net Pension Liability and Related Ratios
(UNAUDITED)**

	2021	2020	2019	2018	2017	2016
Total pension liability:						
Service cost	\$ 3,545,963	\$ 2,938,855	\$ 2,793,032	\$ 2,964,773	\$ 2,087,251	\$ 2,225,673
Interest on total pension liability	3,061,945	2,694,810	2,445,407	2,235,084	1,863,897	1,573,679
Changes of benefit terms	-	-	-	-	2,054,914	-
Difference between expected and actual experience	2,513,864	1,231,398	720,052	(288,769)	(86,781)	1,984,816
Change in assumptions	(3,616,413)	5,792,670	(920,415)	3,035,050	209,630	(1,415,858)
Benefits payment/refunds of contributions	(1,391,896)	(1,117,525)	(932,072)	(916,317)	(892,937)	(833,716)
Net change in total pension liability	4,113,463	11,540,208	4,106,004	7,029,821	5,235,974	3,534,594
Total pension liability at beginning of year	60,803,835	49,263,627	45,157,623	38,127,802	32,891,828	29,357,234
Total pension liability at end of year (a)	<u>\$ 64,917,298</u>	<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>
Fiduciary net position:						
Employer contributions	\$ 3,261,231	\$ 3,046,377	\$ 2,692,422	\$ 3,106,829	\$ 1,974,973	\$ 1,882,377
Investment income net of investment expense	5,928,766	6,195,576	(1,941,101)	4,081,936	1,795,013	(11,187)
Benefit payments/refunds of contributions	(1,391,896)	(1,117,525)	(932,072)	(916,317)	(892,937)	(833,716)
Administrative expenses	(62,527)	(76,658)	(58,478)	(74,118)	(58,222)	(63,645)
Net change in fiduciary net position	7,735,574	8,047,770	(239,229)	6,198,330	2,818,827	973,829
Fiduciary net position at beginning of year	37,818,736	29,770,966	30,010,195	23,811,865	20,993,038	20,019,209
Fiduciary net position at end of year (b)	<u>45,554,310</u>	<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>
Net pension liability/(asset) at end of year = (a) - (b)	<u>\$ 19,362,988</u>	<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>
Fiduciary net position as a % of total pension liability	1	1	1	1	1	1
Pensionable covered payroll	\$ 28,185,358	\$ 24,700,473	\$ 22,758,461	\$ 20,966,199	\$ 22,195,764	\$ 18,663,437
Net pension liability as a % of covered payroll	68.70%	93.06%	85.65%	72.25%	64.50%	63.75%

Note to Schedule:

Changes in Assumptions and Methods Since the Last Actuarial Valuation

The discount rate for year-end disclosure was 5.39%.

The assumed 20-year municipal bond rate was 1.73%.

For GASB determination, the accounting mortality table was Pri-2012 White Collar Dataset Amount-Weighted Mortality Projected with Scale MP-2020 with separate rates for employees, retirees, and contingent survivors.

Actuarial Assumptions

The year-end disclosure discount rate was reduced to 5.39% 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 (UNAUDITED)

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	-	25,444,856	13.5%
2020	3,483,051	3,192,712	290,339	27,851,284	12.9%
2021	3,261,231	3,261,231	-	30,335,951	10.8%

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 10%
	Age 65 is 50%,
	Age 66-69 is 15%
	Age 70 is 100%
Mortality Rates	Mortality as provided in Notice 2019-26, male and female, with separate rates for annuitants and non-annuitants (as prescribed by IRC 430).

Capital Metropolitan Transportation Authority

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

	2021	2020	2019
Total OPEB liability			
Service cost	\$ 347,410	\$ 273,875	\$ 256,296
Interest	75,751	82,805	150,911
Changes of assumptions or other inputs	(24,575)	(39,350)	(797,538)
Benefit payments	(77,759)	(74,626)	(72,364)
Net change in total OPEB liability	<u>320,827</u>	<u>242,704</u>	<u>(462,695)</u>
 Total OPEB liability—beginning	 3,119,109	 2,876,405	 3,339,100
Total OPEB liability—ending	<u><u>\$ 3,439,936</u></u>	<u><u>\$ 3,119,109</u></u>	<u><u>\$ 2,876,405</u></u>
 Covered- employee payroll	 \$ 30,335,951	 \$ 27,851,284	 \$ 25,444,856
 Total OPEB liability as a percentage of covered- payroll	 11.34%	 11.20%	 11.30%

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:

2021	2.26%
2020	2.21%
2019	2.66%

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.



Annual Comprehensive Financial Report
Other Supplementary Information-Combining Statements
Pension Trust Funds

Capital Metropolitan Transportation Authority
Combining Statements of Fiduciary Net Position
As of December 31

	Retirement Plan for Administrative		StarTran Retirement Plan		Total Fiduciary Funds	
	Employees					
	2020	2019	2020	2019	2020	2019
Assets						
Cash and cash equivalents	\$ 134,378	\$ 62,815	\$ 27,720	\$ 69,769	\$ 162,098	\$ 132,584
Receivables:						
Accrued interest and other dividends	-	-	55,774	44,280	55,774	44,280
Investment trades pending receivable	-	95,720	-	-	-	95,720
Total receivables	-	95,720	55,774	44,280	55,774	140,000
Investments:						
Common stock	-	-	3,732,368	5,253,217	3,732,368	5,253,217
Corporate bonds and other	-	-	5,546,919	4,585,861	5,546,919	4,585,861
Domestic equity mutual funds	23,243,915	18,985,971	-	-	23,243,915	18,985,971
Fixed income mutual funds	11,849,890	9,792,525	-	-	11,849,890	9,792,525
Government Securities	-	-	3,779,929	4,247,233	3,779,929	4,247,233
Grouped fixed annuity	3,451,276	2,788,429	-	-	3,451,276	2,788,429
International equity mutual funds	6,901,657	5,007,889	-	-	6,901,657	5,007,889
Mutual funds	-	-	25,851,033	20,756,007	25,851,033	20,756,007
Real estate mutual funds	-	1,179,368	-	-	-	1,179,368
United States government and agency	-	-	-	-	-	-
Money Market funds	-	-	392,899	338,665	392,899	338,665
Total investments	45,446,738	37,754,182	39,303,148	35,180,983	84,749,886	72,935,165
Total assets	45,581,116	37,912,717	39,386,642	35,295,032	84,967,758	73,207,749
Liabilities						
Accounts payable	27,690	33,727	3,912	10,400	31,602	44,127
Investment trades pending payable	16,535	62,815	-	-	16,535	62,815
Total liabilities	44,225	96,542	3,912	10,400	48,137	106,942
Net position held in trust for retiree benefits: restricted	\$ 45,536,891	\$ 37,816,175	\$ 39,382,730	\$ 35,284,632	\$ 84,919,621	\$ 73,100,807

Capital Metropolitan Transportation Authority
Combining Statements of Changes in Fiduciary Net Position
For the Years Ended December 31

	Retirement Plan for Administrative Employees		StarTran Retirement Plan		Total Fiduciary Funds	
	2020	2019	2020	2019	2020	2019
Additions:						
Contributions:						
Employee	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employer	3,261,230	3,046,377	3,999,996	3,999,996	7,261,226	7,046,373
Total contributions	3,261,230	3,046,377	3,999,996	3,999,996	7,261,226	7,046,373
Investment income (loss):						
Interest and dividend income	1,373,270	1,515,596	648,484	749,047	2,021,754	2,264,643
Net appreciation in fair value of investments	4,597,017	4,716,837	4,781,727	5,875,385	9,378,744	10,592,222
Total investment earnings	5,970,287	6,232,433	5,430,211	6,624,432	11,400,498	12,856,865
Less Investment expenses	43,371	43,807	126,611	118,631	169,982	162,438
Total investment income	5,926,916	6,188,626	5,303,600	6,505,801	11,230,516	12,694,427
Total additions -- net	9,188,146	9,235,003	9,303,596	10,505,797	18,491,742	19,740,800
Deductions:						
Benefit payments	1,391,785	1,117,525	4,985,498	4,910,211	6,377,283	6,027,736
Administrative expenses	75,645	72,269	220,000	205,491	295,645	277,760
Total deductions	1,467,430	1,189,794	5,205,498	5,115,702	6,672,928	6,305,496
Change in net position	7,720,716	8,045,209	4,098,098	5,390,095	11,818,814	13,435,304
Net position held in trust for retiree benefits: restricted, at beginning of year	37,816,175	29,770,966	35,284,632	29,894,537	73,100,807	59,665,503
Net position held in trust for retiree benefits: restricted, at end of year	<u>\$ 45,536,891</u>	<u>\$ 37,816,175</u>	<u>\$ 39,382,730</u>	<u>\$ 35,284,632</u>	<u>\$ 84,919,621</u>	<u>\$ 73,100,807</u>

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Annual Comprehensive Financial Report

Statistical Section

This section of Capital Metro's annual 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 67-68)

Revenue Capacity

These schedules contain information to help the reader assess Capital Metro's most significant local revenue source. (Pages 69-71)

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 72-73)

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 74-75)

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 76-82)

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

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

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Net Position										
Total assets	\$854,325,966	\$850,601,772	\$736,412,006	\$687,181,390	\$631,671,906	\$581,284,435	\$549,866,540	\$483,139,154	\$456,513,478	\$424,222,373
Deferred outflow	12,803,359	17,371,589	14,287,244	9,416,391	11,040,533	14,502,678	13,394,914	-	-	-
Total liabilities	118,818,874	127,147,202	118,047,916	106,423,127	121,349,555	98,573,715	100,896,496	74,546,316	79,719,171	92,197,909
Unearned grant revenue	-	-	8,797,035	17,140,344	18,828,476	41,375,065	45,450,146	-	-	-
Deferred Inflow	16,696,434	5,213,521	2,088,748	5,841,826	1,765,739	1,288,901	261,124	-	-	-
Net position										
Invested in capital assets	486,547,685	503,897,131	455,646,696	403,270,271	356,182,839	292,329,115	282,032,104	287,038,610	286,448,356	287,763,068
Unrestricted	245,066,332	231,715,507	166,118,857	163,922,213	144,585,830	162,220,317	134,621,584	121,554,228	90,345,951	44,261,396
Total net position	\$731,614,017	\$735,612,638	\$621,765,553	\$567,192,484	\$500,768,669	\$454,549,432	\$416,653,688	\$408,592,838	\$376,794,307	\$332,024,464

Unaudited - see accompanying auditor's report

CAPITAL METROPOLITAN TRANSPORTATION AUTHORITY
CHANGES IN NET POSITION
LAST TEN YEARS

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Operating Revenue										
Transportation fares	\$6,465,925	\$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
Contract revenue and fares	7,375,983	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
Rail - freight	5,757,035	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
Commuter rail	553,480	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
Total operating revenue	20,152,423	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
Operating Expenses										
Labor/fringe benefits (1)	47,586,293	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
Professional Services	29,696,493	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
Materials	10,951,965	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
Utilities	3,378,981	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
Insurance	2,663,563	386,174	640,414	1,279,723	517,691	681,159	2,321,705	1,748,556	2,461,415	1,367,652
Taxes	919,906	1,081,957	1,218,503	1,107,702	1,056,256	1,045,710	1,088,166	983,295	983,894	949,247
Purchased transportation (1)	152,615,784	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
Other expenses	5,662,001	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
Interest expense	-	-	-	252,919	369,935	480,141	589,510	697,383	800,365	750,835
Depreciation	50,552,475	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
Total operating expenses	304,027,461	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
Operating Loss	(283,875,038)	(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)
Non-Operating Revenue (Expenses)										
Sales and use tax	301,419,604	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
Investment income	373,750	4,440,688	5,659,749	1,990,000	1,395,002	1,386,061	54,646	92,949	99,480	86,006
Other income, net	3,483,709	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
Other federal grants	48,474,464	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
Capital Contribution - other jurisdictions	(18,229,137)	(4,497,317)	(420,730)	(542,830)	(57,160)	-	-	-	-	-
Build Central Texas Program	(243,000)	(148,510)	(570,966)	(409,978)	(2,927,158)	(180,544)	(563,293)	(756,097)	(1,808,588)	(1,216,386)
Mobility interlocal agreements	(1,860,141)	(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)
Long-term mobility planning	(66,749,749)	(6,699,699)	(3,895,780)	-	-	-	-	-	-	-
Total non-operating revenue (expenses)	266,669,500	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
Income (loss) before contributions	(17,205,538)	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)
Capital contributions	13,206,917	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
Change in net position	(\$3,998,621)	\$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

(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**

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Revenue										
Operating revenue:										
Transportation fares	\$6,465,925	\$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
Contract revenue and fares	7,375,983	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
Rail freight revenue	5,757,035	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
Commuter rail revenue	553,480	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
Total operating revenue	20,152,423	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
Non-operating revenue:										
Sales tax	301,419,604	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
Investment income	373,750	4,440,688	5,659,749	1,990,000	1,395,002	1,386,061	54,646	92,949	99,480	86,006
Grant income	61,681,381	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
Other Income	3,483,709	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
Total non-operating revenue	366,958,444	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
Total revenue	\$387,110,867	\$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

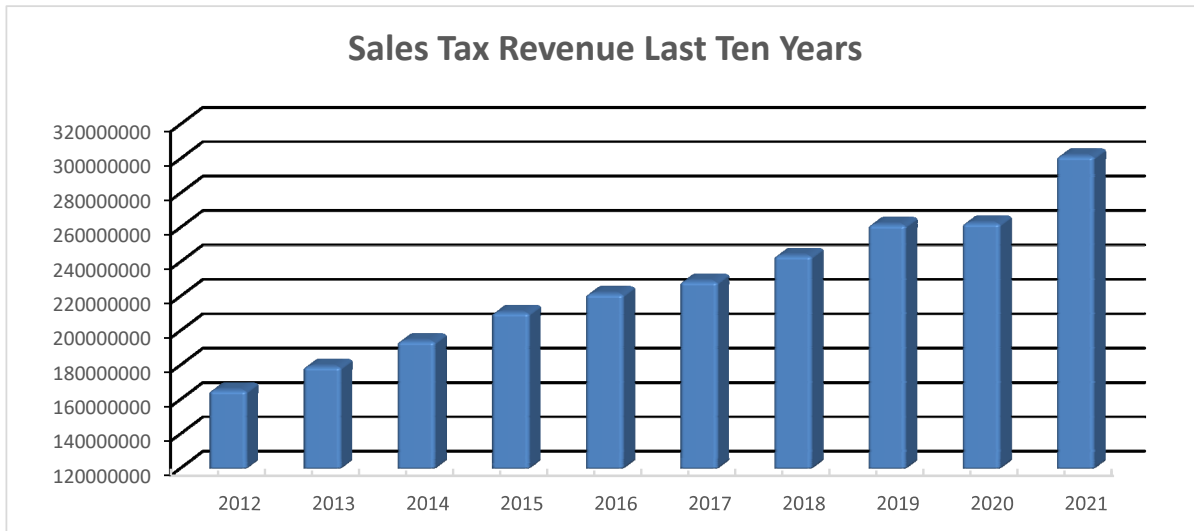
Unaudited - see accompanying auditors' report.

**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
2011	\$151,156,042		
2012	165,248,523	9.3%	9.3%
2013	179,022,794	18.4%	8.3%
2014	193,818,456	28.2%	8.3%
2015	210,413,739	39.2%	8.6%
2016	221,298,639	46.4%	5.2%
2017	228,545,196	51.2%	3.3%
2018	243,571,292	61.1%	6.6%
2019	261,540,589	73.0%	7.4%
2020	262,434,630	73.6%	0.3%
2021	301,419,604	99.4%	14.9%

Notes:

- (1) Sales tax revenue accounts for 77.8 % of revenue in FY 2021
- (2) Sales tax rate 1% since 1995
- (3) Base year for 2012 through 2021 is 2011



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

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Austin	\$271,427,655	\$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
Leander	9,567,029	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
Manor	2,044,747	1,624,939	1,344,004	1,155,286	1,068,012	998,823	818,330	716,592	526,223	431,028
Lago Vista	900,006	731,745	528,727	478,798	443,462	413,984	371,054	364,704	317,522	286,891
Jonestown	235,000	185,860	152,737	160,874	123,936	115,269	101,117	102,155	91,234	102,180
Volente	-	-	-	-	-	62,280	46,538	46,767	62,989	45,214
Point Venture	87,210	97,322	65,181	59,006	57,198	42,811	37,414	27,500	25,538	23,851
Unincorporated areas	17,157,957	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
Total	\$301,419,604	\$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

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**

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Rail lease purchase	\$ -	\$ -	\$ -	\$3,657,979	\$3,657,979	\$6,504,050	\$9,280,618	\$11,989,380	\$14,631,995	\$17,210,076
Long-term financing	-	-	-	10,550,000	10,550,000	12,525,000	14,460,000	16,355,000	18,210,000	20,000,000
Total debt	\$ -	\$ -	\$ -	\$14,207,979	\$14,207,979	\$19,029,050	\$23,740,618	\$28,344,380	\$32,841,995	\$37,210,076
Per capita income (MSA)	\$ -	\$ -	\$ -	\$53,908	\$53,908	\$51,566	\$51,014	\$49,001	\$46,241	\$45,943
Total debt/per capita income	\$ -	\$ -	\$ -	\$264	\$264	\$369	\$465	\$578	\$710	\$810

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
2021	\$301,419,604	\$20,152,423	\$48,474,464	(\$253,270,145)	\$116,776,346	\$ -	-
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

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

Unaudited - see accompanying auditor's report.

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)
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	2,187,161	138,028,065	63,393	2.6
2020	1,006,727	2,235,584	150,639,599	67,400	6.3

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 April 1 2020.

(2) Source: Bureau of Economic Analysis.

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

**CAPITAL METROPOLITAN TRANSPORTATION AUTHORITY
PRINCIPAL EMPLOYERS**

		Fiscal Year Ended September 30						
10 Largest Employers	Industry	2019				2011		
		Rank	Employees		Total (1)	Rank	Employees	Total
State Government	Government	1	39,086	(2)	3.58%	1	37,818	4.90%
The University of Texas at Austin	Education	2	27,426	(3)	2.51%	2	22,956	3.16%
H-E-B	Retail	3	18,035	(4)	1.65%	8	10,263	1.50%
Federal Government	Government	4	17,100	(5)	1.57%	7	11,000	1.39%
City of Austin	Government	5	14,772	(6)	1.35%	4	11,997	1.41%
Dell Computer Corporation	Computers	6	14,030	(4)	1.28%	3	14,000	1.78%
Ascension Seton	Healthcare	7	11,227	(4)	1.03%	6	11,601	1.47%
Austin Independent School District	Education	8	11,005	(7)	1.01%	5	11,736	0.84%
St. David's Healthcare Partnership	Healthcare	9	10,836	(4)	0.99%	9	7,100	1.46%
Walmart Stores Inc.	Retail	10	7,500	(8)	0.69%		-	0.00%
IBM Corporation	Computers		-		0.00%	10	6,239	(7) 0.81%
			171,017		15.66%		144,710	18.72%

Notes:

- (1) Texas Workforce Commission - Total refers to a Metropolitan Statistical Area (MSA) employed work force of 1,092,200 for 2020 and 818,300 for 2011.
- (2) Texas State Auditor's Office: Regular and Part Time State Employees for 2020 in Bastrop, Caldwell, Hays, Travis and Williamson Counties.
- (3) The University of Texas at Austin Appointments and WD filled Positions.
- (4) Austin Chamber of Commerce - Top Employers for Austin MSA - Fall 2020.
- (5) Bureau of Labor Statistics Federal Government employees in Austin MSA in September 2020.
- (6) 2020-21 City of Austin Approved Budget, page 595 (Personnel Summary).
- (7) Texas Education Agency 2019-2020 Texas Academic Performance Report for AISD District Number 227901.
- (8) Austin Business Journal January 2019.

Unaudited - see accompanying auditor's report.

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

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Operating Expenses										
Labor/fringe benefits	\$47,586,293	\$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
Services	29,696,493	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
Materials	10,951,965	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
Utilities	3,378,981	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
Insurance	2,663,563	386,174	640,414	1,279,723	517,691	681,159	2,321,705	1,748,556	2,461,415	1,367,652
Taxes	919,906	1,081,957	1,218,503	1,107,702	1,056,256	1,045,709	1,088,166	983,295	983,894	949,247
Purchased transportation	152,615,784	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
Other expenses	5,662,001	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
Interest expense	-	-	-	252,919	369,935	480,142	589,510	697,383	800,365	750,835
Depreciation	50,552,475	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
Total operating expenses	\$304,027,461	\$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
Non-Operating Expenses										
Build Central Texas	\$243,000	\$148,510	\$570,966	\$409,978	\$2,927,158	\$180,544	\$563,293	\$756,097	\$1,808,588	\$1,216,386
Mobility programs	1,860,141	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
Long-term mobility planning	66,749,749	6,699,699	3,895,780	-	-	-	-	-	-	-
Capital contributions - other jurisdictions	18,229,137	4,497,317	420,730	542,830	57,160	-	-	-	-	-
Total non-operating expenses	\$87,082,027	\$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

Unaudited - see accompanying auditor's report.

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

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Operating expenses										
Demand response directly operated	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$23,163,134
Demand response-purchased transportat	45,082,917	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
Demand response taxi cab	-	-	-	-	-	846,445	849,406	357,792	515,059	857,353
Express bus directly operated	-	-	-	-	-	-	-	-	-	8,755,409
Express bus-purchased transportation	1,759,661	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
Motor bus-purchased transportation	160,166,036	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
Commuter rail-purchased transportation	28,286,746	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
Vanpool-directly operated	-	-	-	-	-	-	-	365,156	2,137,476	2,220,742
Vanpool-purchased transportation	1,329,255	2,385,786	2,401,218	1,143,337	1,452,639	1,273,091	2,387,524	1,126,906	-	-
Total operating expenses**	\$236,624,615	\$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
Actual vehicle revenue miles										
Demand response directly operated	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$2,956,691
Demand response purch. trans.	4,335,557	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
Demand response taxi cab	-	-	-	-	-	146,782	149,625	111,189	122,604	228,402
Express bus directly operated	-	-	-	-	-	-	-	-	-	626,413
Express bus purch. trans.	198,431	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
Motor bus purch. trans.	15,285,064	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
Commuter rail purch. trans.	544,815	532,347	291,066	310,272	301,020	298,379	287,997	279,757	279,359	237,125
Vanpool-directly operated	-	-	-	-	-	-	-	338,077	1,132,983	1,135,160
Vanpool-purchased transportation	2,464,994	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	\$22,828,861	\$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

** 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

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Actual vehicle revenue hours										
Demand response directly operated	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$204,046
Demand response purch. trans.	397,986	414,642	404,492	385,547	396,660	382,088	367,735	333,772	314,473	104,261
Demand response taxi cab	-	-	-	-	-	6,725	7,043	5,598	5,187	8,780
Express bus directly operated	-	-	-	-	-	-	-	-	-	32,761
Express bus purch. trans.	8,298	32,738	61,632	47,486	40,364	40,182	40,132	39,564	36,780	4,192
Motor bus directly operated	-	-	-	-	-	-	-	-	-	632,112
Motor bus purch. trans.	1,324,579	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
Commuter rail purch. trans.	21,925	22,117	12,393	13,157	12,725	12,536	11,976	11,613	11,559	10,174
Vanpool-directly operated	-	-	-	-	-	-	-	12,754	42,089	41,243
Vanpool-purchased transportation	44,780	93,532	119,102	116,427	101,553	86,694	67,713	29,007	-	-
Total actual vehicle revenue hours	\$1,797,568	\$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
Annual unlinked trips										
Demand response directly operated	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$382,786
Demand response purch. trans.	487,924	550,702	706,989	694,632	650,696	656,476	647,054	613,590	592,042	195,529
Demand response taxi cab	-	-	-	-	-	25,902	28,678	19,730	20,144	33,431
Express bus directly operated	-	-	-	-	-	-	-	-	-	520,834
Express bus purch. trans.	45,894	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
Motor bus purch. trans.	15,789,410	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
Commuter rail purch. trans.	256,982	377,703	729,508	811,242	824,704	806,331	833,195	763,551	834,699	527,370
Vanpool-directly operated	-	-	-	-	-	-	-	65,624	219,902	225,192
Vanpool-purchased transportation	235,669	432,153	548,873	511,337	459,555	432,558	344,695	168,300	-	-
Total actual unlinked trips	\$16,815,879	\$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

Unaudited - see accompanying auditors' report

OPERATING STATISTICS LAST TEN YEARS, continued

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Annual passenger miles										
Demand response directly operated	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$2,978,934
Demand response purch. trans.	3,203,806	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
Demand response taxi cab	-	-	-	-	-	169,347	179,147	128,787	138,430	261,435
Express bus directly operated	-	-	-	-	-	-	-	-	-	8,204,168
Express bus purch. trans.	759,804	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
Motor bus purch. trans.	74,122,215	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
Commuter rail purch. trans.	3,044,287	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
Vanpool-directly operated	-	-	-	-	-	-	-	1,835,645	5,824,978	5,631,716
Vanpool-purchased transportation	11,511,477	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	\$92,641,589	\$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

**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**

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Capital assets not being depreciated:										
Land and Improvement	\$71,535,284	\$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
Construction in process	38,216,729	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
Total capital assets not being depreciated	109,752,013	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
Other Capital Assets:										
Building and equipment	96,323,337	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
Railroad	197,356,821	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
Buses and equipment	440,453,623	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
Passenger parking and stations	113,345,696	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
Leasehold improvements	391,483	352,908	-	-	-	-	-	-	82,198	82,198
Total other capital assets	847,870,960	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
Less: accumulated depreciation										
Building and equipment	60,028,429	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
Railroad	140,167,895	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
Buses and equipment	198,893,189	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
Passenger parking & stations	71,817,638	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
Leasehold improvements	118,188	41,174	-	-	-	-	-	-	82,196	82,196
Total accumulated depreciation	471,025,339	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
Total capital assets, net	\$486,597,634	\$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

Unaudited - see accompanying auditors' report.

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

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Employee Count										
Capital Metro - administration	579	503	495	504	463	428	443	447	407	384
Total Active Employees	579	503	495	504	463	428	447	407	384	1,277

Source: Capital Metro Human Resource Department.

Employee count includes 178 and 187 part-time Security officers in 2020 and 2021, respectively, (plus temporary employees and interns).

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)
AND FARE STRUCTURE**

YEAR	PERCENTAGE	YEAR	PERCENTAGE
2014	10.60%	2018	9.90%
2015	9.92%	2019	9.90%
2016	10.69%	2020	6.50%
2017	10.60%	2021	5.70%

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

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.



Capital Metropolitan Transportation Authority

2910 East 5th Street
Austin, TX 78702

Finance, Audit and Administration Committee

Item #: AI-2022-446

Agenda Date: 6/13/2022

Initial Review and Discussion of the FY2023 Proposed Budget



FY2023 Budget Development Update

Board Committee Meetings 6/13

FY2023 Budget Development Calendar

- Feb 2 Operating and Capital Budget kick-off meeting with departments
- Apr 15 Operating and Capital Budget requests received from departments
- May 23 Board of Directors review proposed budget calendar
- Jun 1 Initial review with Access Advisory Committee
- Jun 8 Initial review with Customer Satisfaction Advisory Committee
- Jun 13 Board Committees initial review and discussion
- Jul 13 Budget proposal presented to Board Committees
- Jul 25 Budget proposal presented to Board of Directors

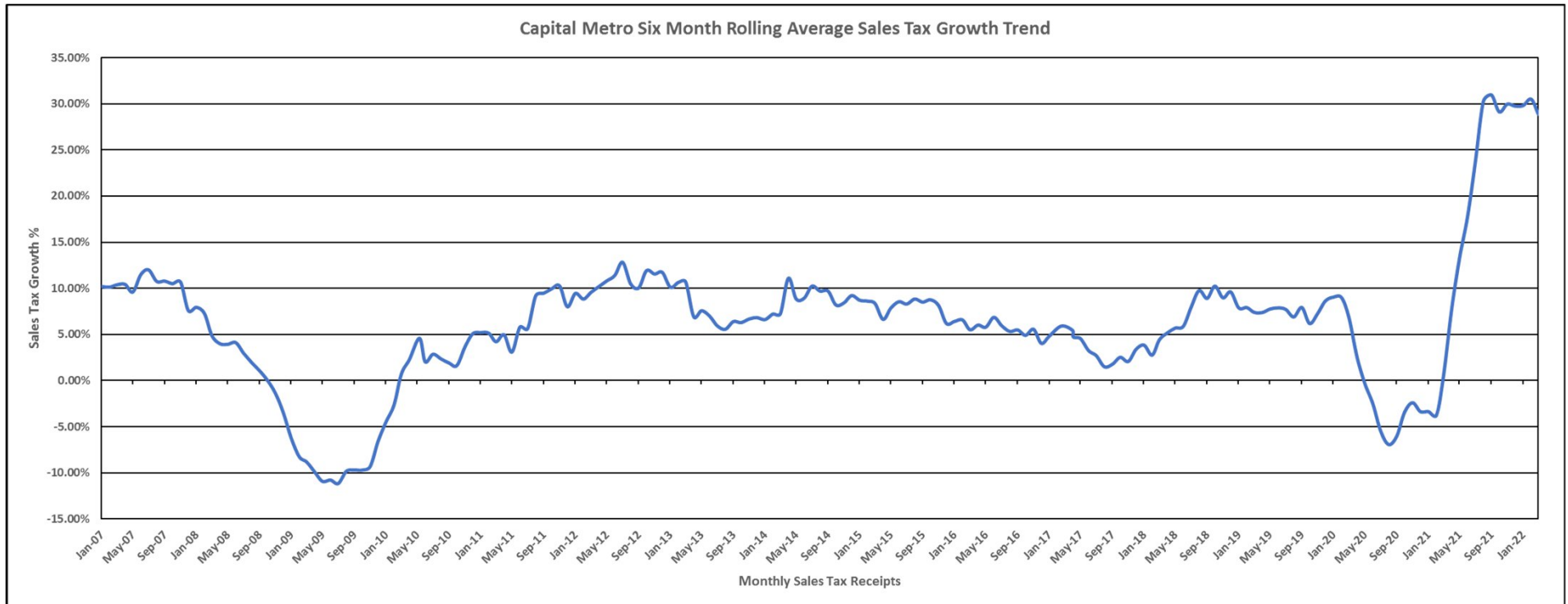
FY2023 Budget Community Engagement

- Aug 3 Presentation to Access Advisory Committee
- Aug 10 Presentation to Customer Satisfaction Advisory Committee
- Aug 15 Update Board Committees
- Aug 22-26 Budget public outreach and webinar
- Aug 24 Proposed budget document is published online
- Sep 14 Update Board Committees
- Sep 14 Public hearing on proposed budget and capital improvement plan
- Sep 26 Board of Directors considers budget proposal for adoption

Discussion Outline

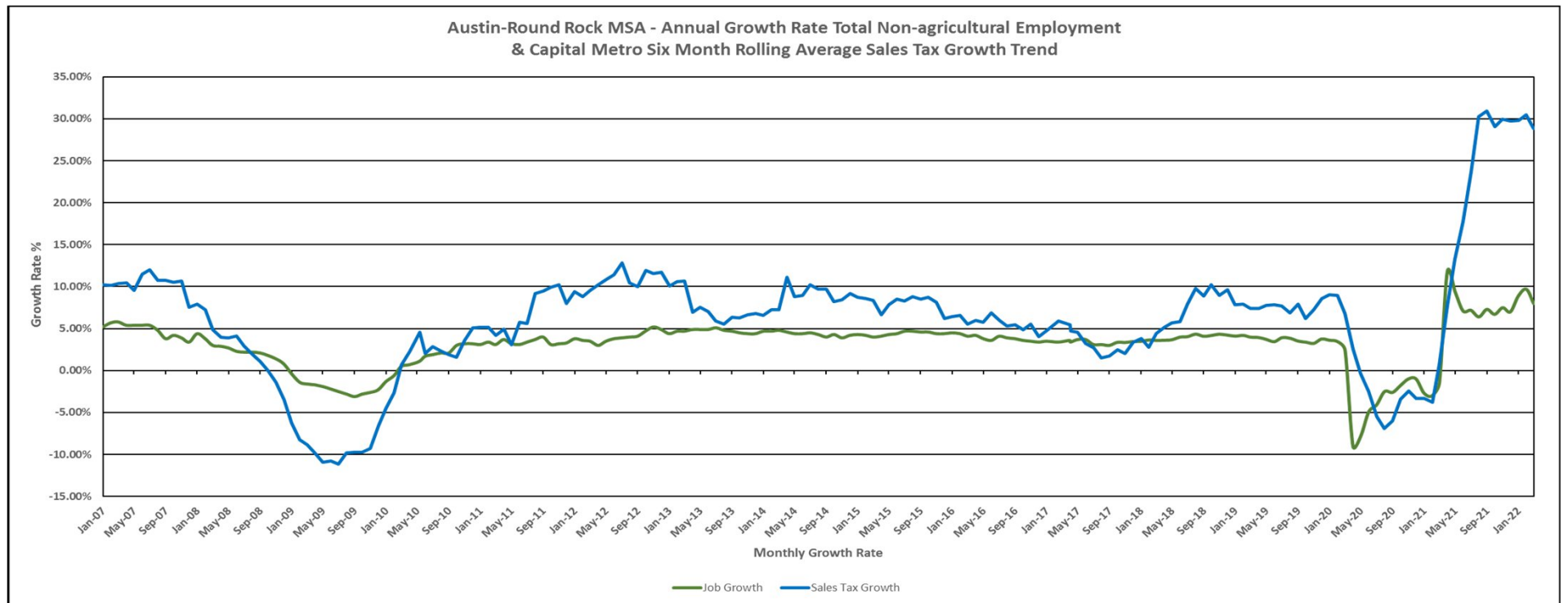
- Key FY2023 budget assumptions
- Major operating budget assumptions
 - Revenue and cost drivers
- Service priorities and funding
- Capital Improvement Plan update
- Long-Range Financial Model used to balance operating and capital budget requests against estimated available funds over 5-year period and long-term outlook

Sales Tax Growth



Projected sales tax growth for Fiscal Years 2022 and 2023 to be determined based on upcoming sales tax receipts. Year to Date March 2022 sales taxes increased by 28.1% compared to the last fiscal period.

Job Growth



Austin-Round Rock MSA employment increased for a 13th consecutive month in March 2022.

Operating Revenue

- Fare Revenue
 - Fare revenue to be developed with updated ridership projections
- Federal Grants
 - Approximately \$44.2 million annually in Section 5307 funds
 - CRRSAA and American Rescue Plan grants to be drawn in FY2022 and FY2023
- Freight Railroad Revenue
 - Mainline revenue on target with the FY2022 Budget of \$5.2 million
 - Section 45G Railroad Track Maintenance Tax Credit of \$544 thousand

Operating Expenses

- Service levels based on August Service Plan changes
- Fuel prices remain stable over the next fiscal year with hedging in place
 - Estimate of \$2.40 per gallon, net of hedging activities
- Average annualized pay increase for employees
 - Performance-based program that represents an average cost across the agency
- New position requests under review by Senior Executive Team
- Strategic plan initiatives considered in the budget preparation



Capital Budget Highlights

- Electric bus purchases and infrastructure construction
- 2910 East Fifth campus reconfiguration
- Demand response operations and maintenance facility
- Red Line optimization projects
- MetroBike station expansion and replacements
- Bus stop enhancements



Project Connect Highlights

- MetroRapid Lines – Vehicles, stations and electric charging
- MetroExpress Park & Rides
- Continued and new Pickup Zones operations
- Master facility plan expansion
- Organizational development and operational readiness
- Continued Interlocal Agreements for staffing and support services

CapMetro

Thank you!



Capital Metropolitan Transportation Authority

2910 East 5th Street
Austin, TX 78702

Finance, Audit and Administration Committee

Item #: AI-2021-307

Agenda Date: 6/13/2022

Internal Audit FY2022 Audit Plan Status

FY22 INTERNAL AUDIT PLAN

Department Scorecard

	Projects	Status & % Complete	Additional Details
	FAA COMMITTEE & INTERNAL AUDIT CHARTER COMPLIANCE		
1	Finance, Audit & Administration (FAA) Committee Meetings: 10/13; 11/10; 12/8; 2/14; 4/13; 5/11; 6/13; 7/13; 8/15; 9/14	In-Process	
2	Semi-annual Implementation Status Report - November 2021	Completed	February
3	Semi-annual Implementation Status Report - May 2022	In-Process	July
4	FY2022 Risk Assessment & development of FY23 Audit Plan		October
	FY22 Audit Assurance & Advisory Projects		
1	GRC (ITS2403) & Contract Performance Management System Advisory (ITS2205)	Completed	June
2	Transit Store with Ticket Focus (Hardcopy and e-tickets)	Completed	December
3	Saltillo Development with Focus on Lease Revenues	Completed	February
4	Business Continuity (COOP Plan, Advisory)	Completed	June
5	NIST Cybersecurity Framework (Facilitated Self-Assessment) - will resume when BCG Review is completed		Dependent on BCG Completion
6	FTA Triennial Review - 11/29 Notice; 1/21 Delivered Files; 4/11 Virtual Site Visit	In-Process	July
7	QAR (Quality Assurance Review) of Internal Audit practices and IIA & GAO compliance - week of 8/29 for site visit	In-Process	October 2022
8	Annual Cybersecurity Review (Vulnerability Assessment & Penetration Test)		September
9	ERP (Oracle) Implementation Advisory	In-Process	October
10	P-Cards & IT Procurement	Completed	June - UT Interns
11	Public Transportation Agency Safety Plan (PTASP)	In-Process	August
12	Benchmarking Policies & Procedures (Structure, Content, Governance & Training)		September
	CONTINGENT AUDIT PROJECTS - FY22		
1	Infor System - post go live review		
2	Salary Adjustment & Merit Process		
3	Facilities Maintenance - Contract Monitoring & Compliance	Completed	June
4	Paratransit & Demand Response Operations		
5	United Healthcare & Other Self-Insured Benefits (TPA Payments)		
6	Bytemark - Account-Based System		
7	Microsoft Sharepoint & Active Directory		
8	Safety Management System (SMS) - Management of Change		
9	Board Policies/Goals - Monitoring & Reporting (e.g., OTP; Fare Recovery; DBE; Title 6 Equity Analysis; etc.)		

	NEW PROJECTS ADDED TO FY22 AUDIT PLAN by Terry Follmer		
1	Downtown Station - Closeout (Benchmarking & Analysis)	In-Process	August
2	MV Contract Changes - Audit Support (e.g. Payroll controls, Spare Parts, etc.)	In-Process	July/August
3	GRC (Governance Risk & Compliance) System Implementation	In-Process	Jan 2023
4			
5			



Capital Metropolitan Transportation Authority

2910 East 5th Street
Austin, TX 78702

Finance, Audit and Administration Committee

Item #: AI-2022-451

Agenda Date: 6/13/2022

UT Austin Spring 2022 Intern Reports - Facilities Maintenance and Purchasing Card Process

CapMetro

Internal Audit
UT Internal Audit Projects – Spring
2022

CAP METRO – UT Audit Intern Program

- CapMetro joined UT Audit Intern Program in the 2018 Fall semester.
- UT's #1 ranked Masters of Professional Accounting Audit class requires an audit internship.
- Course Syllabus Objective: "introduce students to the current scope of internal auditing that extends far beyond the traditional external audit attestation of financial statements."
- Teams of three students are assigned to each project.
- The audit project objectives and deliverables are identified and set at the beginning of the project in the planning stage.
- The projects require a combination of auditing skills together with business consulting and advisory skills.
- UT Audit Interns work under the guidance of the VP of Audit and staff.

UT Audit Projects Chosen – Spring 2022

Two Projects Chosen:

1. Facilities Maintenance – data analytics, contract review, and process controls review
2. Purchasing Card Controls & Data Analytics – documented and benchmarked controls, data analytics

Deliverables

	Process Review	Flowcharting	Contract Review	Benchmarking	Data Analytics	Presentation with Recommendations
Facilities Maintenance	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Purchasing Card	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

Facilities Maintenance – Data Analytics

- We performed data analytics on asset records in Hexagon (our Asset Management System) and found some assets had missing or inaccurate data or were missing a preventive maintenance program to help keep the asset in good condition.

Results from Testing Key Fields in Hexagon Facilities Maintenance Assets		
FTA Requirement	Name of Field	% of Key Fields with Missing Info. (Blank)
YES	In-Service/Purchase Date	17%
YES	Purchase Cost	19%
YES	Condition Rating	20%
No	Warranty Info	100%
No	Model #	51%
No	Serial #	61%

Results from Testing Preventive Maintenance Programs in Hexagon Facilities Maintenance Assets			
Location	# Total Assets	# Assets Missing a PM Program	% Assets Missing a PM Program
509 Thompson Lane	134	70	52%
2910 E. 5th Street	632	323	51%
9315 McNeil Road	635	125	20%
624 Pleasant Valley	20	2	10%
Note: The results above only include child assets. Parent assets were excluded because they represent a group of children assets and not a unique asset.			

Facilities Maintenance – Controls Testing & Contract Review

- We performed a controls review and found the following areas of improvement:
 1. Different asset ID numbers were used in Hexagon (Asset Management System) and AX (Accounting System) and the two system could not be fully reconciled.
 2. There were no written procedures to formalize the fixed asset inventory count process.
 3. Current physical inventory policy didn't provide specific details on the who, when, and why.
 4. Service provider contract lacked detailed requirements. For example, it included "major" shop equipment, however, didn't define this using a dollar amount.

Facilities Maintenance – Recommendations

1. Perform a one-time, full inventory of all assets recorded in systems.
2. Identify required fields in Hexagon (for all stakeholders) and document this in procedure guides, etc.
3. Ensure FTA-required fields are completely and accurately filled out.
4. Strengthen controls for the physical inventory process by completing the following:
 - Add further details to the policy that states the who, when, and why.
 - Update records in the AX and Hexagon within 7 days of the physical inventory count.
 - Develop written procedures or SOPs to formalize the physical inventory count process.
 - Perform physical inventories with a representative from each respective service area or department.
5. Create consistent asset tags in both Hexagon and AX systems.
6. Define expectations for service providers and internal QA/QC staff by creating and continually refining a Building & Equipment Maintenance Plan.
7. Develop a detailed Contract Monitoring Plan (CMP) for each service provider that outlines exactly how CapMetro staff should monitor contract compliance.
8. Identify and document steps to generate Hexagon reports that can be used to identify trends, outliers, and contract compliance.

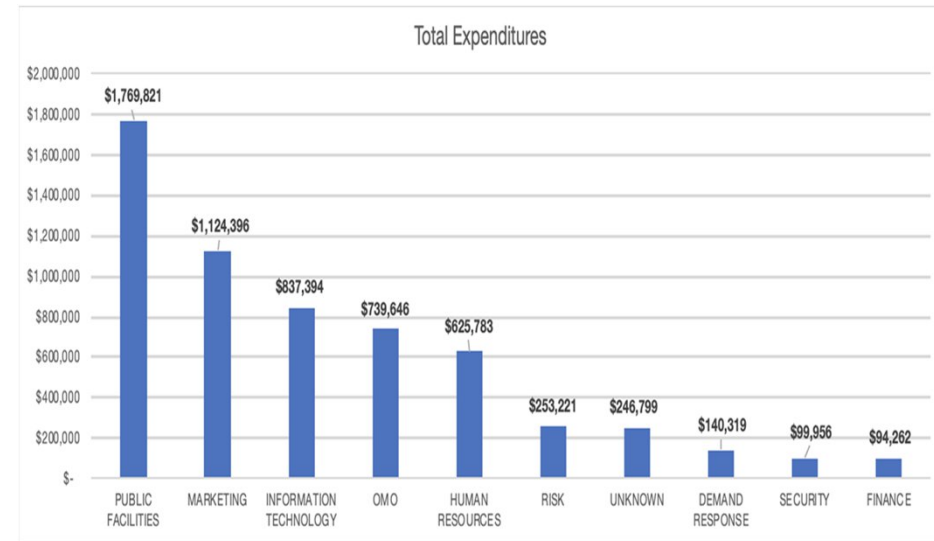


Sample of Data Analytics

P-Cards & Spending, 2018-2022

Year	P-Card User w/ Transactions	Calendar Year Expense	Source
2018	56	\$ 1,070,204	Level III Data
2019	57	\$ 1,465,587	Level III Data
2020	74	\$ 1,517,296	Level III Data
2021	73	\$ 2,444,097	Level III Data
2022	86	\$ 2,899,944	Level III Data (Jan, Feb, March extrapolated over 12 Months)

P-Card Spending by Department, 2018-2021



P-Card Policy Benchmarking & Recommendations

Policy Benchmarking with VIA and DART

Emergency/Exigent Circumstances: “Cardholders must limit their use of the card to emergencies or exigent situations that do not allow the time needed to process a purchase through VIA’s standard centralized procurement processes. When not an emergency or exigent situation, contact the Procurement Division to make a purchase” (VIA).

Repercussions: “including termination of employment” (VIA). “Will be personally liable for the total amount of any unauthorized purchase” (DART).

Training: “Cardholders shall be retrained if their P-Card account is suspended, inactive for at least twelve (12) consecutive months; or, as otherwise determined” (VIA).

Sales Tax: “Vendor must also be willing to honor VIA’s tax-exempt status. In some cases, certain small vendors may not be equipped to deduct sales taxes from purchases” (VIA). These are the only cases when paying sales tax is authorized.

MCC Restrictions: “Certain transactions are not allowed due to restrictions placed on a vendor’s MCC. Restrictions can be temporarily disabled to allow a purchase with advance approval and written authorization” (DART).

Summary of Recommendations

1. Transition from manual review packets to the more automated JPM SmartData review process
2. Restrict transactions with certain Vendors/Companies for which details of order are unknown (Venmo, PayPal, Square) or require additional reporting info
3. Block transactions with certain MCC codes
4. Consider establishing business contracts with top vendors (e.g. Home Depot, Grainger, etc.)
5. Strengthen CapMetro Policies, Procedures, forms and compliance reporting related to P-Cards
6. Implement further training beyond signing annual P-Card agreement to make employees more aware of policies and procedures and tax refund process
7. Conduct more research on actual sales tax paid and begin refund process
8. Improve controls on who gets approved for P-Card and corresponding credit limit
9. Merge SmartData with Level III dataset to combine transaction details with business purpose for more transparency into P-Card expenditures
10. Increase approvals needed to obtain a P-card and/or modify existing credit limit.
11. Update policies, procedures and forms to be in line with each other (e.g. \$ Limits)
12. Annual analysis of compliance by user and need for a card by department and user.
13. Quarterly compliance reports and details of transactions given to each department head and reviewed by Controller, CFO and Head of Procurement.

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Questions?