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AGENDA

San Mateo County Transit District

Audit Committee Meeting

November 13, 2026, 1:00 pm

Primary Location:
Public Hearing Room, 5th Floor
166 North Rollins Road
Millbrae, CA 94030

Alternate Location:
3940 Hortensia Street, Suite 206
San Diego, CA 92110

Committee Members: Jeff Gee (Chair), Josh Powell, Jackie Speier

Members of the public may attend in person at the noticed location(s) or participate remotely via Zoom at: **https://us02web.zoom.us/j/83680077646?pwd=VAKjs7BG1vMiObnypQNJjY7GM4S1kS.1** or by entering Webinar ID: **836 8007 7646**, Passcode: **031920** in the Zoom app for audio/visual capability or by calling 1-669-900-9128 (enter webinar ID and press # when prompted for participant ID) for audio only. The video live stream will be available after the meeting at https://www.samtrans.com/about-samtrans/video-board-directors-cac-and-measure-w-coc.

Public Comments: Written public comments may be emailed to publiccomment@samtrans.com or mailed to 166 North Rollins Road, Millbrae, CA 94030, and will be compiled and posted along with any Committee correspondence. Any written public comments received within two hours prior to the start of the meeting will be included in the Committee correspondence reading file, posted online at: https://www.samtrans.com/meetings.

Oral public comments will also be accepted during the meeting in person and through Zoom* or the teleconference number listed above. Public comments on individual agenda items are limited to one per person PER AGENDA ITEM. Participants using Zoom over the Internet should use the Raise Hand feature to request to speak. For participants calling in, dial *67 if you do not want your telephone number to appear on the live broadcast. Callers may dial *9 to use the Raise Hand feature for public comment. Each commenter will be recognized to speak and callers should dial *6 to unmute themselves when recognized to speak.

Note: All items appearing on the agenda are subject to action by the Committee. Staff recommendations are subject to change by the Committee.

Each public comment is limited to one minute or less. The Committee Chair has the discretion to manage the Public Comment process in a manner that achieves the purpose of public communication and assures the orderly conduct of the meeting.

Friday, November 13, 2026 1:00 pm

1. Call to Order / Pledge of Allegiance

2. Roll Call

3. Safety Message

4. Public Comment on Items Not on the Agenda
   Comments by each individual speaker shall be limited to one (1) minute. Items raised that require a response will be deferred for staff to reply.

5. Approval of Meeting Minutes for November 14, 2025 Motion

6. Acceptance of the San Mateo County Transit District's Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2026 Motion

7. Adjournment

Note: All items appearing on the agenda are subject to action by the Committee. Staff recommendations are subject to change by the Committee.

Information for the Public

If you have questions on the agenda, please contact the District Secretary at 650-551-6108. Agendas are available on the SamTrans website at: https://www.samtrans.com/meetings. Communications to the Board of Directors can be emailed to board@samtrans.com.

Free translation is available; Para traducción llama al 1.800.660.4287; 如需翻译 请电 *1.800.660.4287*

Date and Time of Regular Board and Committees and Citizens Advisory Committee Meetings
San Mateo County Transit District (SamTrans) Board and Committees: First Wednesday of the month, 2:00 pm; SamTrans Citizens Advisory Committee (CAC): Last Wednesday of the month, 6:30 pm. Date, time and location of meetings may be changed as necessary. Meeting schedules for the Board, Board Committees, and CAC are available on the website.

Location of Meeting
Members of the public may attend in person or participate remotely via Zoom as per the information provided at the top of the agenda. Should Zoom not be operational, please check online at: https://www.samtrans.com/meetings for any updates or further instruction.

Public Comment
Members of the public may participate remotely or in person. Public comments may be submitted by comment card in person and given to the District Secretary. Written public comments may be emailed to publiccomment@samtrans.com or mailed to 166 North Rollins Road, Millbrae, CA 94030, and will be compiled and posted weekly along with any Audit Committee correspondence. Any written public comments received within two hours prior to the start of the meeting will be included in the weekly Audit Committee correspondence reading file, posted online at: https://www.samtrans.com/meetings.

Oral public comments will also be accepted during the meeting through Zoom or the teleconference number listed above. Online commenters will be automatically notified when they are unmuted to speak. Public comments on individual agenda items are limited to one per person PER AGENDA ITEM. Each public comment is limited to one minute or less. The Committee Chair shall have the discretion to manage the Public Comment process in a manner that achieves the purpose of public communication and assures the orderly conduct of the meeting.

Accessible Public Meetings/Translation
Upon request, SamTrans will provide for written agenda materials in appropriate alternative formats, or disability-related modification or accommodation, including auxiliary aids or services, to enable individuals with disabilities to participate in and provide comments at/related to public meetings. Please submit a request, including your name, phone number and/or email address, and a description of the modification, accommodation, auxiliary aid, service or alternative format requested at least 72 hours in advance of the meeting or hearing. Please direct requests for disability-related modification and/or interpreter services to the Title VI Administrator at San Mateo County Transit District, 166 North Rollins Road, Millbrae, CA 94030; or email titlevi@samtrans.com; or request by phone at 650-622-7864 or TTY 650-508-6448.

Availability of Public Records
All public records relating to an open session item on this agenda that are not exempt from disclosure pursuant to the California Public Records Act and that are distributed to a majority of the legislative body will be available for public inspection at 166 North Rollins Road, Millbrae, CA 94030 at the same time that the public records are distributed or made available to the legislative body.

Note: All items appearing on the agenda are subject to action by the Committee. Staff recommendations are subject to change by the Committee.

San Mateo County Transit District
Audit Committee
Regular Meeting

1250 San Carlos Avenue, San Carlos, California
San Bruno City Hall, 570 Linden Avenue, Conference Room 115, San Bruno, CA 94066

DRAFT Minutes of November 14, 2025

Members Present:	Marie Chuang
Members Present via Teleconference:	Rico E. Medina
Members Absent:	Marina Fraser
Staff Present:	J. Cassman, A. Chan, A. Feng, K. Jordan Steiner, L. Lumina-Hsu, A. To

1. **Call to Order / Pledge of Allegiance**
   Acting Committee Chair Marie Chuang called the meeting to order at 3:36 pm.

2. **Roll Call**
   Loana Lumina-Hsu, Deputy District Secretary, called the roll and confirmed a quorum was present.

3. **Public Comments on Items Not on the Agenda** – There were none.

4. **Approval of Meeting Minutes for November 15, 2024**
   Motion/Second: Medina/Chuang
   Ayes: Chuang, Medina
   Noes: None
   Absent: Fraser

   Chair Fraser joined the meeting at 3:38 pm invoking Assembly Bill (AB) 2449 for emergency circumstances due to illness.

   Motion/Second: Fraser/Chuang
   Ayes: Chuang, Medina, Fraser
   Noes: None

5. **Acceptance of the San Mateo County Transit District's Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2025**
   Annie To, Director, Accounting, introduced Ahmad Gharaibeh, Partner, Eide Bailly, LLC, who provided the presentation, which included the following:
   - District received an unmodified (clean) audit opinion

- No internal control findings or compliance issues were identified
- National Transit Database (NTD), Transportation Development Act (TDA), and Measure W audits also had no findings

Joan Cassman, General Counsel, announced Director Fraser would be unable to attend the meeting under AB 2449 and asked Director Chuang to resume Acting Chair duties.
Ms. Lumina-Hsu clarified under AB 2449 an in-person quorum needed to be present for a Director to invoke attendance. Ms. Lumina-Hsu stated the Audit Committee met the quorum requirements under the Brown Act with Director Chuang attending in-person and Director Medina attending under traditional teleconference, however Chair Fraser could not participate as an active Committee member. Ms. Lumina-Hsu clarified Chair Fraser can attend as a member of the public and provide comment during the public comment period, however any comments or questions by Chair Fraser could only be answered by staff if the Committee entertains a response.

The auditors provided further clarification in response to the Committee comments and questions, which included the following:

- Potential impact of a federal government shutdown on federal audit timing
- Clarification on the District's significant accounting estimates, including self-insurance liabilities

Public Comment
Marina Fraser thanked staff and auditors.

Motion/Second: Medina/Chuang
Ayes: Medina, Chuang
Noes: None
Absent: Fraser

6. **Adjourn** – The meeting adjourned at 3:58 pm.

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San Mateo County Transit District
Staff Report

To: Audit Committee

Through: April Chan, General Manager/CEO

From: Chris Andrichak, Chief Financial Officer

Subject: **Acceptance of the San Mateo County Transit District's Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2026**

Action

Staff recommends that the Audit Committee advise the Board of Directors (Board) of the San Mateo County Transit District (District) to accept the District's Annual Comprehensive Financial Report (ACFR) for Fiscal Year 2026 (FY26).

Discussion

Each year, District staff prepare a comprehensive report detailing the financial position and results of the organization. To ensure transparency and accountability, the District engages an independent auditor, Eide Bailley CPA, to conduct annual audits of the financial statements prepared by staff. These audits are performed in accordance with Generally Accepted Auditing Standards in the United States and the Government Auditing Standards issued by the Comptroller General of the United States. The independent auditor has issued an unmodified, or "clean" opinion on the Financial Statements.

The audited financial statements, along with the auditor's opinion, are published in the FY26 ACFR. This document serves as the District's primary vehicle for financial disclosure to the public and the financial community.

The FY26 ACFR is prepared in accordance with Government Accounting Standards Board (GASB) and is organized into three main sections:

- **Introductory Section**: Includes a Transmittal Letter and provides general information about the District's organizational structure, personnel, and economic outlook.

- **Financial Section**: Contains the audited financial statements and comparative financial data. It also includes the Management Discussion and Analysis (MD&A), which, alongside the Transmittal Letter, is especially valuable for those seeking a narrative overview of the District's financial performance.

- **Statistical Section**: Offers a wide array of data on financial trends, revenue and debt capacity, operational metrics, economic and demographic indicators.

While the Introductory and Statistical Sections are not required by the California Government Code as part of the audited financial statements, they are essential components of the ACFR. The District's FY26 ACFR includes these sections to provide stakeholders with a more complete and accessible understanding of the District's financial condition.

Together, the three sections of the District's FY26 ACFR offer both detailed data and contextual insight necessary to evaluate the District's fiscal health. The FY26 ACFR will be presented to the SamTrans Board on December 2, 2026.

The District's FY26 ACFR will also be submitted to the Government Finance Officers Association (GFOA) for review and consideration for the Certificate of Achievement for Excellence in Financial Reporting. The District has earned this prestigious recognition every year the report has been submitted.

Budget Impact

There is no impact on the Budget.

Prepared By: Kyle Huie Interim Director, Accounting 650-551-6180

San Mateo County Transit District

Millbrae, California



Annual Comprehensive Financial Report

Fiscal Year Ended June 30, 2026
With Comparative Totals for 2025

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San Mateo County
TRANSIT DISTRICT

Millbrae, California

Annual Comprehensive Financial Report

Fiscal Years Ended June 30, 2026 and 2025

Prepared by the Finance Division

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November xx, 2026

To the Board of Directors of the
San Mateo County Transit District and the
Citizens of San Mateo County

Millbrae, California

Annual Comprehensive Financial Report
Fiscal Year Ending June 30, 2026 (FY26)

We are pleased to present the Annual Comprehensive Financial Report (ACFR) of the San Mateo County Transit District (District or Samtrans) for the Fiscal Year ending June 30, 2026 (FY26). This transmittal letter provides a summary of the District's finances, services, achievements, and economic prospects for readers without a technical background in accounting or finance. Readers desiring a more detailed discussion of the District's financial results may refer to the Management's Discussion and Analysis in the Financial Section.

Management assumes sole responsibility for all the information contained in this report, including its presentation and the adequacy of its disclosures. To the best of our knowledge, we believe this report to be complete and reliable in all material respects. To provide a reasonable basis for making this representation, we have established a comprehensive system of internal controls designed to protect the District's assets from loss, identify and record transactions accurately, and compile the information necessary to produce financial statements in conformity with Generally Accepted Accounting Principles (GAAP). Because the cost of internal controls should not exceed the likely benefits, the District's internal control system intends to provide reasonable (but not absolute) assurance that the financial statements are free from material misstatement.

To test the performance of the internal control system, the District contracted for independent auditing services from Eide Bailly LLP, a certified public accounting firm licensed to practice in the State of California. The auditor expressed an opinion that the District's financial statements are fairly stated in all material respects and in compliance with accounting principles generally accepted in the United States of America. This conclusion is the most favorable kind and is commonly known as an "unmodified" or "clean" opinion.

SECTION 1: PROFILE OF THE ORGANIZATION

Basic Information

The District, sometimes referred to as SamTrans, is an independent political subdivision of the State of California, formed by the California State Legislature on August 14,1974 and approved by San Mateo County voters in the general election that followed. San Mateo County is located on the peninsula south of the City and County of San Francisco, bordered on the west by the Pacific Ocean, on the east by the San Francisco Bay and on the south by the counties of Santa Clara and Santa Cruz.

The District is the mobility manager agency in San Mateo County. Its overall purpose is to plan, develop, finance, and operate a modern, coordinated system of transportation that meets local mobility needs and demands and promotes sound growth and economic development for the County and the region. The District provides bus transit services throughout San Mateo County, north into downtown San Francisco, and south to Palo Alto in Santa Clara County. The District's bevy of transit services include paratransit services for seniors and the mobility impaired that operate throughout the urban and rural areas of the County and along the coast extending south to Pescadero, as well as shuttle services contracted on behalf of partner agencies connecting rail stations to employment centers in San Mateo County and other point to point destinations.

In addition, the District serves as the "Managing Agency" for two other transportation agencies, to wit, the Peninsula Corridor Joint Powers Board (Caltrain or JPB) and the San Mateo County Transportation Authority (SMCTA), providing essential administrative functions and support to enable these agencies to achieve their missions. The District also provides staffing to the San Mateo County Express Lanes Joint Powers Authority (SMCEL-JPA). The District's role and relationship with these agencies will be described in more detail later in this letter. These agencies are separate entities with their own governance. Therefore, this ACFR and the financial statements contained within it report solely on the activities, transactions and status of the District.

Governance

The District is governed by a nine-member Board of Directors consisting of two members appointed by the County Board of Supervisors and a public transportation expert appointed by the Board of Supervisors; three city councilmembers appointed by the City Selection Committee; and three members representing the general public, with one being a coastal resident, selected by the six appointed members. The Board meets monthly to determine overall policy for the District. The Board has also established a 15-member Citizens Advisory Committee to represent transit users. This committee provides input to the Board on customer needs and helps inform the public about transit programs.

History

On January 1, 1975, the District began consolidating 11 separate municipal bus systems in San Mateo County to establish a countywide bus service where none had previously existed. By July 1976, the District had established a viable network of local bus service throughout a 446 square mile service area in the county. In 1977, the District added mainline service between Palo Alto and downtown San Francisco through a contract with Greyhound Lines, Inc. and inaugurated its Redi-Wheels demand response service for the mobility impaired. During its history of operations, the District has provided transportation to special events such as the Democratic National Convention, the Major League Baseball World Series and All-Star Games, the National Football League Super Bowl, World Cup Soccer, and the American Public Transportation Association's Commuter Rail Conference.

Since its inception, the District made it a priority to preserve the historic passenger rail service along the San Francisco Peninsula and led a successful campaign in the 1970's to avert the efforts of Southern Pacific Transportation Company (SP) to discontinue this service. In 1980's, the commuter rail service continued to operate under a purchase of service agreement between Caltrans and SP (renamed "Caltrain"); the State subsidized half of the costs of the continued commuter rail service and the three local transit agencies, SamTrans, the Santa Clara County Transit District, now called the Santa Clara Valley Transportation Authority (VTA) and City and County of San Francisco (CCSF), covered the balance of the costs. Caltrans advised the local agencies that by the early 1990's they must assume control of the rail corridor and fund the Caltrain service. In 1991, SamTrans, VTA and CCSF as the 3 member agencies formed a joint powers agency, the Peninsula Corridor Joint Powers Board (JPB), to own, manage and control the assets and operation of Caltrain.

The SP right-of-way from San Francisco to San Jose was purchased with a combination of State grant funds and local monies. The right-of-way purchase price was over $210 million; State funding covered $120 million and the balance was then allocated amongst the three local agencies on a track mileage formula as follows: $10.3 million for CCSF, $39.1 million for SamTrans, and $34.65 million for VTA.

SamTrans arranged for SMCTA to pay for its share out of 1998 Measure A funds but neither CCSF nor VTA could meet their financial obligations. As a result, SamTrans advanced funds from its reserves to pay for the VTA and CCSF shares and the three member agencies executed the 1991 Real Property Ownership Agreement (1991 RPOA) to provide an orderly system of management, development and potential disposition of the right of way in light of SamTrans' additional financial contributions on behalf of VTA and CCSF. Per the 1991 RPOA, the other two agencies are to "use best efforts to reimburse SamTrans with interest at the average rate of return that SamTrans earns on its portfolio and compounded annually".

For 17 years, neither VTA nor CCSF made any effort to repay SamTrans for the funding it advanced for their contributions. In 2008, MTC assisted in the negotiation of an arrangement whereby VTA and CCSF would repay SamTrans primarily the principle amounts advanced by SamTrans and SamTrans would forgive most of the interest that would have been earned on those amounts. The 2008 Amendment to the 1991 RPOA used state funding sources otherwise available to VTA and CCSF to repay the principle amounts due to SamTrans over a period of 10 years. However, some of the State funding sources relied upon for repayment to SamTrans were no longer available several years after the execution and at the end of the 10-year period, SamTrans was still due just under $20 million.

In 2021, the three member agencies began discussions on governance of the JPB and the $20 million left unpaid to SamTrans. The parties approved a 2022 Caltrain Governance Memorandum of Understanding (MOU) under which VTA, CCSF and the MTC repaid SamTrans $35 million. The $35 million includes $20 million still owed to SamTrans from the 2008 Amendment plus another $15 million to partially account for the long period of time (1991) when SamTrans advanced the funds on behalf of VTA and CCSF to when (2022) the funds were finally remitted to SamTrans.

With respect to the District's role in overseeing Caltrain, the 1991 Joint Powers Agreement designated the District as the Managing Agency to oversee and provide administrative support for the Caltrain service. Over the years, the actual rail operator was first Amtrak until 2012 and is now Transit America Services Incorporated (TASI). However, the 2008 Amendment again confirmed SamTrans as the Managing Agency, and further designated that SamTrans can hold that role for as long as SamTrans desires it. SamTrans was again confirmed as the Managing Agency, for as long as SamTrans desires this role, in the 2022 Caltrain Governance MOU with certain specified terms and conditions, clarifying reporting and accountability relationships that were negotiated by the three member agencies and the Caltrain Board.

Administration

The District administers all of the activities for SamTrans, and serves as the Managing Agency providing administrative functions and support for (1) the JPB, which operates Caltrain, and (2) the SMCTA, which administers expenditures from sales tax revenues pursuant to voter approved Measures A and W. The District also provides some administrative support to the SMCEL-JPA, including Finance and Communications services. Other staffing needed by the SMCEL-JPA is provided by City/County of Association of Governments of San Mateo County (C/CAG).

The District is organized into the divisions described below.

The *Bus Division* is responsible for SamTrans' fixed-route bus service, paratransit services, micro transit services, shuttle service contracts, and contracted urban bus services (CUB). The division is also responsible for quality assurance, non-revenue and revenue fleet maintenance, infrastructure improvements and construction, facilities maintenance, intelligent transportation systems (ITS), and bus stops; all in full accord with the requirements of the Americans with Disabilities Act (ADA).

The *Administration Division* is responsible for providing support to the Board of Directors. This office includes services provided by Contracts and Procurement, the District Secretary's Office, and Safety and Security.

The *Communications Division* is responsible for customer service, marketing, advertising, distribution services, public information, media relations, legislative activities, and community outreach.

The *Finance Division* is responsible for financial accounting and reporting, capital and operating budgeting, payroll and vendor disbursements, investments and cash management, debt management, revenue control, purchasing, contract administration, grant administration, fare programs, financial planning and analysis, project controls and risk management.

The *Division of Innovation and Technology (DoIT)* is tasked with overseeing and managing the District's innovation, information and technology functions. This includes critical areas such as Cybersecurity, Technology Infrastructure, Data Center Management IT Applications and Software, Database Administration, Network Administration, Systems Administration, and IT Project Management Office (PMO and Artificial Intelligence initiatives).

The *People and Culture Division* is responsible for Office of Civil Rights (OCR), Employee and Labor Relations (ER), and Human Resources (HR) Services. OCR consists of Civil Rights and Equal Employment Opportunity; Diversity, Equity, Inclusion & Belonging (DEIB); Disadvantage and Small Business Enterprise (DBE/SBE) Administration; Contract (Labor) Compliance; and Title VI. ER consists of Employee and Labor Relations, Safety Sensitive Drug and Alcohol Compliance, ADA Reasonable Accommodations, Performance Management, and the District's Pull Notice Programs. Human Resources consists of Benefits, Classification and Compensation, Employee Services (Day-to-Day Administration), Human Capital Management System (HCM), HR Policies, Leave of Absences (LOA), Retirement, Talent Acquisition (Recruitment), HR Strategies, Training and Development, Worker's Compensation, and HR/Rail Shared Services.

The *Planning and Development Division* is responsible for the operations and strategic planning functions of the SamTrans system, as well as for the District's sustainability efforts which extend to Caltrain as well. In addition, the Division also oversees real estate leases and acquisition and disposal of properties for both SamTrans and Caltrain, and transit-oriented development.

The *Transportation Authority Division* is responsible for operations of the SMCTA, which is governed by its own independent Board of Directors, and for implementation and oversight of voter-approved Transportation Expenditure Plans adopted as Measure A in 1988 and renewed in 2004, as well as the administration of fifty percent of the District's Measure W voter approved sales tax in 2018 in accordance with the Congestion Relief Plan adopted as part of Measure W.

Budget

Pursuant to procedures established in its enabling legislation, the District adopts a budget with annual expenditure appropriation that establishes the authority to incur expenditures during each fiscal year. The Fiscal Year (FY)26 expenditure appropriation (as part of the FY 26 and FY27 adopted budgets) was $324 million. In FY23, after more than four decades of annual budgets, the District transitioned to its first biennial budget cycle with the adoption of the FY24 and FY25 Operating and Capital Budgets. The biennial budget provides a more stable funding outlook, enabling more effective program and services management while allowing the District to focus on its strategic priorities, increasing access and mobility, reducing congestion, and promoting economic vitality in San Mateo County. The Board of Directors monitors budget-to-actual performance through regular financial reports and accompanying staff reports. The Financial Section of this report includes a supplemental schedule comparing actual results, on a budgetary basis of accounting, to the final adopted budgets.

Once adopted, the Board of Directors has the authority to amend the budget. While the legal level of budgetary control is at the entity level, the District maintains more stringent budgetary control at the division, department, and line-item levels to support financial management and operational oversight. Cost center managers monitor budget-to-actual performance throughout the year. The Board has delegated authority to the General Manager/CEO or designee to transfer budget appropriations between divisions and departments. However, any

increase to the total expenditure appropriation requires approval by the Board through a budget amendment. In addition, the District uses the encumbrance system to reserve available budget appropriations by issuing purchase orders to help prevent over-commitment of resources. The District prepares its budget on the accrual basis of accounting, providing a consistent basis for comparing budgeted and actual revenues and expenditures. The budget excludes proceeds from the sale of capital assets, unrealized investment gains and losses, and interfund transfers.

SECTION 2: FINANCIAL OUTLOOK & INITIATIVES

Financial Stability and Strategic Planning

From 1991 to 2003 the District funded significant amounts of the capital costs associated with the BART extension to San Francisco International Airport (SFO) and Millbrae as well as covered the extension's operating cost deficits from 2003 to 2007. The District took on significant debt to do so. In 2007 the District entered into an agreement with BART and the Metropolitan Transportation Commission (MTC) whereby BART assumed responsibility for all future operations and capital costs with certain continuing contributions from the District in the form of diverted annual STA funding to BART and an annual 2% contribution of Measure A funding to BART that continues through 2033.

The District continually looks at ways in which to responsibly administer the debt it has assumed. In 2015 the District issued bonds in the amount of $250 million, which enabled the District to make payments to conclude the agreement for funding the extension of BART south to San Francisco International Airport (SFO), by refunding multiple prior issuances and restructuring them at lower rates. In March 2025, SamTrans issued the 2025 Series A Bonds to refund the 2015 Bonds. The refunding lowered the District's overall debt service payments by $13.4 million through 2034. Net present value (NPV) savings was $11.6 million or 8.46% of the par amount of the refunded bonds. The gross fundings escrow resulted in $1.47 million in earnings. In connection with the refunding, the District's bond credit rating was affirmed at 'AAA' with 'Stable' outlook by Standard & Poor's.

In November 2018, voters in San Mateo County approved the 30-year Measure W half-cent sales tax that the District initiated with special state legislative authority. Starting in July 2019, the District began administering 50% of the funds received from Measure W, providing a supplemental resource to improve transit services and reduce travel times, and to fund several crucial capital projects, including the transition of its diesel buses to a zero-emission fleet. Measure W should materially improve the District's financial condition during its term through June 30, 2049. The remaining 50% of Measure W is administered by the TA.

The District adopted its 10-year Strategic Plan, *Moving San Mateo County*, in November 2024, to cover the horizon planning years between 2026 through 2035. This plan establishes agency-wide goals, values, and priority initiatives for the next 10 years. Work has begun to implement the strategic plan, and a FY26 progress report will be provided to the SamTrans Board of Directors in fall 2026. Staff have also begun work on the SamTrans' 10-year Capital Improvement Program (CIP) for FY28-37. It is anticipated that the CIP will have funding shortfalls that need to be addressed since anticipated grant funds and District funds will be insufficient to fund the necessary capital projects over the ten-year period. Funding strategies will be devised to ensure the most critical projects will be funded first to ensure they support bus operations. The draft CIP will be brought to the Board for information in late 2026 and adoption in early 2027.

Local Economy

While inflation in the United States has moderated significantly from its 2022 peak, price pressures again accelerated during 2026. For the 12-month period ended in June 2026, the National Consumer Price Index increased 3.5%. In contrast to the prior years, the energy sector has been a primary inflationary driver rather than a moderating influence. Over the 12 months ended June 2026, the national energy index rose 15.7%, led by a 26.7% increase in gasoline prices that was driven by fuel supply constraints associated with Middle East geopolitical tensions. Although inflation has moderated from its peak, it remained above the Federal Reserve's long-term target of 2.0%. The Federal Reserve has indicated it will continue to evaluate economic metrics, the evolving macroeconomic outlook, and the balance of risks to determine future monetary policy adjustments.

The Bay Area experienced similar renewed inflationary pressure during 2026. For the 12 months ending in June 2026, Bay Area inflation was 3.8%, exceeding the national average of 3.5%. Higher housing and energy costs contributed to the Bay Area's higher inflation rate. At the same time, the regional economy remained resilient, supported by continued overall job growth despite ongoing adjustments in the technology sector. However, accelerated adoption of artificial intelligence and automation, ongoing corporate restructuring, and cautious hiring in the technology sector, may continue to temper workforce demand across the region.

According to the California Employment Development Department, San Francisco and San Mateo counties gained a combined 13,800 jobs, a 1.2% increase from June 2025 to June 2026. Job growth was primarily driven by private education and health services, leisure and hospitality, professional and business services, while government, and financial activities experienced employment declines. During this period, reflecting broader regional labor market stabilization, the unemployment rate for the San Francisco - San Mateo metropolitan area decreased from 4.1% to 3.7%. Despite this improvement, technology sector employers remain cautious in hiring amid ongoing cost management, business model realignment, and integration of artificial intelligence.

SamTrans total fixed-route ridership continues to recover from the pandemic. SamTrans bus routes have seen an average weekday ridership growth from an average of 29,200 weekday ridership in July 2025, to an average of 35,159 weekday ridership in November 2025. Post-pandemic SamTrans total fixed-route bus ridership recovery in November 2025 reached 95.3% of the pre-pandemic level in November 2019 (Due to Clipper Next Generation integration issues, accurate ridership data is only available through November 2025).

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Regional housing affordability remains a significant economic factor heading into CY2027. According to the California Association of Realtors, the statewide median price for existing single-family detached homes reached $904,640 in June 2026, representing a 0.4% increase from June 2025. Price trends as of June 2026 varied across the District's three counties: San Francisco County recorded the largest year-over-year median price increase at 24.8%, followed by San Mateo County at 7.9%, while Santa Clara County experienced a 7.6% decline. Despite mixed home price trends across the region, elevated home prices, constrained house inventory and land use regulations continue to limit housing affordability throughout the Bay Area.

San Mateo County's population contracted 3.3% from its 10-year peak of 774,231 residents in 2019, to 748,337 residents in 2025. According to the San Mateo County Economic Forecast published by Caltrans, long-term demographic forecasts project that San Mateo County's population will experience a continued, gradual decline through 2031, driven primarily by net out-migration and regional housing cost dynamics.

Per capita personal income in San Mateo, San Francisco, and Santa Clara counties continue to outpace the rest of California, reflecting consecutive annual growth over the past three fiscal years. According to the San Mateo County 2025 annual comprehensive financial report, San Mateo County remains one of the most affluent regions in California, with per capita income estimated at $172,828 in 2023, representing a 6.1% increase over 2024.

Major Initiatives

The District plans to continue providing coordinated transit services including fixed-route bus, paratransit, microtransit, and shuttle services. The planning phase is underway to reimagine the unused Dumbarton freight railroad line to bring fast, reliable zero emission bus service and improvements for people biking and walking to the communities of Southeast San Mateo County including East Palo Alto, Menlo Park, Redwood City, Atherton, and North Fair Oaks.

In FY26, the District initiated the Reimagine Dumbarton study and conducted extensive public outreach to understand travel habits, transportation challenges, and barriers along the corridor, along with priorities for travel. This included 11 pop-up events with 476 interactions, two community meetings, an online survey that received 1,093 responses, a Stakeholder Working Group meeting, and more than 15 Roadshow presentations. This input was then used to develop different design alternatives for the Dumbarton Corridor. Building on this foundation, Outreach Phase II of the study will continue in fall 2026 and focus on deep engagement, including presenting and refining draft design alternatives and gathering detailed feedback on trade-offs and community preferences. Phase III will follow in early 2027 and will focus on sharing the final Feasibility Study and preferred alternative, while closing the loop with communities and decision-makers. The Feasibility Study is anticipated to be completed in early 2027, around late January to early February.

The District resumed the Grand Boulevard Initiative (GBI) work in 2024, building on new momentum to re-envision the future of mobility on El Camino Real, with faster, more reliable bus service as a cornerstone of this vision. The District, alongside cities, countywide agencies, Caltrans, advocates and business groups, are working together through the GBI "Task Force" to better coordinate and more quickly advance improvements on the corridor. In January 2026 SamTrans and the SMCTA formally adopted the GBI Action Plan, which was co-created by the District and the GBI Task Force members to outline the corridor-wide vision and goals that lay the foundation for a grand boulevard connecting communities in San Mateo County. Beginning in Spring 2026, the District kicked off the next phase of work, the Project Initiation Document (PID), which begins preliminary scoping, cost estimating, and initial analysis required to begin the Caltrans project development process. This work will continue until Summer 2027 and is funded through a $2 million grant from the Metropolitan Transportation Commission (MTC) with half a million in local funds from the District.

The SamTrans Bus Stop Improvement Plan (BSIP) was adopted by the SamTrans Board of Directors in May 2024. BSIP calls for a major investment in amenities and customer experience improvements at bus stops throughout the SamTrans bus network. In February 2026, the SamTrans Board of Directors adopted new designs for the agency's shelters, seating, and real-time signage displays. The District continues to make progress implementing the first phase of bus stop improvements at 221 designated sites which carry the highest priority ratings. Staff have already completed six bench installations from existing inventory. The District has since engaged a design firm to prepare detailed plans for the construction of the BSIP improvements, as well as to engage internal/external stakeholders. Design plans for the initial group of 43 bus stops have been completed, construction of 2 bus stops is expected to begin in September 2026 and be completed by December 2026. Subsequent phases will proceed sequentially through December 2029. District staff is also working on implementing a pilot project for real-time display signage as part of BSIP amenities improvements. The pilot real-time signage will include full Color displays, and medium and small sized e-paper displays at selected locations. Procurement of the prototype sign devices is underway and expected to be completed by end of the year 2026.

The District awarded MV Transportation a contract in late 2023 to operate just under a third of the agency's fixed-route bus service. The contract, which provides Contracted Urban Bus (CUB) Service, runs a base term from February 2024 to January 2029 and has a maximum contract value of $151.2 million during those five. The award of the contract provides SamTrans with an experienced firm responsible for operating, dispatching, managing, and maintaining the district-provided buses for CUB Services in a safe, timely, and professional manner. Additionally, the contractor will provide appropriate vehicle storage and maintenance facilities.

The District plans to design, procure, and construct permanent or semi-permanent operator restrooms. Overall, this is expected to be an approximately $11 million project from FY24 to FY32 for 20-40 sites. Benefits of these plans will include providing the District with the ability to meet operators' needs to have a safe, clean facility to use while on the job, support talent acquisition by providing a desired amenity that is properly maintained, achieve parity with other services and departments that provide staff amenities, support overall efficiency of transit operations, and related operational needs. The District's "Bus Operator Restrooms Phase 1" efforts are focused on four designated pilot sites which were collaboratively selected by stakeholder departments. The District has since retained a design firm to assess pilot sites and to guide District staff in weighing options for each location.

The District is in ongoing engagement with property owners to secure easements and Right-of-Way agreements. Design plans for one of the four pilot sites, at the Daly City BART station, are set for design completion in July 2026. The Daly City site is located on BART's property. Bidding and construction contract award is expected by May 2027. The three other sites are located in the San Carlos Caltrain parking lot, Colma BART and the South San Francisco BART parking lot. Design for these locations will be completed by end of the calendar year 2026. Bidding and construction award for these three sites is expected by August 2027. All sites design plans will require review and approval by the City(s) and property owners. The experience gained from these pilot projects will improve the District's efficiency and quality for all future bus operator restroom facilities.

The District has committed significant resources to supporting regional transportation options. These include sustainable transportation and interconnectivity over the next several years as local agencies are encouraged to implement Transportation Systems Management plans designed to reduce highway congestion and improve air quality. Continuing a long history of serving San Mateo County residents with mobility impairments, the District will also manage the demand for paratransit services.

As part of the State and Board mandate, the District has been investing in zero-emission bus technology to advance California's climate change and energy policy goals. In late FY22, the District purchased 37 BEBs and 10 FCEBs. Per the California Air Resource Board's (CARB) Innovative Clean Transit (ICT) regulation, the District submitted the SamTrans ICT Plan in May 2021. The plan, which was approved by CARB, reflects the District's commitment to accelerate compliance with the State's regulation by replacing its entire fleet with zero-emission technology and providing zero emission transportation in advance of the State's 2040 deadline. An updated ICT Plan was approved by the Board in December 2023 to adjust the types of technology the District will be investing in, as well as the timing, in order to achieve the zero emission goals. In late FY23, the first 17 battery electric buses entered revenue service. In late FY24, the District issued a contract to purchase 108 FCEBs. These buses are planned to be delivered between late 2025 and mid-2027, which will make a significant impact towards reducing greenhouse gases in SamTrans' service area.

The District completed evaluations of *Reimagine SamTrans*, including its microtransit service Ride Plus, in FY26 to see how well the service changes completed in August 2024 accomplished pre-established goals. The evaluations concluded that the service changes mostly met goals and included recommendations to improve performance on missed goals. Short-term recommendations are being implemented in August 2026.

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The District also began work to repair, modify, and/or replace its major facilities. The following work is underway:

1. North Base Bus Transportation Building 200: Field investigations and independent evaluations completed in 2010 and 2019 for North Base's Building 200 and the surrounding area have determined that extensive settlement has occurred and will likely continue. The resulting building assessment recommends the removal and replacement of the existing structure to ensure the safety, functionality, sustainability, durability, and cost-effectiveness for SamTrans bus operations, employees, and visitors. The engineering design of the new Building 200 is near completion. The procurement process to construct new building will commence after the North Base Relocation Study is completed.

2. North Base and South Base: A project was created to assess the conditions of the North Base and South Base structures and facilities to develop recommendations to repair, modify, and/or replace the buildings. The project hired an architectural and engineering firm to conduct a systematic field survey of both the facilities, establish reliable baseline civil data, and develop computer-aided design and drafting (CADD) files to allow effective planning and execution of construction projects. The facility condition assessment has been completed with a list of recommended projects to replace outdated and vulnerable systems at each facility. Next step is for staff to review the recommended list and seek funding for future capital projects.

3. West Base Colma Training Facility: In support of the Innovative Clean Transit (ICT) capital projects taking place at the North Base and South Base, as well as adding bus operator training capacity to support Reimagine, the District invested $550K to establish a new temporary training facility at the Colma-BART Park-n-Ride lot. The temporary trailers provide additional training capacity that enabled the District to execute monthly classes that included classroom instruction and behind-the-wheel training. This facility is still being utilized to train additional bus operators to support the District's mission.

4. Additionally, the District's Adaptation and Resilience Plan identifies the District's vulnerability to sea level rise, floods, and heat-related climate change impacts. It also provides potential action alternatives to improve resilience — a particular concern for the North Base and South Base operations and maintenance facilities which are located adjacent to the San Francisco Bay. In the next two years, the District will develop design plans and coordinate with neighboring partners to initiate the required environmental clearance process for the associated project(s).

   Specifically, the District is currently evaluating the long-term future of North Base in response to projected sea level rise. The North Base Relocation Study will assess the feasibility of both maintaining operations at the existing site with appropriate resilience and adaptation measures, and relocating the facility to a new location. The analysis takes a comprehensive, long-term approach, evaluating a broad range of operational, financial, environmental, engineering, and strategic factors to determine the most sustainable and resilient alternative for the District.

5. District Headquarters Building: The former District headquarters building in San Carlos was constructed in the mid-1970s to serve as the headquarters of Eureka Federal Savings and Loan. The District purchased the facility in May 1990. Since the early 2000s, the District has been addressing the efficiency and functionality of the old headquarters building. In 2019 the Board began to seriously evaluate options for the potential rehabilitation or reconstruction of the building on its current site. More recently, based on current real estate market dynamics, a third option, to acquire an office building elsewhere in San Mateo County, became more feasible. In August 2023 the Board directed staff to pursue the acquisition of a new headquarters building in the County, subject to certain parameters. In December 2023 the Board authorized the General Manager to enter into a lease-to-purchase agreement for an approximately 180,000-square-foot office building located at the Gateway at Millbrae Station, adjacent to a transit center serving SamTrans, Caltrain, BART, and commuter shuttles. Gateway at Millbrae Station is part of a transit-oriented development constructed by Republic Urban Properties in conjunction with The Core Companies, on a ground lease from BART. The development brings together market-rate, veteran and affordable housing, modern offices, walkable retail, dining, services, a hotel, and ample outdoor space. Over the past couple of years, SamTrans staff have been working closely with the new owner of the building, Swift Real Estate Partners, which purchased the office building from Republic Urban Properties in mid-2024, to complete the warm-up of the shell as well as tenant improvements. Full transition of the headquarters staff to the new building was completed in May of 2026. Currently, the District is pursuing its option to purchase the building. SamTrans staff is in the process of working with an ad-hoc committee and the full Board to advance the redevelopment of the site of the former headquarters building in San Carlos, with a decision likely to come in 2027.

The Division of Innovation and Technology has established three fundamental focus areas, each indispensable to technology metamorphosis. Each of these focus areas have objectives and priorities assigned to actionable projects over the next 3 to 5 years:

I. Technology Modernization: Embracing cutting-edge technologies and leveraging cloud-based solutions will fortify our technology infrastructure, ensuring its agility, robustness, and adaptability for the challenges ahead. A few major initiatives include implementing a new Enterprise Asset Management, Enterprise Resource Planning modernization, Artificial Intelligence, Enterprise Performance Management systems and Enterprise Content Management Systems. Several existing Transportation Applications like Computer Aided Dispatch, Automatic Vehicle Location, and scheduling systems are also being upgraded to take advantage of new features and functionalities.

II. Cybersecurity Program: Recognizing the sanctity of our organization's data and assets, IT will implement comprehensive security measures, including advanced threat detection, security audits, and employee awareness training, to reinforce our cybersecurity defenses.

III. Data-Driven Decision Making: Utilizing data analytics and insights, Data and Analytics programs will be implemented that will allow strategic decision making that will propel our organization towards a brighter future, fostering a culture of continuous growth and improvement.

Pension Liability Management: On May 3, 2023, the Board of Directors established a California Employers' Pension Prefunding Trust (CEPPT) Account for the District with the California Public Employees' Retirement System (CalPERS) and directed the staff to open and fund the trust account over FY23 and FY24 with a $21 million pension prepayment reserve fund contribution that was included in the District's FY23 Operating Budget. As of June 30, 2026, the full $21 million is held by CalPERS and had a market value of $25 million.

Motor Bus Operations

The District designs its bus services to meet the needs of San Mateo County residents, workers, and visitors. Bus service is offered throughout San Mateo County and into select areas of San Francisco and Santa Clara counties. Many bus routes make connections to Caltrain, BART, and the SFO International Airport. Each bus has a bicycle rack, allowing for multimodal use. Starting in 2019, all fixed route buses provide on board Wi-Fi, and new buses will arrive with USB charging stations. SamTrans provides the majority of bus transportation services in the period from early morning until just past midnight, with a couple of overnight or "OWL" line. Fixed-route bus ridership peaked in San Mateo County at 20.9 million in 1982 and over the years declined to 12.4 million in 2013.

The implementation of the SamTrans Service Plan, adopted in May of 2013, resulted in an initial increase in ridership, which grew 3.0% in FY14 and another 2.9% in FY15. However, ridership declined again by 2.7% in FY16, and the decline persisted through FY19. SamTrans started to see an increase in ridership beginning in August 2019 with the launch of its new Foster City-San Francisco Commuter Express Bus service (Route FCX). The COVID-19 pandemic had a significant negative impact on ridership. Over the past three years, SamTrans ridership has continued to recover, reaching 10.75 million trips in FY25, which is 97.9% of the 10.99 million trips during the 12 months prior to COVID-19 and compares to 4.5 million trips in FY21.

Paratransit Services

The entire fleet of fixed-route buses is equipped with wheelchair ramps and a kneeling feature. For persons with disabilities who cannot use fixed-route buses, the District provides Redi-Wheels and RediCoast as an alternative accessible paratransit service throughout San Mateo County. Redi-Wheels and RediCoast Registrants and their Personal Care Attendants are also allowed to ride all fixed-route SamTrans buses for free. The COVID-19 pandemic had significant ridership implications for paratransit service, with ridership recovering to 69% of FY19 (pre-COVID-19) levels in FY26.

District's Role as a Managing Agency: Caltrain

Also as discussed above, the District has served as the Managing Agency of Caltrain since 1991. The District continues to provide shared services staff to support the operation of the commuter rail service on the 77-mile corridor between San Francisco and Gilroy. Caltrain completed the $2.44 billion dollar Peninsula Corridor Electrification Project (PCEP), which includes the installation of electric infrastructure and the procurement of new, high-performance zero emission electric trains. The new electrified Caltrain service has increased the ridership capacity of the system, decreased travel times, and enhanced the overall customer experience. Electrified Caltrain mainline service began in September 2024.

In August 2022, a Caltrain Governance Memorandum of Understanding (MOU) was signed between the Caltrain Board of Directors, VTA, the District, and the CCSF. The MOU affirmed that the District would remain the Managing Agency for Caltrain for so long as it desired this role. It also required the repayment of the outstanding balance of funds still owed to the District by MTC, CCSF, and VTA as a result of the compromise repayment schedule established in the 2008 Amendment to the Real Property Ownership Agreement for funds the District put forth to purchase and preserve the Peninsula rail corridor. Furthermore, the parties to the MOU agreed to establish a new Caltrain Executive Director position that reports to the JPB Board of Directors, and to have certain functions report directly to the Caltrain Executive Director.

These functions include Rail Operations and Maintenance, Rail Planning, Rail Contracts and Budgets, Rail Development, and Peninsula Corridor Electrification Program. The Caltrain Governance MOU also provided that upon repayment of the District's initial investment in the Caltrain Right of Way in the amount of $35 million, the District is required to reconvey its tenancy in common interest in the Right of Way to the JPB. The repayment has been completed, and the District has substantially completed the reconveyance to the JPB.

There is a separate ACFR for the JPB, which can be viewed online:

https://www.caltrain.com/about-caltrain/statistics-reports/annual-comprehensive-financial-reports

District's Role as a Managing Agency: San Mateo County Transportation Authority (SMCTA)

The District also provides staff and administrative support for the SMCTA, which programs and appropriates funds from two half-cent county sales taxes, Measure A and Measure W. The voters first authorized Measure A in 1988 and then approved its reauthorization in November 2004. The current Measure A runs through December 2033.

The SMCTA programs allocate sales tax revenues to designated project sponsors that are responsible for delivering a broad spectrum of transportation projects and programs pursuant to a Transportation Expenditure Plan (TEP). The TEP includes these six program categories: Transit, Highways, Local Streets/Transportation, Grade Separations, Pedestrian and Bicycle, and Alternative Congestion Relief Programs. The SMCTA is also a member of the San Mateo County Express Lanes Joint Powers Authority (SMCEL-JPA) formed to own, manage, operate, and maintain Express Lanes along the US101 corridor in San Mateo County. The District and its JPA partner, the City/County Association of Governments of San Mateo County (C/CAG), both provide staff and administrative support for the SMCEL-JPA.

In November 2018, San Mateo County voters approved Measure W, a sales tax measure that provides an additional half-cent sales tax for 30 years to fund countywide transportation and traffic congestion solutions in San Mateo County. The District imposes the tax and administers the investments in the County.

Public Transportation Systems Program Category in the associated Measure W Congestion Relief Plan represents 50% of the proceeds. Pursuant to Measure W, the District has designated the TA to administer the remaining 50% of Measure W sales tax proceeds in the following five categories:

1. Countywide Highway Congestion Improvements
2. Local Safety, Pothole and Congestion Relief Improvements
3. Grade Separations
4. Bicycle and Pedestrian Improvements
5. Regional Transit Connections

The SMCTA is a co-sponsor of the San Mateo County 101 Express Lane Project and a member of the San Mateo County Express Lanes Joint Powers Authority (SMCEL-JPA) formed to own, manage, operate, and maintain Express Lanes along the 101 Highway corridor in San Mateo. The District and its JPA partner, the City/County Association of Governments of San Mateo County (C/CAG), both provide staff and administrative support for the SMCEL-JPA.

In total, the SMCTA programs and appropriates funds for a combined ¾-cent sales tax, including ½-cent from the sales tax measure reauthorized in 2004, and ¼-cent from the Measure W sales tax enacted in 2018.

District staff produce a separate ACFR for the Transportation Authority, which can be viewed online:

https://www.smcta.com/resources/finance/annual-comprehensive-financial-reports

ACKNOWLEDGMENTS AND AWARDS

The District staff bring an effective combination of skill, experience, and dedication in carrying out the District's mission. Together, they plan, develop, and finance the creation of a modern, coordinated multimodal transportation system offering convenient access to the many attributes of the Bay Area and beyond.

The Government Finance Officers Association (GFOA) recognized the District's FY25 Annual Comprehensive Financial Report for excellence in financial reporting and the Certificate of Achievement appears immediately following this transmittal letter. To be awarded a certificate, a report must be easy to read and efficiently organized, while satisfying both generally accepted accounting principles and applicable legal requirements. We believe our Fiscal Year 2026 ACFR also meets the requirements for a Certificate of Achievement, and we will submit it to the GFOA for evaluation. We would like to thank our independent audit firm, Eide Bailly LLP, for its timely and expert guidance in this matter.

An ACFR requires the dedicated effort of many individuals working together as a team. We extend our grateful recognition to all the individuals who assisted in both the preparation of this report and the processing of financial transactions throughout the Fiscal Year.

Finally, we wish to thank the Board of Directors for their interest and support in the maintenance and development of a reliable financial management and reporting system.

Respectfully,

April Chan
General Manager/CEO

Chris Andrichak
Chief Financial Officer

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Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

San Mateo County Transit District
California

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2025

and issued to the public 172 days after the fiscal year end

Christopher P. Morrill

Executive Director/CEO

MARIE CHUANG, Chair

BROOKS ESSER, Vice Chair

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JEFF GEE

RICO E. MEDINA

JOSH POWELL

PETER RATTO

JACKIE SPEIER

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GENERAL MANAGER/CEO

April Chan

EXECUTIVE OFFICERS

Chris Andrichak - Chief Financial Officer

Emily Beach - Chief Communications Officer

Tabby Davenport – Director, Safety and Security

Nate Kramer - Chief People & Culture Officer

Mehul Kumar - Chief Information & Technology Officer

Josh Mello – Chief Planning Officer

David Olmeda - Chief Operating Officer, Bus

David Santoro – Chief Administrative Officer

Peter Skinner - Chief Officer, Transportation Authority

Margaret Tseng - Executive Officer, District Secretary

GENERAL COUNSEL

Hanson Bridgett LLP

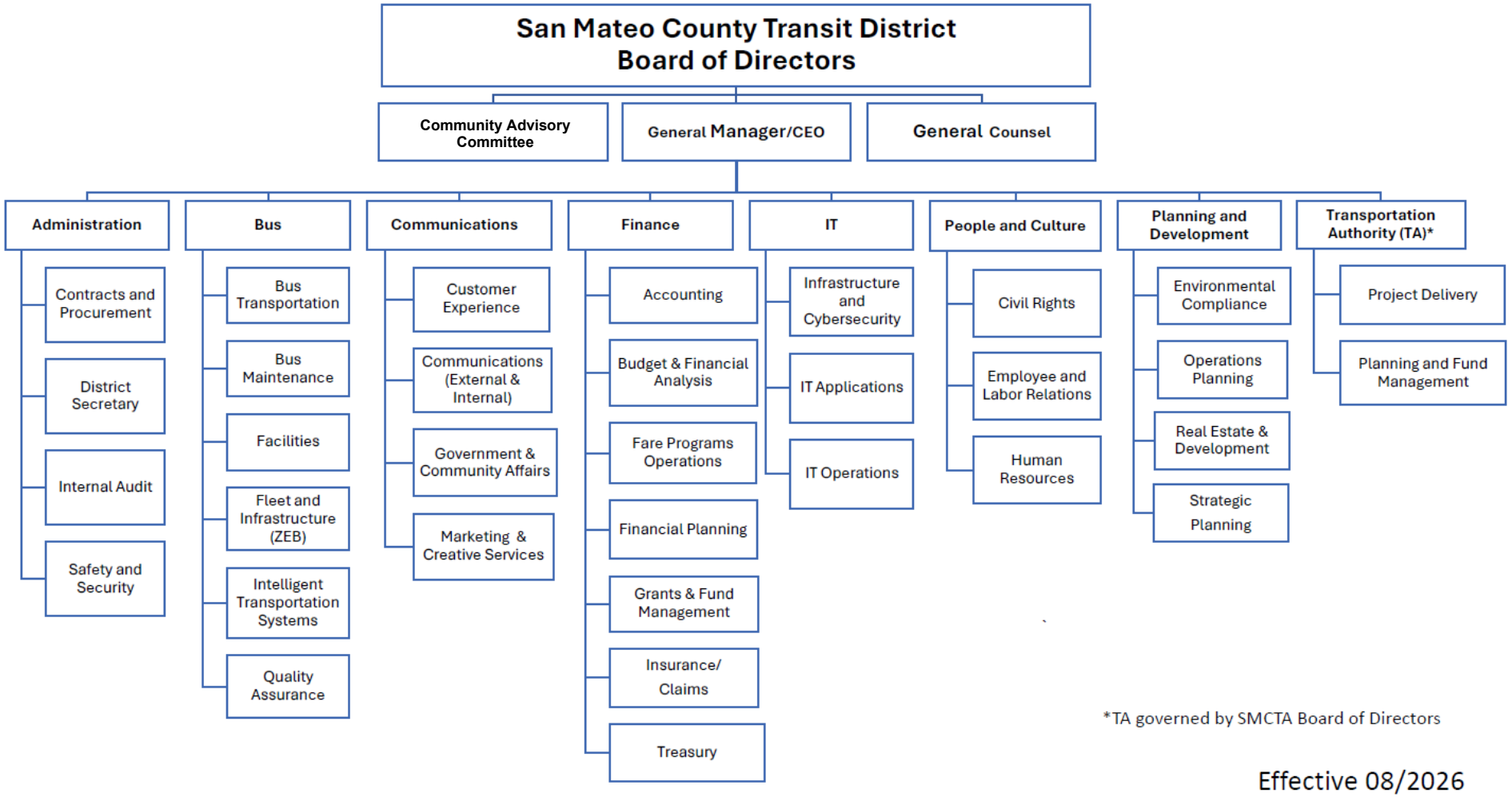
Joan Cassman, Esq.

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San Mateo County Transit District

Organization Chart

June 30, 2026



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SAN MATEO COUNTY, CALIFORNIA




samTrans
Detailed Service Area
San Francisco
Daly City
West Base Training Facility
Colma Park and Ride
Colma
Brisbane
South
San Francisco
San Bruno
North Base Operating
& Maintenance Facility
SFO
International Airport
Pacifica
Millbrae
District Headquaters
Burlingame
Hillsborough
San Mateo
Half Moon Bay
Belmont
South Base Operating
& Maintenance Facility
San Carlos
Redwood City
Operating Facility
Redwood City
Atherton
Menlo Park
East Palo Alto
Santa Clara

San Mateo County Transit District

Table of Credits
June 30, 2026

The following individuals contributed to the production of the Fiscal Year 2026 Annual Comprehensive Financial Report:

Finance		
	Chief Financial Officer	Chris Andrichak
	Interim Director, Accounting	Kyle Huie
	Manager, Financial Reporting	Danny Susantin
	Manager, Financial Planning & Analysis	Hank Peng
Audit Firm	Partner	Ahmad Gharaibeh, CPA
	Senior Manager	Janice Yu, CPA

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Financial

Independent Auditor's Report

Management's Discussion and Analysis

Basic Financial Statements:

- Statement of Net Position
- Statement of Revenue, Expenses, and Changes in Net Position
- Statement of Cash Flows
- Notes to the Financial Statements

Required Supplementary Information

- Schedule of Changes in Net OPEB Liability and Related Ratios
- Schedule of OPEB Contributions
- Schedule of Changes in Net Pension Liability and Related Ratios
- Schedule of Pension Contributions

Supplementary Information

- Schedule of Revenues, Expenses, Capital Outlay and Long-Term Debt Payment Comparison of Budget to Actual (Budgetary Basis)

Notes to Supplementary Information

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Independent Auditor's Report

To the Board of Directors of the
San Mateo County Transit District
San Carlos, California

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities of the San Mateo County Transit District (District) as of and for the years ended June 30, 2026 and June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the District, as of June 30, 2026 and June 30, 2025, and the respective changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States *(Government Auditing Standards)*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The budgetary comparison schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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. In our opinion, the budgetary comparison schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections, as listed in the table of contents, but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated xxx xx, 2026 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Menlo Park, California
DATE

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Management's Discussion and Analysis
June 30, 2026

San Mateo County Transit District

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Management's Discussion and Analysis

This discussion and analysis of the San Mateo County Transit District's (District) financial performance provides an overview of the District's activities for Fiscal Years ended June 30, 2026 and June 30, 2025, with comparisons to the prior two Fiscal Years. We encourage readers to consider the information presented here in conjunction with the transmittal letter contained in the Introductory Section and with the statements and related notes contained in the Financial Section.

Overview of the Financial Statements

The Financial Section includes the District's basic financial statements, notes to the financial statements, required supplementary information, and supplementary information. The basic financial statements consist of the statements of net position; revenues, expenses, and changes in net position; and cash flows. The accompanying notes provide information essential to understanding the amounts reported in the basic financial statements.

Basic Financial Statements

The *Statement of Net Position* presents information about assets, deferred outflows and liabilities and deferred inflows with the difference between the four reported as *net position*. The change in net position over time is an indicator of whether the financial position of the District is improving or deteriorating.

The *Statement of Revenues, Expenses and Changes in Net Position* reports the results of the year's activities. In accordance with GASB Statement No. 103, operating revenues and expenses are distinguished from nonoperating revenues and expenses using the definition described in Note 1. Subsidies received for operating purposes are presented as noncapital subsidies immediately following operating income (loss).

The *Statement of Cash Flows* reports inflows and outflows of cash and is classified into four major components:

- *Cash flows from operating activities* which includes transactions and events reported as components of operating income in the statement of revenues, expenses, and changes in net position.

- *Cash flows from non-capital financing activitie*s which includes operating grant proceeds as well as operating subsidy payments from third parties and other nonoperating items.

- *Cash flows from capital and related financing activities* which arise from the borrowing and repayment (principal and interest) of capital-related debt, the acquisition and construction of capital assets and the proceeds of capital grants and contributions.

- *Cash flows from investing activities* which includes the proceeds from the sale of investments and receipt of interest. Outflows in this category include the purchase of investments.

Notes to the Financial Statements

Various notes provide additional information that is essential to a full understanding of the information provided in the basic financial statements and are found immediately following the financial statements to which they refer.

Other Information

This report also presents certain required supplementary information in accordance with the requirements of generally accepted accounting principles providing information about the status of the District's pension liability for its public employee retirement system and information about its other post-employment benefits unfunded liability. Additional supplementary information and associated notes concerning compliance with the District's annual budget appear immediately following the required supplementary information.

Financial Summary

The District's net position increased by $129.3 million (20.4%) to $762.2 million at June 30, 2026, compared to an increase of $65.8 million in the prior year. Total assets increased by $262.9 million (26.2%), primarily due to growth in capital assets and construction in progress associated with the purchase of BEBs and FCEBs, tenant improvements for the new headquarters, facility power-infrastructure upgrades, and recognition of the headquarters lease asset. Total liabilities increased by $92.6 million (28.3%), largely due to the associated lease liability.

Operating revenues increased by $1.4 million (7.2%) to $20.4 million, while operating expenses increased by $1.3 million (0.5%) to $259.6 million. As a result, the District reported an operating loss of $239.2 million, which was consistent with the prior year. Noncapital subsidies remained the District's primary source of funding and increased $6.0 million (2.3%) to $263.2 million primarily due to a $14.7 million (8.5%) increase in transaction and use tax revenues, reflecting strong economic activity and resilient consumer spending. This increase was partially offset by a $4.8 million (32.0%) decrease in State transit assistance, attributable to lower statewide diesel fuel sales tax revenues, and a $3.9 million (6.4%) decrease in Local transportation funds, reflecting lower sales tax revenue estimates incorporated into the Metropolitan Transportation Commission's (MTC) funding allocations.

Other nonoperating revenues increased by $57.4 million to $105.3 million, primarily due to $84.8 million of capital grants and contributions supporting fleet and facility projects. As a result of these factors, the District reported a $129.3 million increase in net position during fiscal year 2026.

Condensed Statements of Net Position
(in thousands)

	2026	2025	2024	Percentage Change 2026-2025	Percentage Change 2025-2024
Assets					
Current assets	$ 489,329	$ 488,161	$ 458,187	0.2%	6.5%
Capital assets, net of depreciation and amortization	409,629	194,162	175,065	111.0%	10.9%
Other noncurrent assets	368,671	322,404	306,679	14.4%	5.1%
Total Assets	1,267,629	1,004,727	939,931	26.2%	6.9%
Deferred Outflows of Resources	33,054	38,435	52,805	-14.0%	-27.2%
Liabilities					
Current liabilities	113,830	82,476	76,608	38.0%	7.7%
Long-term debt	107,912	123,808	145,322	-12.8%	-14.8%
Other noncurrent liabilities	198,133	120,961	119,975	63.8%	0.8%
Total Liabilities	419,875	327,245	341,905	28.3%	-4.3%
Deferred Inflows of Resources	118,604	82,981	83,713	42.9%	-0.9%
Net Position					
Net investment in capital assets	299,450	192,809	173,842	55.3%	10.9%
Restricted	26,555	28,256	26,602	-6.0%	6.2%
Unrestricted	436,199	411,871	366,674	5.9%	12.3%
Total Net Position	**$ 762,204**	**$ 632,936**	**$ 567,118**	**20.4%**	**11.6%**

Condensed Statements of Changes in Net Position
(in thousands)

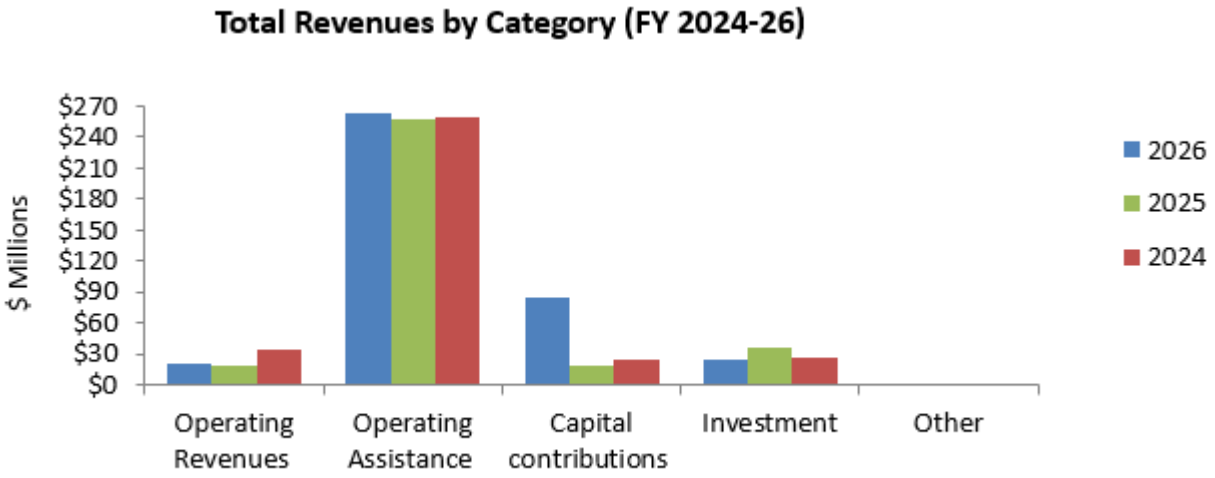
	2026	2025	2024	Percentage Change 2026-2025	Percentage Change 2025-2024
Operating revenues	$ 20,428	$ 19,062	$ 33,653	7.2%	-43.4%
Operating expenses	233,720	239,424	208,452	-2.4%	14.9%
Operating loss before depreciation and amortization	(213,292)	(220,362)	(174,799)	-3.2%	26.1%
Depreciation and amortization	(25,928)	(18,905)	(17,514)	37.1%	7.9%
Operating loss	(239,220)	(239,267)	(192,313)	0.0%	24.4%
Noncapital subsidies	263,190	257,174	258,451	2.3%	-0.5%
Nonoperating revenues					
Investment income	25,437	35,396	26,587	-28.1%	33.1%
Other income, net	54	41	-	31.7%	100.0%
Capital contributions	84,766	19,246	24,016	340.4%	-19.9%
Total Nonoperating revenues	110,257	54,683	50,603	101.6%	8.1%
Nonoperating expenses					
Interest expense	(4,959)	(6,772)	(6,289)	-26.8%	7.7%
Change in net position	129,268	65,818	110,452	96.4%	-40.4%
Net position - beginning of year	632,936	567,118	456,666	11.6%	24.2%
Net Position - end of year	**$ 762,204**	**$ 632,936**	**$ 567,118**	20.4%	11.6%

Detailed Analyses

Revenue Highlights

Operating revenues increased by $1.4 million (7.2%) to $20.4 million. Passenger fares decreased by $0.7 million (5.4%) to $12.4 million despite a 2.1% increase in fixed-route ridership to 10,982,006 trips and no change in fare levels. The decrease primarily reflects a shift in the classification of ride-related revenues from passenger fares to operating assistance. This shift resulted from programs such as Clipper START, inter-agency regional transfer discounts, BayPass, and fare capping, under which the District receives contractual or grant reimbursements rather than direct fare revenue.

Other operating revenue increased by $2.1 million to $8.0 million, primarily due to one-time clean vehicle incentive tax credits associated with the District's acquisition of battery-electric and fuel cell electric buses. Other operating revenues also consists of rental and lease income, including interest on leases receivable, and other miscellaneous income.

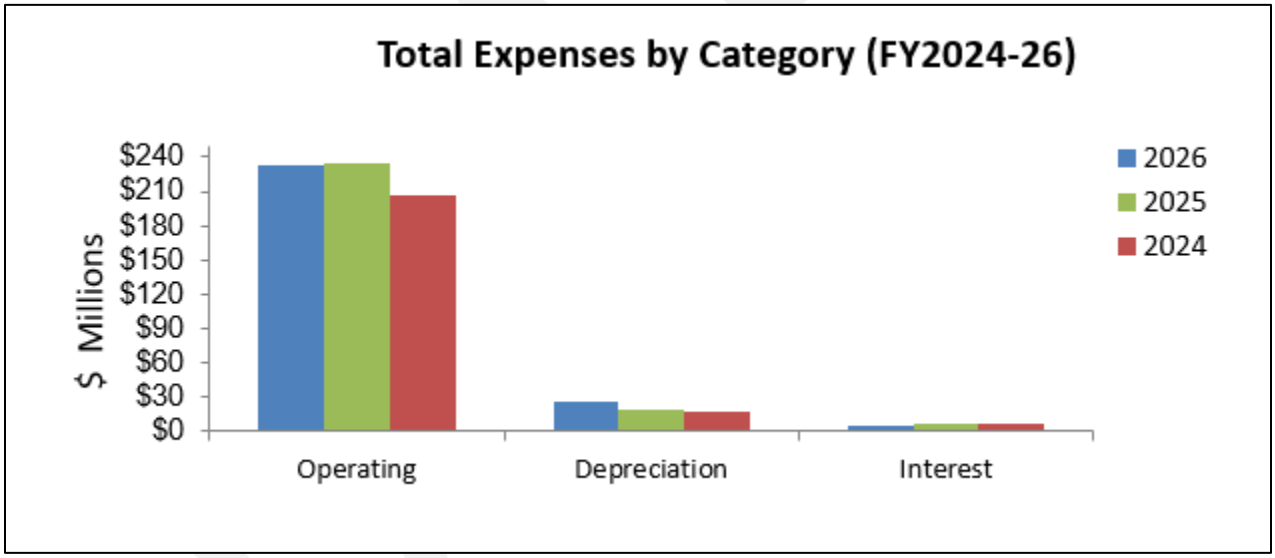


Noncapital subsidies increased by $6.0 million (2.3%) to $263.2 million. Transaction and use tax revenue increased by $14.7 million (8.5%) to $186.1 million and represented 70.7% of noncapital subsidies, reflecting strong economic activity, including resilient consumer spending and higher fuel prices. This increase was partially offset by lower State transit assistance (down $4.8 million, or 32.0%) attributable to lower statewide diesel fuel sales tax revenues and lower local transportation funds (down $3.9 million, or 6.4%) reflecting lower sales tax revenue estimates incorporated into the Metropolitan Transportation Commission (MTC) funding allocations.

Within other nonoperating revenues and expenses, capital grants and contributions increased by $65.5 million to $84.8 million: federal capital grants increased from $12.2 million to $59.0 million, state grants from $7.0 million to $19.5 million, and local assistance from $0.1 million to $6.2 million, reflecting reimbursement of the bus fleet and facility projects in construction in progress. Investment income decreased by $10.0 million (28.1%) to $25.4 million primarily due to lower average cash and investment balances and lower unrealized gains resulting from changes in the market value of the investment portfolio. Interest expense decreased by $1.8 million to $5.0 million following the 2025 refunding.

Expense Highlights

Total operating expenses (excluding depreciation) decreased by $5.7 million (2.4%) to $233.7 million. Depreciation and amortization increased by $7.0 million (37.1%) to $25.9 million, including $4.4 million of amortization of the new headquarters right-to-use lease asset, higher bus depreciation ($15.0 million compared with $13.3 million), and higher subscription asset amortization. Salaries and benefits decreased by $6.6 million (5.7%) to $108.8 million, primarily driven by lower pension and OPEB expenses. Pension and OPEB expenses were lower than employer contributions by $7.9 million in FY26, compared with $5.2 million in FY25, as shown in the reconciliation in the statements of cash flows. Contributing factors included favorable pension investment performance, which reduced the net pension liability by $18.6 million, and reaching super-funded status of the District's California Employers' Retiree Benefit Trust (CERBT) account administered by CalPERS. As the trust assets exceeded the measured OPEB liability, the District was not eligible to make contributions in FY26. Contract operations and maintenance services increased by $2.8 million (4.7%) due to increase service mileage. Miscellaneous expenses decreased by $1.4 million and provisions for claims by $0.8 million.



Significant Capital Asset and Long-Term Financing Activity

In FY26 additions to construction in progress totaled $129.8 million, and right-to-use assets of $111.3 million were recognized ($107.3 million for the headquarters lease and $4.0 million of subscription assets). Completed projects of $27.8 million were transferred from construction in progress to depreciable capital assets, principally buses and bus equipment (additions of $26.5 million). Major construction in progress at June 30, 2026 included bus fleet improvements ($67.5 million), maintenance facility improvements ($46.1 million) and administration building improvements ($29.0 million). Additional information is presented in Notes 1 and 5.

A significant event during FY26 was the commencement of the lease agreement for the District's headquarters building located at Gateway at Millbrae Station. In accordance with GASB Statement No. 87, the District recorded a right-to-use lease asset of $107.3 million together with a corresponding lease liability of $107.3 million. This transaction substantially increased both capital assets and long-term obligations reported on the statement of net position and was a major contributor to the year-over-year increase in total assets and liabilities. At June 30, 2026, the lease liability consisted of $4.7 million due within one year and $101.6 million due thereafter.

On June 1, 2026 the District made the first principal payment of $12.5 million on its 2025 Series A Limited Tax Bonds, reducing the outstanding principal from $122.3 million to $109.8 million; unamortized premium decreased from $14.0 million to $11.1 million. The bonds bear interest at 5.0%, mature on June 1, 2034 and are secured by a pledge of sales tax revenues. Standard & Poor's rates the 2025 Series A Bonds 'AAA'. Subscription-based IT arrangement (SBITA) liabilities increased from $1.4 million to $3.9 million with $4.0 million of new arrangements. Additional information is presented in Note 8.

Currently Known Facts, Decisions, or Conditions

FY27 budget and structural deficit: The Board adopted the FY27 operating budget as part of the biennial FY26 and FY27 budgets in June 2025. Total FY27 uses of $343,348,060 ($339,249,367 of operating uses plus $4,098,693 of allocations and contributions) exceed budgeted sources of $338,960,431 by $4,387,629. The deficit is balanced with $2,000,000 of prior-year Measure W funds and $2,387,629 of prior-year surpluses; these one-time sources are expected to be exhausted after FY27. FY27 budgeted debt service is $26,007,500.

At a February 12, 2026 Board workshop, staff reported that, at current service levels, the operating deficit can no longer be covered beginning in FY28. The District is conducting a fare study and plans to begin a non-fare revenue study to identify additional strategies to help address the projected operating deficits.

The District's long-term capital needs as identified in its Capital Improvement Program (CIP) exceed $2 billion. The District has identified and set aside sales tax revenues and grant funding to fund a substantial portion of the program. However, approximately $180 million of the FY26-29 CIP remains unfunded, and approximately $600 million in capital funding for FY26-FY35 has not yet been identified. Capital projects have been prioritized to ensure that the most critical improvements and replacement needs necessary to support transit service are funded.

Capital budget amendments: The FY26 capital budget was amended on August 6, 2025 (Resolution 2025-38) and April 1, 2026, increasing it from $4,698,405 to $32,244,956. The FY27 capital budget was amended on April 1, 2026 (Resolution 2026-26), increasing it from $5,704,151 to $38,932,754.

Headquarters: The District is in a dispute with the landlord of its new headquarters building regarding the purchase option and on July 8, 2026 authorized a declaratory relief action against SFIII Millbrae, LLC.

Regional measure: In August 2025 the Board opted into the Senate Bill 63 regional transportation measure, which is scheduled for the November 3, 2026 ballot. On June 3, 2026 the Board adopted a local investment plan of approximately $50 million per year should the measure pass. Funds for the local investment plan will, for a large part, help to continue and maintain current service levels.

Ridership and fares: FY26 ridership of 10,982,006 trips was 102.9% of FY19 (pre-pandemic) ridership. Fares were unchanged during FY26, and the District's fare study has been extended to January 31, 2027. The District has identified reconciliation issues in fare settlements under the Clipper 2.0 system however internal analysis has shown no significant impact on passenger fare revenues.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the District's finances and to demonstrate accountability for the funds the District receives. If you have questions about this report or need additional financial information, please contact the San Mateo County Transit District, attention: Chief Financial Officer, 166 N. Rollins Road, Millbrae, California 94030.

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San Mateo County Transit District
Statements of Net Position
June 30, 2026 and June 30, 2025 (in thousands)

	2026	2025
Assets		
Current Assets		
Cash and cash equivalents (Note 1E)	$ 335,988	$ 354,306
Restricted cash (Note 1G)	15,319	14,750
Subtotal, cash and cash equivalents (Note 2)	351,307	369,056
Investments (Notes 1F & 2)	11,690	16,093
Restricted investments (Notes 1G & 2)	1,555	3,256
Receivables		
Transaction and use tax	35,447	28,972
Receivable from Peninsula Corridor Joint Powers Board (Note 6)	6,759	24,556
Receivable from San Mateo County Transportation Authority (Note 6)	1,428	2,494
Federal grants (Note 4)	34,278	7,227
State and local grants	27,376	21,118
Leases receivables (Note 7)	1,570	1,117
Interest	1,486	1,249
Other	7,803	6,940
Allowance for doubtful accounts	(161)	(161)
Total Receivables - Net	115,986	93,512
Inventories (Note 1I)	2,753	2,364
Prepaid items	6,038	3,880
Total Current Assets	489,329	488,161
Noncurrent Assets		
Investments (Notes 1F & 2)	204,526	193,641
Restricted investments (Notes 1G & 2)	58,944	54,492
Fuel hedge	2,335	417
Leases receivables	98,200	73,833
Net OPEB asset (Note 10)	4,648	-
Capital assets (Notes 1K & 5)		
Buses and bus equipment	254,676	228,154
Buildings and building improvements	78,117	77,842
Maintenance and other equipment	36,352	35,380
Furniture and fixtures	33,907	33,697
Shelters and bus stop signs	11,888	11,878
Other vehicles	3,117	3,034
Right-to-use subscription asset	5,597	4,335
Right-to-use lease asset	107,269	-
Total capital assets	530,923	394,320
Less accumulated depreciation and amortization	(334,152)	(311,007)
Land (Note 5)	56,915	56,915
Construction in progress (Note 1L)	155,943	53,934
Capital assets - Net (Note 5)	409,629	194,162
Other assets	18	21
Total Noncurrent Assets	778,300	516,566
Total Assets	1,267,629	1,004,727

San Mateo County Transit District
Statements of Net Position (Continued)
June 30, 2026 and June 30, 2025 (in thousands)

	2026	2025
Deferred Outflows of Resources		
Deferred outflows related to OPEB (Note 10)	8,176	9,618
Deferred outflows related to pension (Note 9)	24,878	28,817
Total Deferred Outflows of Resources	33,054	38,435
Liabilities		
Current Liabilities		
Accounts payable and accrued expenses	56,050	26,877
Compensated absences (Note 1P)	13,614	11,695
Self-insurance liabilities (Note 11)	7,927	8,303
Accrued interest	458	510
Unearned revenues	16,450	21,907
Leases payable (Note 7)	4,658	-
Subscription liability (Note 8)	1,663	704
Long-term debt (Note 8)	13,010	12,480
Total current liabilities	113,830	82,476
Noncurrent Liabilities		
Self-insurance liabilities, less current portion (Note 11)	17,351	14,238
Other liabilities	677	8,934
Compensated absences, less current portion (Note 1P)	5,705	6,513
Leases payable, less current portion (Note 7)	101,644	-
Subscription liability, less current portion (Note 8)	2,214	649
Long-term debt, less current portion (Note 8)	107,912	123,808
Net OPEB liability (Note 10)	-	1,451
Net pension liability (Note 9)	70,542	89,176
Total noncurrent liabilities	306,045	244,769
Total liabilities	419,875	327,245
Deferred Inflows of Resources		
Deferred inflows related to hedging derivatives instruments (Note 13)	1,172	98
Deferred inflows related to OPEB (Note 10)	6,022	5,065
Deferred inflows related to pension (Note 9)	11,226	696
Deferred inflows related to leases (Note 7)	96,977	72,924
Deferred inflows related to debt refunding (Note 8)	3,207	4,198
Total Deferred Inflows of Resources	118,604	82,981
Net Position		
Net investment in capital assets	299,450	192,809
Restricted for:		
Debt service	1,555	3,256
Paratransit fund (Note 1D)	25,000	25,000
Unrestricted	436,199	411,871
Total Net Position	**$ 762,204**	**$ 632,936**

See Notes to Financial Statements

San Mateo County Transit District

Statements of Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2026 and June 30, 2025 (in thousands)

	2026	2025
Operating Revenues		
Passenger fares	$ 12,413	$ 13,128
Other income	8,015	5,934
Total Operating Revenues	20,428	19,062
Operating Expenses		
Salaries and benefits	108,831	115,399
Contract operations and maintenance services	61,856	59,106
Other services	13,820	12,829
Materials and supplies	13,896	13,186
Depreciation and amortization	25,928	18,905
Provisions for claims and claims adjustments	16,599	18,240
Expense for noncapitalized projects	4,989	5,540
Miscellaneous	13,729	15,124
Total operating expenses	259,648	258,329
Operating income (loss)	(239,220)	(239,267)
Noncapital subsidies (Note 3)	263,190	257,174
Operating income (loss) and noncapital subsidies	23,970	17,907
Nonoperating revenues and expenses		
Investment earnings	25,437	35,396
Interest expense	(4,959)	(6,772)
Gain on sale of asset	54	41
Capital grants (Note 1Q)	84,766	19,246
Total Nonoperating Revenues (Expenses)	105,298	47,911
Change in net position	129,268	65,818
Net Position		
Beginning of year	632,936	567,118
Net Position - End of year	**$ 762,204**	**$ 632,936**

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San Mateo County Transit District

Statements of Cash Flows

Years Ended June 30, 2026 and June 30, 2025 (in thousands)

	2026	2025
Cash Flows from Operating Activities		
Cash received from customers	$ 19,661	$ 18,644
Payments to vendors for goods and services	(76,083)	(128,665)
Payments to employees	(114,519)	(118,903)
Expense for noncapitalized projects	(4,989)	(5,540)
Net Cash (used for) Operating Activities	(175,930)	(234,464)
Cash Flows From Noncapital Financing Activities		
Noncapital subsidies	263,756	260,162
Net Cash Provided by Non-capital Financing Activities	263,756	260,162
Cash Flows From Capital and Related Financing Activities		
Acquisition and construction of capital assets	(130,083)	(36,894)
Capital contributions from grants	32,338	28,269
Proceeds from sale of capital assets	54	41
Leases and SBITAs principal paid	(2,483)	(978)
Bond principal paid	(12,480)	(149,983)
Refunding proceeds and premiums received	-	137,218
Interest and fees paid on capital debt	(8,888)	(8,076)
Net Cash (used for) Capital and Related Financing Activities	(121,542)	(30,403)
Cash Flows From Investing Activities		
Proceeds from sale of investment securities	69,016	77,450
Purchases of investment securities	(125,557)	(156,258)
Investment income received (loss)	72,508	97,954
Net Cash Provided by (used for) Investing Activities	15,967	19,146
Net change in cash and cash equivalents	(17,749)	14,441
Cash and Cash Equivalents, Beginning of Year	369,056	354,615
Cash and Cash Equivalents, End of Year	**$ 351,307**	**$ 369,056**

See Notes to Financial Statements

San Mateo County Transit District
Statements of Cash Flows (Continued)
Years Ended June 30, 2026 and 2025 (in thousands)

	2026	2025
Reconciliation of Operating Loss to Net Cash Used for Operating Activities		
Operating loss	$ (239,220)	$ (239,267)
Adjustments to reconcile operating (loss) to net cash (used in) operating activities:		
Depreciation and amortization expense	25,928	18,905
OPEB expense	(3,700)	(7,069)
Pension expense	(4,165)	1,882
Unearned Revenue	(2,499)	855
Effect of changes in:		
Accounts receivable	18,863	(18,664)
Inventories	(389)	(111)
Prepaid items	(2,158)	(339)
Other assets	(844)	(136)
Accounts payable and accrued liabilities	29,173	2,911
Leases receivable	(24,820)	1,071
Deferred inflows of resouces from leases	24,053	(1,489)
Compensated absences	1,111	3,075
Self-insurance liabilities	2,737	3,912
Net Cash Used for Operating Activities	**$ (175,930)**	**$ (234,464)**
Noncash Capital, Investing, and Financing Activities		
Capital contributions (payments)	$ 52,428	$ (9,023)
Change in fair value of investments	1,359	7,947
Change in the fair value of derivatives	(1,172)	(98)
Lease and SBITA proceeds received	111,309	1,108

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Note 1 - Operations and Summary of Significant Accounting Policies

A. Operations

The San Mateo County Transit District (District) was formed by the California State Legislature and approved by the electorate in 1974 to meet the public transit needs of San Mateo County. The District operates buses throughout San Mateo County and also provides, through purchased service with independent contractors, demand-response transportation services and certain other fixed route bus service. The District, as the Managing Agency of Caltrain, also supports the operation of the Caltrain rail services and subsidizes an equal share of the costs of certain capital projects for the Caltrain rail service with the two other Member Agencies (CCSF and VTA). The District paid a "buy in" sum and provided the project costs incurred that were not covered by a federal grant, of extending the San Francisco Bay Area Rapid Transit District (BART) rail system into San Mateo County and once the extension opened, the District covered the net costs to operate the extension. On April 27, 2007, the District and BART entered into a Settlement Agreement and Release of Claims pursuant to which BART receives 2% of the revenue generated annually from the Measure A half-cent sales tax administered by the Transportation Authority, consistent with the Transportation Expenditure Plan adopted by the San Mateo County voters in 2004, as full and final settlement of the District's obligations to cover San Mateo County's share of BART's past and future operating and capital costs.

B. Financial Reporting Entity

The District's reporting entity includes only the San Mateo County Transit District.

C. Basis of Accounting

The District is a single enterprise fund and maintains its records using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

D. Net Position

Net position is reported on the statement of net position in the following categories:

Investment in capital assets - This category includes all capital assets, net of accumulated depreciation, reduced by related debt.

Restricted net position - This category represents net position restricted by parties outside (such as creditors, grantors, contributors, and laws and regulations of other governments) and includes unspent proceeds of bonds issued to acquire or construct capital assets. Additionally, the District utilizes earnings on $25 million corpus of paratransit trust funds as a component of restricted net position. The funds are to continue in perpetuity from Measure A sales tax revenues.

Unrestricted net position - This category represents net position of the District that is not restricted for any project or other purpose.

E. Cash and Cash Equivalents

For purpose of the statement of cash flows, the District considers all highly liquid investments with an initial maturity of 90 days or less when purchased to be cash equivalents. Cash and cash equivalents also include amounts invested in the Local Agency Investment Fund (LAIF) pool.

F. Investments

Current investments represent securities which mature within the next 12 months. Noncurrent investments represent the portion of the District's investment portfolio that is not expected to be liquidated during the next 12 months. Investments in nonparticipating interest-earning investment contracts (guaranteed investment contracts) are reported at cost. Investment in money market accounts are also reported at net asset value. All other investments are at fair value. The fair value of investments is determined annually and is based on current market prices permitted. Investments are regulated by state statutes and could be further restricted by the grantors or enabling legislation.

G. Restricted Cash and Investments

Restricted cash and investments represent unused bond proceeds, bond reserves and other funds designated for financing the District's capital projects and related debt service. These funds are held as liquid investments or have been invested in U.S. Treasury notes, mutual funds or guaranteed investment contracts. The District also maintains restricted cash and investment accounts in the amount of $25,000,000 for Paratransit operations.

H. Restricted and Unrestricted Resources

When both restricted and unrestricted resources are available for the same purpose (e.g. a construction project), the District's policy is to use all available restricted resources first before unrestricted resources are utilized.

I. Inventories

Inventories consist primarily of bus replacement parts and fuel and are stated at average cost which approximates market. Inventories are charged to expense at the time that individual items are withdrawn from inventory.

J. Lessee and Subscription-Based Information Technology Arrangements (SBITA)

At the commencement of a lease/SBITA, the District initially measures the liability at the present value of payments expected to be made during the term. Subsequently, the liability is reduced by the principal portion of payments made. The lease/SBITA asset is initially measured as the initial amount of the liability, adjusted for payments made at or before the commencement date, plus certain initial direct costs. Subsequently, the lease/SBITA is amortized on a straight-line basis over its useful life. The lease/SBITA term includes the noncancellable period of the lease. Payments included in the measurement of the liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

K. Capital Assets

Capital assets are stated at historical cost. Donated capital assets are recorded at estimated acquisition value at the date of donation plus ancillary charges, if any. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, as follows:

Buses and bus equipment	2 to 12 Years
Other vehicles, shelters and bus stops, maintenance and other equipment, and furniture and fixtures	3 to 20 Years
Right-to-use ground leases	3 to 20 Years
Right-to-use subscriptions	3 to 10 Years
Building	30 Years
Building improvements	2 to 5 Years

The District's policy is to capitalize all capital assets with a cost greater than $5,000 and a useful life of more than one year.

L. Construction in Progress

Construction in progress consists of the following projects at June 30 (in thousands):

	2026	2025
Maintenance facility improvements	$ 46,069	$ 26,608
Administration building improvement	29,014	-
Bus fleet improvements	67,535	18,392
Shelter, fencing and bus stop improvements	3,738	3,270
Other	9,587	5,664
Total Construction in Progress	**$ 155,943**	**$ 53,934**

M. State and Local Operating Assistance

State and local operating assistance is recorded as revenue upon approval by the granting agencies. The District serves as the cash conduit for State Transit Assistance received on behalf of the Peninsula Corridor Joint Powers Board (see Note 6) and does not recognize revenues or expenses associated with this agency function.

N. Bond Issuance Costs

Bond issuance costs are expensed upon the issuance of related debt except for bond prepaid insurance. Bond discounts, prepaid insurance and premiums are amortized over the life of the bonds.

O. Arbitrage

Arbitrage is reviewed on an annual basis and the corresponding liability is accrued accordingly.

P. Compensated Absences

Employees accrue compensated absence time by reason of tenure at annual rates ranging from 169 to 344.5 hours per year. Employees are allowed to accumulate from 800 hours up to 1,440 hours of compensated absence time, depending upon the number of years of service.

The changes in compensated absences were as follows for Fiscal Year ended June 30 (in thousands):

	2026	2025
Beginning Balance	$ 18,208	$15,133
Additions	13,117	13,947
Payments	(12,006)	(10,872)
Ending Balance	19,319	18,208
Current Portion	13,614	11,695
Non-current Portion	**$ 5,705**	**$ 6,513**

Q. Capital Grants

The District receives grants from the Federal Transit Administration (FTA), State, and local transportation funds for the acquisition of buses and other equipment and improvements. Capital contributions are recorded as revenues and the cost of the related assets are generally included as additions to property and equipment. Depreciation of assets acquired with capital grant funds is included in the depreciation expense in the statement of revenues, expenses, and changes in net position.

Capital contributions for the years ended June 30 were as follows (in thousands):

	2026	2025
Federal grants	$ 58,978	$12,155
State grants	19,549	6,957
Local assistance	6,239	134
Total	**$ 84,766**	**$ 19,246**

R. Operating and Nonoperating Revenues and Expenses

In accordance with GASB Statement No. 103, the District reports as nonoperating revenues and expenses only (a) subsidies received and provided, (b) contributions to permanent and term endowments, (c) revenues and expenses related to financing, (d) resources from the disposal of capital assets and inventory, and (e) investment income and expenses. All other revenues and expenses are reported as operating revenues and expenses. Operating revenues include passenger fares, rental and lease income and other income from the District's operations. Operating expenses include the costs of providing transit services, administrative expenses, contracted services, expense for noncapitalized projects, and depreciation and amortization of capital assets.

Transaction and use (sales) taxes, Transportation Development Act local transportation funds, State Transit Assistance, federal operating and planning assistance, and Measure A and Measure W local funds are resources provided to the District without the District providing equal value directly in return, and are reported as noncapital subsidies. Capital grants and contributions are capital subsidies and are reported as other nonoperating revenues (GASB Implementation Guide No. 2026-1, Questions 4.4 and 4.6). Interest expense, gains and losses on the disposal of capital assets and investment income are reported as other nonoperating revenues and expenses.

S. Leases, as a Lessor

At the commencement of a lease, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of the lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

T. Lease, as a Lessee

The District recognizes a lease liability and an intangible right-to-use lease asset at the commencement of lease arrangements with terms greater than 12 months. Lease liabilities are measured at the present value of future lease payments, while right-to-use lease assets are measured based on the related lease liability and adjusted for certain direct costs and payments made prior to commencement. Lease assets are amortized on a straight-line basis over the lease term, and interest expense is recognized over the term of the lease. The District uses the interest rate implicit in the lease when readily determinable; otherwise, an estimated incremental borrowing rate is used.

U. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

V. Other Post-Employment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

W. Use of Estimates

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosures at the date of the financial statements.

X. Deferred Outflows of Resources and Deferred Inflows of Resources

In addition to assets, the statement of net position also reports deferred outflows of resources. This separate element represents a consumption of net assets that applies to a future period and so will not be recognized as an expense until then. The District reports deferred outflows of resources from pension, OPEB activities and bond refunding.

In addition to liabilities, the statement of net position also reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net assets that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources from pension, OPEB, hedging activities, and leases.

Y. Fair Value Measurement

Generally Accepted Accounting Principles provide guidance for determining a fair value measurement for reporting purposes, applying fair value to investments, and disclosures related to a hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs include inputs that are directly observable for the investment including quoted price for similar investments and inputs that are not directly observable but are derived from observable market data through correlation; Level 3 inputs are significant unobservable inputs.

Z. Unusual or Infrequent Items

In accordance with GASB Statement No. 103, the District reports separately, after other nonoperating revenues and expenses, inflows and outflows of resources that are unusual in nature or infrequent in occurrence, whether or not they are within the control of management. The District did not have any unusual or infrequent items in FY2026 or FY2025.

AA. New Accounting Pronouncements

Effective this Fiscal Year

GASB Statement No. 103 – In April 2024, GASB issued Statement No. 103, Financial Reporting Model Improvements. The Statement establishes targeted improvements to the MD&A, unusual or infrequent items, proprietary fund financial statement presentation, budgetary comparison information, major component unit information, and statistical section financial trends information. The requirements are effective for fiscal years beginning after June 15, 2025. The District implemented Statement No. 103 for FY26. Implementation changed presentation and related disclosures, including the MD&A structure and the presentation of operating, nonoperating, and subsidy activity, but did not change beginning net position.

GASB Statement No. 104 – In September 2024, GASB issued Statement No. 104, Disclosure of Certain Capital Assets. The Statement requires certain types of capital assets to be disclosed separately in the capital assets note, including lease assets recognized under GASB Statement No. 87, intangible right-to-use assets recognized under GASB Statement No. 94, subscription assets recognized under GASB Statement No. 96, and other intangible assets, and establishes requirements for capital assets held for sale. The requirements are effective for fiscal years beginning after June 15, 2025, and have been applied in Note 5. The Statement affects disclosures only.

Note 2 - Cash and Investments

Policies

The District's investments are generally carried at fair value, as required by generally accepted accounting principles. The District adjusts the carrying value of its investments to reflect their fair value at each Fiscal Year end and includes the effects of these adjustments as a component of interest and investment income for that fiscal year. The District is in compliance with the Board approved Investment Policy and California Government Code requirements.

Classification

The District's cash and investments as of June 30 are classified in the statement of net position as follows (in thousands):

	2026	2025
Cash and cash equivalents	$ 351,307	$ 369,056
Current investments	11,690	16,093
Current restricted investments	1,555	3,256
Noncurrent investments	204,526	193,641
Noncurrent restricted investments	58,944	54,492
Total	**$ 628,022**	**$ 636,538**

The District's cash and investments consist of the following on June 30 (in thousands):

	2026	2025
Cash on hand	$ 19	$ 21
Deposits with financial institutions	115,052	116,158
Investments	512,951	520,359
Total	**$ 628,022**	**$ 636,538**

Investments Authorized by the California Government Code and the District's Investment Policy

The table below identifies the investment types that are authorized for the District by the California Government Code or the District's investment policy, whichever is more restrictive, that addresses interest rate risk and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the District, rather than the general provisions of the District's investment policy.

Authorized Investment Type	Minimum Credit Rating	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Obligations	None	15 years	100%	N/A
Obligations of U.S. Agencies or Government Spon	None	15 years	100%	N/A
Banker's Acceptances	None	180 days	40%	30%
Commercial Paper	A1/P1/F1	270 days	40%	10%
Repurchase Agreements	None	1 year	100%	N/A
Reverse Repurchase Agreements & Securities Len	None	92 days	20%	N/A
Medium-term Corporate Notes	A	5 years	30%	10%
Shares of beneficial interest issued by diversified management companies	Highest rating by two NRSROs	N/A	20%	10%
Local Government Investment Pools	None	N/A	100%	N/A
Asset-backed and Mortgage-backed securities	AA	5 years	20%	N/A
Municipal Obligations	None	10 years	100%	N/A
Supranational Obligations	AA	5 years	30%	N/A
Local Agency Investment Fund (LAIF)	None	Up to current state limit		
San Mateo County Investment Pool	None	Up to current state limit		

For the District's investment in California Employers' Pension Prefunding Trust (CEPPT), the investment policy is consistent with the CalPERS for the CEPPT authorized investments in global equities, fixed income, treasury inflation-protected securities, real estate investment trusts, and liquidity assets.

Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustees are governed by provisions of the debt covenants, rather than the general provisions of the California Government Code or the District's investment policy. These provisions allow for the acquisition of investment agreements, repurchase agreements and U.S. Treasury Securities with maturities of up to 30 years.

Interest Rate Risk

Interest rate risk is the risk incurred when market interest rates adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of short-term and long-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

The District's weighted average maturity of its investment portfolio at June 30, 2026 was as follows:

Investment Type	Amount (in thousands)	Weighted Average Maturity (in years)
U.S. Agency Securities	$ 35,880	4.48
Asset Backed Securities	39,611	3.14
U.S. Government Securities	95,285	2.23
Corporate Notes	63,048	3.05
Supranationals	2,056	0.96
Money Market Mutual Funds	11,734	0.00
Local Agency Investment Fund (LAIF)	6,156	0.74
Hedge Treasury Bills	1,482	0.00
California Asset Management Program (CAMP)	230,109	0.15
California Employers' Prefunding Pension Trust	27,590	0.00
Total	**$ 512,951**	
Portfolio Weighted Average Maturity		1.42

The District's weighted average maturity of its investment portfolio at June 30, 2025 was as follows:

Investment Type	Amount (in thousands)	Weighted Average Maturity (in years)
U.S. Agency Securities	$ 51,972	4.76
Asset Backed Securities	41,734	3.84
U.S. Government Securities	81,749	2.26
Corporate Notes	40,297	2.76
Certificates of Deposit	3,312	0.33
Municipal Debt Securities	2,498	0.09
Supranationals	2,048	1.96
Money Market Mutual Funds	17,564	0.00
Local Agency Investment Fund (LAIF)	6,066	0.70
Hedge Treasury Bills	1,786	0.00
California Asset Management Program (CAMP)	246,811	0.11
California Employers' Prefunding Pension Trust	24,522	0.00
Total	**$ 520,359**	
Portfolio Weighted Average Maturity		1.42

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the actual rating as of June 30 for each investment type.

		Rating as of June 30, 2026				
Investment Type	Amount (in thousands)	AAA	AA	A	BBB+	Not Rated
U.S. Agency Securities	$ 35,880	$ -	$ 35,880	$ -	$ -	$ -
Asset Backed Securities	39,611	20,732	-	-	-	18,879
U.S. Government Securities	95,285	-	95,285	-	-	-
Corporate Notes	63,048	-	29,980	33,068	-	-
Supranationals	2,056	2,056	-	-	-	-
Money Market Mutual Funds	11,734	11,734	-	-	-	-
LAIF	6,156	-	-	-	-	6,156
Hedge Treasury Bills	1,482	-	-	-	-	1,482
CAMP	230,109	-	-	-	-	230,109
CEPPT	27,590	-	-	-	-	27,590
Total	**$ 512,951**	**$ 34,522**	**$ 161,145**	**$ 33,068**	**$ -**	**$ 284,216**

Investment Type	Amount (in thousands)	Rating as of June 30, 2025 AAA	AA	A	BBB+*	Not Rated
U.S. Agency Securities	$ 51,972	$ -	$ 51,972	$ -	$ -	$ -
Asset Backed Securities	41,734	20,813	-	-	-	20,921
U.S. Government Securities	81,749	-	81,749	-	-	-
Corporate Notes	40,297	-	15,100	25,197	-	-
Certificates of Deposit	3,312	-	3,312	-	-	-
Municipal Debt Securities	2,498	489	2,009	-	-	-
Supranationals	2,048	2,048	-	-	-	-
Money Market Mutual Funds	17,564	17,564	-	-	-	-
LAIF	6,066	-	-	-	-	6,066
Hedge Treasury Bills	1,786	-	-	-	-	1,786
CAMP	246,811	-	-	-	-	246,811
CEPPT	24,522	-	-	-	-	24,522
Total	**$ 520,359**	**$ 40,914**	**$ 154,142**	**$ 25,197**	**$ -**	**$ 300,106**

* Securities were acquired as A rated and adjusted later to BBB+ during fiscal year 2022.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the relative size of an investment in a single issuer. GASB Statement No. 40 requires disclosure of certain investments in any one issue that represents 5% or more of total investments. Investments issued or explicitly guaranteed by the U.S. Government, investments in mutual funds, external investment pools, and other pooled investments are exempt. As of June 30, 2026, the District exceeded the 5% limit of total investments in issuers with investment in Federal Home Loan Mortgage Corporation, U.S. Agency Bonds and FHLMC. One issuer exceeded 5% of the District's total investment portfolio for the year ended June 30, 2026.

Issuer (in thousands)	Investment Type	2026	Concentration
Federal Home Loan Mortgage Corporation	U.S. Agency Securities	$ 27,323	5.33%
Total		**$ 27,323**	

There was one issuer that exceeded 5% of the District's total investment portfolio for the year ended June 30, 2025.

Issuer (in thousands)	Investment Type	2025	Concentration
Federal Home Loan Mortgage Corporation	U.S. Agency Securities	$ 33,920	7.37%
Total		**$ 33,920**	

Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs.

The District has the following recurring fair value measurements as of June 30, 2026:

- Debt classified as Level 2 inputs are valued using price data obtained from observed transactions and market price quotations from broker dealers and/or pricing vendors.
- Certificates of deposit classified as Level 2 inputs are valued using quoted price for directly observable inputs.

Investments in the State Local Agency Investment Fund are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at $1.00 net asset value per share.

The following is the District's fair value hierarchy table as of June 30, 2026 (in thousands):

Investment Type	Total	Level 1	Level 2	Uncategorized
U.S. Agency Securities	$ 35,880	$ -	$ 35,880	$ -
Asset Backed Securities	39,611	-	39,611	-
U.S. Government Securities	95,285	95,285	-	-
Corporate Notes	63,048	-	63,048	-
Certificates of Deposit	-	-	-	-
Municipal Debt Securities	-	-	-	-
Supranationals	2,056	-	2,056	-
Money Market Mutual Funds	11,734	-	-	11,734
LAIF	6,156	-	-	6,156
Hedge Treasury Bills	1,482	-	-	1,482
CAMP	230,109	-	-	230,109
CEPPT	27,590	-	-	27,590
Total investments by fair value type	**$ 512,951**	**$ 95,285**	**$ 140,595**	**$ 277,071**

The following is the District's fair value hierarchy table as of June 30, 2025 (in thousands):

Investment Type	Total	Level 1	Level 2	Uncategorized
U.S. Agency Securities	$ 51,972	$ -	$ 51,972	$ -
Asset Backed Securities	41,734	-	41,734	-
U.S. Government Securities	81,749	81,749	-	-
Corporate Notes	40,297	-	40,297	-
Certificates of Deposit	3,312	-	3,312	-
Municipal Debt Securities	2,498	-	2,498	-
Supranationals	2,048	-	2,048	-
Money Market Mutual Funds	17,564	-	-	17,564
LAIF	6,066	-	-	6,066
Hedge Treasury Bills	1,786	-	-	1,786
CAMP	246,811	-	-	246,811
CEPPT	24,522	-	-	24,522
Total investments by fair value type	**$ 520,359**	**$ 81,749**	**$ 141,861**	**$ 296,749**

Custodial Credit Risk

The custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that in the event of the failure of the counter party (e.g. broker-dealer) to a transaction, the District will not be able to recover the value of its investment or collateral securities that are in possession of another party.

California Law requires banks and savings and loan institutions to pledge government securities with a fair value of 110 percent of the District's cash on deposit, or first trust deed mortgage notes with a fair value of 150 percent of the deposit, as collateral for these deposits. Under California law, this collateral is held in a separate investment pool by another institution in the pool's name and places the pool, which includes the District's deposits, ahead of general creditors of the institution.

The District invests in individual investments and in investment pools. Individual investments are evidenced by specific identifiable *securities instruments*, or by an electronic entry registering the owner in the records of the institution issuing the security, called the *book entry* system. In order to increase security, the District employs the Trust Department of a bank or trustee as the custodian of certain District managed investments, regardless of their form.

As of June 30, 2026 and 2025, the District had $115,052,000 and $116,158,000, respectively, in deposits with financial institutions recorded on the financial statements. These balances are in excess of the federal depository insurance limits and are collateralized with securities held by the pledging financial institution. The amount of deposits exposed to custodial credit risk at June 30, 2026 and 2025 was [Finance to provide] and $115,908,000, respectively. However, due to California State law, the excess balances are collateralized with pledged securities by the financial institutions holding the District's deposits.

Investment in State Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. LAIF is not registered with the Securities and Exchange Commission. As of June 30, 2026 and June 30, 2025, the District had a contractual withdrawal value in LAIF of $6.0 million and $5.9 million, respectively. Investments in LAIF are not categorized because deposits and withdrawals are made on the basis of $1 and not fair value.

California Asset Management Program (CAMP): The District holds an investment in CAMP that is subject to "fair value" adjustments. The District had a contractual withdrawal value of $230.1 million (which is reported using the amortized cost) after the adjustment for unrealized gains/losses for fiscal year 2026. The District had a contractual withdrawal value of $246.8 million in CAMP as of June 30, 2025. CAMP is a governmental investment pool managed and directed by the CAMP Treasurer and is not registered with the Securities and Exchange Commission.

Note 3 - Noncapital Subsidies

The District receives noncapital subsidies from various federal, state, and local sources. The District receives funds from two San Mateo County sales taxes: a permanent half-cent transaction and use tax levied on all taxable sales in San Mateo County and a half-cent sales tax which will be levied through June 30, 2049 (and half of which is administered by the San Mateo County Transportation Authority (Transportation Authority), both of which are collected and administered by the California Department of Tax and Fee Administration. Transportation Development Act funds are received from San Mateo County to meet, in part, operating and capital requirements based on annual claims filed by the District and approved by the Metropolitan Transportation Commission (MTC). Federal funds are distributed to the District by the Federal Transportation Administration (FTA) after approval by MTC. The District also receives Transportation Authority funds as a result of the approval and re-authorization of 2004 Measure A (half-cent county sales tax) for funding of certain transportation projects and programs.

Operating assistance is summarized as follows for the years ended June 30 (in thousands):

	2026	2025
Transaction and use tax	$ 186,074	$171,421
Local transportation funds	56,569	60,442
Federal operating and planning assistance	4,224	4,536
Federal Emergency Management Agency (FEMA)	-	-
State transit assistance	10,156	14,935
Measure A funds - local	4,967	4,720
Measure W funds - local	1,200	1,120
Total	**$ 263,190**	**$ 257,174**

Note 4 - Federal Capital Grants

The District has a number of grant contracts with the FTA that provide federal funds for the acquisition of buses and other equipment and improvements. Capital additions in fiscal year 2026 and fiscal year 2025 applicable to these projects are $135,198,000 and $43,505,000, respectively. The related federal participation is $58,978,000 and $12,155,000, respectively.

The District has recorded receivables of $24,810,000 and $867,000 at June 30, 2026 and 2025, respectively, for qualifying capital project expenditures under FTA grant contracts in excess of reimbursements. The remaining federal grants receivable balance of $9,480,000 is related to federal operating grants.

Under the terms of the grants, contributions for equipment sold or retired during its useful life are refundable to the federal government in proportion to the related capital grant funds received, unless the net book value or proceeds from sale is under grant-prescribed limits.

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Note 5 - Capital Assets

Capital asset activity for the Fiscal Year ended June 30, 2026, was as follows (in thousands):

	Balance at July 01, 2025	Additions	Deletions	Balance at June 30, 2026
Capital Assets at Cost, Being Depreciated:				
Buses and bus equipment	$ 228,154	$ 26,522	$ -	$ 254,676
Buildings and building improvements	77,842	275	-	78,117
Maintenance and other equipment	35,380	972	-	36,352
Furniture and fixtures	33,697	210	-	33,907
Shelters, fencing and bus stop signs	11,878	10	-	11,888
Other vehicles	3,034	83	-	3,117
Total Capital Assets at Cost, Deing Depreciated	389,985	28,072	-	418,057
Less Accumulated Depreciation:				
Buses and bus equipment	(165,056)	(15,039)	-	(180,095)
Buildings and building improvements	(69,238)	(1,482)	-	(70,720)
Maintenance and other equipment	(32,260)	(1,041)	-	(33,301)
Furniture and fixtures	(30,994)	(1,065)	-	(32,059)
Shelters, fencing and bus stop signs	(8,132)	(1,052)	-	(9,184)
Other vehicles	(2,379)	(217)	-	(2,596)
Total Accumulated Depreciation	(308,059)	(19,896)	-	(327,955)
Total Capital Assets, Being Depreciated, net	81,926	8,176	-	90,102
Intangible Assets, at Cost, Being Amortized				
Right-to-use subscriptions	4,335	4,040	(2,778)	5,597
Right-to-use ground leases	-	107,269	-	107,269
Total Intangible Assets, Being Amortized	4,335	111,309	(2,778)	112,866
Less Accumulated Amortization for				
Right-to-use subscriptions	(2,948)	(1,619)	2,778	(1,789)
Right-to-use ground leases	-	(4,408)	-	(4,408)
Total Accumulated Amortization	(2,948)	(6,027)	2,778	(6,197)
Total Intangible Assets, Being Amortized, Net	1,387	105,282	-	106,669
Nondepreciable Capital Assets				
Land	56,915	-	-	56,915
Construction in progress	53,934	129,790	(27,781)	155,943
Total Nondepreciable Capital Assets	110,849	129,790	(27,781)	212,858
Capital Assets, Net	**$ 194,162**	**$ 243,248**	**$ (27,781)**	**$ 409,629**

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Capital asset activity for the Fiscal Year ended June 30, 2025, was as follows (in thousands):

	Balance at July 01, 2024	Additions	Deletions	Balance at June 30, 2025
Capital Assets at Cost, Being Depreciated:				
Buses and bus equipment	$ 216,482	$ 11,672	$ -	$ 228,154
Buildings and building improvements	77,434	408	-	77,842
Maintenance and other equipment	35,330	50	-	35,380
Furniture and fixtures	30,720	2,977	-	33,697
Shelters, fencing and bus stop signs	11,878	-	-	11,878
Other vehicles	3,034	-	-	3,034
Total Capital Assets at Cost, Being Depreciated	374,878	15,107	-	389,985
Less Accumulated Depreciation:				
Buses and bus equipment	(151,729)	(13,327)	-	(165,056)
Buildings and building improvements	(67,756)	(1,482)	-	(69,238)
Maintenance and other equipment	(31,341)	(919)	-	(32,260)
Furniture and fixtures	(30,159)	(835)	-	(30,994)
Shelters, fencing and bus stop signs	(7,081)	(1,051)	-	(8,132)
Other vehicles	(2,132)	(247)	-	(2,379)
Total Accumulated Depreciation	(290,198)	(17,861)	-	(308,059)
Total Capital Assets, Being Depreciated, net	84,680	(2,754)	-	81,926
Intangible Assets, at Cost, Being Amortized				
Right-to-use subscriptions	3,543	1,107	(315)	4,335
Right-to-use ground leases	-	-	-	-
Total Intangible Assets, Being Amortized	3,543	1,107	(315)	4,335
Less Accumulated Amortization for				
Right-to-use subscriptions	(2,219)	(1,044)	315	(2,948)
Right-to-use ground leases	-	-	-	-
Total Accumulated Amortization	(2,219)	(1,044)	315	(2,948)
Total intangible assets, being amortized, net	1,324	63	-	1,387
Nondepreciable Capital Assets				
Land	56,915	-	-	56,915
Construction in progress	32,146	36,895	(15,107)	53,934
Total Nondepreciable Capital Assets	89,061	36,895	(15,107)	110,849
Capital Assets, Net	**$ 175,065**	**$ 34,204**	**$ (15,107)**	**$ 194,162**

Note 6 - Related Parties

Peninsula Corridor Joint Powers Board (JPB)

The District is a member of the Peninsula Corridor Joint Powers Board (JPB), along with the Santa Clara Valley Transportation Authority (VTA) and the City and County of San Francisco (CCSF). The JPB is governed by a separate nine-member board, with three members appointed by each member agency. The District serves as the Managing Agency for the JPB.

Under the 2008 Restated Real Property Ownership Agreement (RPOA), the District was entitled to reimbursement for funds advanced toward the acquisition of the Caltrain right-of-way. The District has received the full reimbursement of $53.3 million from various funding sources.

In August 2022, the District, JPB, CCSF, and VTA entered into a Memorandum of Understanding (MOU) addressing governance and reimbursement arrangements. Under the MOU, CCSF and VTA agreed to provide an additional $15.2 million to the District in exchange for the assignment of certain Managing Agency rights to the JPB. The payment was received, completing the reimbursement obligations related to the Caltrain right-of-way. The District has subsequently substantially completed the reconveyance of its tenancy-in-common interest in the right-of-way to the JPB

Separate from cost reimbursement related to the purchase of the Caltrain right-of-way, The District also receives reimbursement for shared administrative services, office space, facilities and equipment, insurance and other operational necessities it provides to the JPB as the Managing Agency. The District had total receivables from the JPB of $6,759,000 at June 30, 2026, decreased from $24,556,000 at June 30, 2025, for advances of staff support and operating costs. Complete financial statements for the JPB can be found at:

https://www.caltrain.com/about-caltrain/statistics-reports/annual-comprehensive-financial-reports.

San Mateo County Transportation Authority (Transportation Authority)

The Transportation Authority was established in June 1988 following voter approval of Measure A, a half-cent countywide sales tax dedicated to transportation improvements. In November 2004, voters approved the extension of Measure A through 2033. The District serves as the Managing Agency for the Transportation Authority, providing administrative, financial, and operational support.

In November 2018, voters approved Measure W, an additional half-cent sales tax, with 50% of the revenues allocated to the Transportation Authority to administer transportation improvement programs, including highways, local streets, bicycle and pedestrian projects, and regional transit connections.

As the Managing Agency, the District has total receivables from the Transportation Authority of $1,428,000 and $2,494,000 at June 30, 2026 and 2025 respectively, for advances of staff support, office space and equipment, and other operating costs. Complete financial statements for the Transportation Authority can be found at:

https://www.smcta.com/resources/finance/annual-comprehensive-financial-reports.

San Mateo County Express Lanes Joint Powers Authority (SMCEL-JPA)

In May of 2019, the Transportation Authority and City/County Association of Governments of San Mateo County ("C/CAG") formed the San Mateo County Express Lanes Joint Powers Authority ("SMCEL-JPA") through a Joint Exercise of Powers Agreement to exercise their shared rights to own, administer and manage the San Mateo County U.S. 101 Express Lanes Project. Under that agreement, the District (as Managing Agency for the Transportation Authority) and C/CAG both provide staff support to the SMCEL-JPA. The District's staff supports the JPA's financial activities (e.g., budgeting, accounting, audits, and treasury), marketing (including marketing use of the lanes and promoting the broader benefits of the lanes), and communications (including media and community relations, and the SMCEL-JPA's website).

The District has total receivables from the SMCEL-JPA of $76,000 and $219,000 at June 30, 2026 and 2025 respectively, for wages and benefits and indirect costs. Complete financial statements for the San Mateo County Express Lanes Joint Powers Authority can be found at :

https://101expresslanes.org/documents

Note 7 - Leases

Lease Receivable

As the Lessor, the District entered into lease agreements for mainly commercial, rental, and parking transactions. The lease terms expire between 2027 and 2116, with some leases containing options to renew. The District, as lessor, has accrued receivables for mainly ground/commercial leases. Currently, there are four ground leases, one building lease, and five commercial leases. The leases receivable as of June 30, 2026 and June 30, 2025 were $99,770,000 and $74,950,000, respectively. Deferred inflows of resources related to leases were $96,977,000 and $72,924,000 as of June 30, 2026 and June 30, 2025, respectively. Lease revenue recognized on the leases were $2,986,000 in fiscal year June 30, 2026 and $1,071,000 in fiscal year June 30, 2025. Interest revenue recognized on the leases were $5,438,000 in the fiscal year ended June 30, 2026 and $1,083,000 in fiscal year ended June 30, 2025. Final receipts for commercial leases are through the fiscal year 2027, through 2036 for the building lease, and through the fiscal year 2116 for ground leases.

The District's variable payments are calculated using the annual consumer price index (CPI), a specific % increase or a specific dollar amount. If the CPI is not specified in the contract, the Applicable Federal Rate (AFR) is used. The District has no residual value grantees included in the measurement of lease assets, liabilities, or deferred inflows of resources and lease receivable for the year ended June 30, 2026. The District had no remeasurement during the fiscal year.

Lease Liability

In December 2023 the Board authorized the General Manager to enter into a lease with option to purchase agreement for an approximately 180,000-square-foot office building at 166 N. Rollins Road, Millbrae (Gateway at Millbrae Station), to serve as the District's new headquarters. The lease commenced in fiscal year 2026, and the District recognized a right-to-use lease asset and lease liability of $107,269,000. As of June 30, 2026, the lease liability was $106,302,000, of which $4,658,000 is due within one year.

Future minimum lease payments are as follows (in thousands):

Fiscal years Ended June 30	Principal	Interest
2027	$ 4,658	$ 5,618
2028	5,231	5,353
2029	6,338	5,044
2030	7,038	4,685
2031	7,787	4,288
Thereafter - 5 year increments	75,250	15,026
Total	**$ 106,302**	**$ 40,014**

Note 8 - Long-Term Debt

Composition and Changes

The District generally incurs long-term debt to finance projects or purchase assets, which will have useful lives equal to or greater than the related debt. The District's debt issues and transactions are summarized below and discussed in detail thereafter.

Long-term debt activity for the year ended June 30, 2026 is as follows (in thousands):

	Original Issue Amount	Balance at July 01, 2025	Additions	Deletions	Balance at June 30, 2026	Current Balance at June 30, 2026
Limited Tax Bonds						
2025 Series A Refunding Bonds 5.00%, due 6/1/2034	$ 122,305	$ 122,305	$ -	$ (12,480)	$ 109,825	$ 13,010
Lease liability		-	107,269	(967)	106,302	4,658
Subscription liability		1,353	4,040	(1,516)	3,877	1,663
Total debt		123,658	111,309	(14,963)	220,004	**19,331**
Unamortized bond premium						
2025 Series A Refunding Bonds		13,983	-	(2,886)	11,097	
Total debt payable		**$ 137,641**	**$ 111,309**	**$ (17,849)**	**$ 231,101**	

Long-term debt activity for the year ended June 30, 2025 is as follows (in thousands):

	Original Issue Amount	Balance at July 01, 2024	Additions	Deletions	Balance at June 30, 2025	Current Balance at June 30, 2025
Limited Tax Bonds						
2015 Series A Refunding Bonds 3.00%-5.00%, due 6/1/2034	$ 210,280	$ 149,005	$ -	$ (149,005)	$ -	$ -
2025 Series A Refunding Bonds 5.00%, due 6/1/2034	122,305	-	122,305	-	122,305	12,480
Subscription liability		1,223	1,108	(978)	1,353	704
Total debt		150,228	123,413	(149,983)	123,658	**$ 13,184**
Unamortized bond premium						
2015 Series A Refunding Bonds		8,707	-	(8,707)	-	
2025 Series A Refunding Bonds		-	14,913	(930)	13,983	
Total debt payable		**$ 158,935**	**$ 138,326**	**$ (159,620)**	**$ 137,641**	

In March 2025 the District issued $122,305,000 of 2025 Series A Limited Tax Bonds to refund and legally defease all outstanding 2015 Series A Refunding Bonds (original issue $210,280,000), which had been issued to advance refund the District's 1993 Series A, 2005 Series A and 2009 Series A Bonds. The net carrying amount of the old debt exceeded the reacquisition price by $4,519,000; this amount is reported as a deferred inflow of resources ($3,207,000 at June 30, 2026) and amortized over the remaining life of the refunding debt. The refunding reduced total debt service payments by $13,400,000 and produced an economic gain of $11,555,000. The 2025 Series A Bonds are rated 'AAA' by Standard & Poor's.

Interest on the 2025 Series A Bonds is payable semiannually on June 1 and December 1 of each year at 5.00%, and principal is payable annually on June 1 through 2034. The first principal payment of $12,480,000 was made on June 1, 2026. The bonds are subject to optional redemption prior to their stated maturities.

Pledged Revenues and Future Debt Service

Amounts deposited in each Escrow Fund are pledged to the payment of the Prior Bonds secured by such Escrow Fund and will not be available for the payment of any bonds other than the Prior Bonds secured by such Escrow Fund. Interest on the 2025 Series Bonds is payable semiannually on June 1 and December 1 of each year. The 2025 Series Bonds are subject to optional redemption prior to their respective stated maturities. Principal on the 2025 Series A is payable on June 1, 2026, and annually thereafter on June 1 of each year through 2034.

The 2025 Series Bonds are special obligations of the District payable from the receipts of a sales tax to assist in the financing or refinancing of facilities necessary or convenient for the provision of transit services. The amount and terms of pledged revenue is the outstanding secured debt service as noted on the debt service requirement schedule in the following paragraph. The amount of pledged revenues recognized for the secured debt was $124.2 million and the amount required for the debt service was $17.6 million during Fiscal Year 2026. The pledged revenue coverage was 7.07 times.

Debt Service Requirements to Maturity

Future Debt Service requirements are as follows (in thousands):

Fiscal Year Ending June 30,	2025 Series A Principal	Interest	Total
2027	$ 13,010	$ 5,491	$ 18,501
2028	13,275	4,841	18,116
2029	13,180	4,177	17,357
2030	13,835	3,518	17,353
2031	14,525	2,826	17,351
2032-2034	42,000	3,974	45,974
Total debt service	**$ 109,825**	**$ 24,827**	**$ 134,652**

Subscription Liabilities

The District has nine subscription arrangements as subscriber primarily for software as a service (SaaS) and platform as a service (PaaS) as of June 30, 2026. Two of which came to termination as of year-end and three new arrangements which were procured during the year. Most subscriptions have initial terms of up to three years. The District is required to make interest and principal payments through June 30, 2031. As the interest rate implicit in the District's subscriptions are not readily determinable, the District utilizes the Applicable Federal Rate (AFR) to discount the subscription payments.

During the Fiscal year, the District recorded $1,619,000 in amortization expense and $279,000 in interest expense for the right to use subscription software.

Future Subscription liability requirements are as follows (in thousands):

Fiscal year Ending June 30,	Principal	Interest
2027	$ 1,663	$ 149
2028	1,477	73
2029	671	17
2030	64	1
2031	2	-
Total	$ 3,877	$ 240

Note 9 - Pension Plan

Plan Description

General Information About the Pension Plans

Plan Descriptions – All qualified permanent and probationary employees, including those assigned to work for the Peninsula Corridor Joint Powers Board (JPB) and the San Mateo County Transportation Authority (Transportation Authority), are eligible to participate in the District's defined benefit pension plan, an agent multiple-employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefits are established by contract with CalPERS in accordance with the provisions of the Public Employees' Retirement Law. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of CalPERS credited service are eligible to retire at age 50 with statutorily reduced benefits. Effective January 1, 2013, new CalPERS members are subject to the Public Employees' Pension Reform Act (PEPRA); to be eligible for retirement, a PEPRA employee must be at least 52 years of age. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost-of-living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The plan provisions and benefits in effect at June 30, 2026, are summarized as follows:

Hire date	Prior to June 1, 2012	June 1, 2012 through December 31, 2012	On or after January 1, 2013
Benefit formula	2.0% at 55	2.0% at 60	2.0% at 62
Minimum years of service to vest	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Earliest retirement age	50	50	52
Required employee contribution rates	7.000%	7.000%	8.000%
Required employer contribution rates*	9.330%	9.330%	9.330%

*Excluding an additional UAL payment in the amount of $8,538,953

Employees Covered – At June 30, 2026, the following employees were covered by the plan:

Inactive employees (or their beneficiaries) currently receiving benefits	787
Inactive employees entitled to but not yet receiving benefits	260
Active employees	910
Total number of employees covered by the benefit terms	**1,957**

Employees Covered – At June 30, 2025, the following employees were covered by the plan:

Inactive employees (or their beneficiaries) currently receiving benefits	750
Inactive employees entitled to but not yet receiving benefits	260
Active employees	783
Total number of employees covered by the benefit terms	**1,793**

Contributions – Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers to be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

Annually, in addition to funding the "normal cost" of the pension plan, the District is required to amortize a portion of the unfunded accrued liability through a payment into the plan. A portion of this cost is attributed to the JPB and the Transportation Authority. In Fiscal Year 2026, the JPB's portion of this payment was $1,271,000, and the Transportation Authority's portion of this payment was $538,000; In Fiscal Year 2025, the JPB's portion of this payment was $1,088,000, and the Transportation Authority's portion of this payment was $423,000.

On May 3, 2023, the District's Board of Directors approved establishment of a California Employers' Pension Prefunding Trust (CEPPT) Account for the District with the California Public Employees' Retirement System (CalPERS) and directed the staff to open and fund the trust account over FY23 and FY24 with a $21 million pension prepayment reserve fund contribution that was included in the District's 2023 Operating Budget. The CalPERS CEPPT trust fund program allows state and local public employers to prefund their future pension costs through an investment vehicle designed to accumulate assets over time. By establishing a CEPPT trust fund account, the District can proactively manage its long-term pension costs and liabilities by using assets in the trust to manage growing pension liabilities, including future normal costs and Unfunded Accrued Liability (UAL) payments. The assets in the trust can be used to stabilize pension rates and offset unexpected contribution rate increases, as well as to act as a rainy-day fund to ensure resources are available for pension obligations when revenues are impaired, based on economic or other conditions. As of June 30, 2024, the District has contributed the entire $21 million reserve in the Account.

Net Pension Liability

The District's net pension liability for Fiscal Year 2026 is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability for Fiscal Year 2026 is measured as of June 30, 2025, using an actuarial valuation as of June 30, 2024 rolled forward to June 30, 2025 using standard update procedures. The District's net pension liability for Fiscal Year 2025 is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability for Fiscal Year 2025 is measured as of June 30, 2024, using an annual actuarial valuation as of June 30, 2023 rolled forward to June 30, 2024 using standard update procedures. Net pension liability includes all employees assigned to work for the JPB and the Transportation Authority. A summary of principal assumptions and methods used in the latest actuarial valuation to determine the net pension liability follows.

Actuarial Assumptions – The total pension liabilities in the June 30, 2025 and June 30, 2026 actuarial valuations were determined using the following actuarial assumptions:

	2026	2025
Valuation Date	June 30, 2024	June 30, 2023
Measurement Date	June 30, 2025	June 30, 2024
Actuarial Cost Method	Entry-Age Actuarial Cost Method	Entry-Age Actuarial Cost Method
Actuarial Assumptions		
Discount Rate	6.90%	6.90%
Inflation	2.30%	2.30%
Payroll Growth	2.80%	2.80%
Projected Salary Increase	Varies by Entry-Age and Service	Varies by Entry-Age and Service
Investment Rate of Return	6.80% (1)	6.80% (1)
Mortality	(2)	(2)

(1) Net of pension plan investment and administrative expenses, including inflation.

(2) The probabilities of mortality are based on the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. Mortality rates incorporate full generational mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries.

Discount Rate – The discount rate used to measure the total pension liability was 6.9% percent for each Plan for both Fiscal Years ended June 30, 2026 and 2025. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that the District's contributions will be made at rates equal to the difference between actuarially determined contributions rates and the employee rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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.

In determining the long-term expected 6.9% rate of return on pension plan investments, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (arithmetic) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class[1]	New Strategic Allocation	Real Returns [1,2]
Public Equity	37.0%	4.56%
Private Equity	17.0%	5.56%
Fixed Income	28.0%	2.53%
Real Assets	15.0%	3.03%
Private Debt	8.0%	4.93%
Stategic Leverage	-5.0%	1.40%
Total	**100%**	

(1) An expected inflation of 2.30% used for this period.
(2) Figures are based on the 2024 Mid-Cycle Asset Liability Management Study

Source: CalPERS 2025 Annual Comprehensive Financial Report.

Changes in the Net Pension Liability

The changes in the net pension liability recognized over the measurement period ended June 30, 2025 (Fiscal Year ended June 30, 2026) is as follow (in thousands):

	Increase (Decrease)		
	Total Pension Liability	**Fiduciary Net Position**	**Net Pension Liability**
Balance at June 30, 2025	$ 483,937	$ 394,761	$ 89,176
Changes recognized for the measurement period			
Service cost	15,329	-	15,329
Interest on the total pension liability	33,423	-	33,423
Changes of benefit terms	-	-	-
Difference between expected and actual experience	4,859	-	4,859
Contributions from the employer	-	16,514	(16,514)
Contributions from employees	-	7,536	(7,536)
Net investment income	-	48,477	(48,477)
Benefit Payments, including refunds	(24,138)	(24,138)	-
Administrative Expense	-	(282)	282
Net changes	29,473	48,107	(18,634)
Balance at June 30, 2026	**$ 513,410**	**$ 442,868**	**$ 70,542**

The changes in the Net Pension Liability recognized over the measurement period ended June 30, 2024 (Fiscal Year ended June 30, 2025) is as follow (in thousands):

	Increase (Decrease)		
	Total Pension Liability	**Fiduciary Net Position**	**Net Pension Liability**
Balance at June 30, 2024	$ 456,323	$ 361,762	$ 94,561
Changes recognized for the measurement period			
Service cost	12,944	-	12,944
Interest on the total pension liability	31,547	-	31,547
Changes of assumptions		-	-
Changes of benefit terms	-	-	-
Difference between expected and actual experience	5,704	-	5,704
Net plan to plan resource movement	-	-	-
Contributions from the employer	-	14,384	(14,384)
Contributions from employees	-	6,759	(6,759)
Net investment income	-	34,731	(34,731)
Benefit Payments, including refunds	(22,581)	(22,581)	-
Net changes	27,614	32,999	(5,385)
Balance at June 30, 2025	**$ 483,937**	**$ 394,761**	**$ 89,176**

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability for the measurement period ended June 30, 2025 (Fiscal Year ended June 30, 2026) calculated using the plan discount rate, as well as what the 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 (in thousands):

	1% Decrease	Current	1% Increase
Discount Rate	5.90%	6.90%	7.90%
Net Pension Liability	$ 134,562	$ 70,542	$ 17,148

The following presents the net pension liability for the measurement period ended June 30, 2024 (Fiscal Year ended June 30, 2025) calculated using the plan discount rate, as well as what the 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 (in thousands):

	1% Decrease	Current	1% Increase
Discount Rate	5.90%	6.90%	7.90%
Net Pension Liability	$ 149,577	$ 89,176	$ 38,793

Pension Plan Fiduciary Net Position – Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions – For the year ended June 30, 2026, the District recognized pension expense of $14,434,000. At June 30, 2026, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 18,600	$ -
Changes of assumptions	-	-
Differences between expected and actual experiences	6,278	-
Net differences between projected and actual earnings on plan investments	-	(11,226)
Total	**$ 24,878**	**$ (11,226)**

Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions – For the year ended June 30, 2025, the District recognized pension expense of $18,400,000. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 16,513	$ -
Changes of assumptions	1,823	-
Differences between expected and actual experiences	4,962	(696)
Net differences between projected and actual earnings on plan investments	5,519	-
Total	**$ 28,817**	**$ (696)**

Deferred outflows of resources related to contributions subsequent to the measurement date is $18,600,000, which will be recognized as a reduction of the net pension liability in the next fiscal year. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized as a reduction to pension expense as follows (in thousands):

Year Ended June 30	
2026	8,181
2027	(3,682)
2028	(5,195)
2029	(4,252)
Total	**$ (4,948)**

Note 10 - Post-Retirement Health Care Benefits

Plan Description and Benefits Provided

In August 1993, the District's Board of Directors adopted the San Mateo County Transit District Retiree Healthcare Plan (Plan). The Plan provides lifetime post-retirement CalPERS medical care insurance benefits to qualified retirees, those who have attained at least 50 years of age and have at least five years of service and who retire under CalPERS within 120 days of separation from District employment, and their eligible dependents and surviving spouses. Benefit allowance provisions are established, and may be amended, through agreements and memorandums of understanding (MOUs) between the District, its management employees and unions representing District employees. In April 2008, the District's Board of Directors adopted an Other Post Employment Benefit (OPEB) funding plan (Plan) and in April 2009, as authorized by that plan, adopted the California Employers' Retiree Benefit Trust (CERBT), a tax-exempt Internal Revenue Code section 115 trust administered by CalPERS.

The Plan provides qualified retirees for life with a cash subsidy in the form of a fixed-dollar District contribution directly to CalPERS for monthly medical insurance premiums of up to $476 for employee-only coverage, $953 for employee-plus-one coverage, or $1,239 for employee-plus-two coverage. However, for Kaiser plans specifically, the rate is $432 for employee coverage, $864 for employee-plus-one coverage, or $1,123 for employee-plus-family coverage. Retirees can select from various health plans offered by the District through CalPERS such as Blue Shield, Kaiser, Health Net, Anthem, Western Health Advantage, Sharp, and United Healthcare. If a qualified retiree waives coverage, the retiree will not receive the District's contribution. These plans are subject to change based on CalPERS contractual agreements.

The District contributes to the CERBT, an agent multiple employer defined benefit other postemployment benefits plan that is an irrevocable trust established to fund postemployment healthcare benefits. This trust is not considered a component unit of the District and is excluded from these financial statements. The CERBT issues a publicly available annual financial report, which may be obtained from the CalPERS website. At the June 30, 2024 and June 30, 2025 measurement dates, the numbers of active and retired District employees covered by the Plan were as follows:

Measurement date	**2025**	**2024**
Retired employees receiving benefits	463	449
Retired employees entitled to but not receiving benefits	154	199
Active plan members	954	884
Total	**1,571**	**1,532**

Funding Policy and Contribution

The Plan also called for increasing amounts to be funded into the trust each year until the full Annual Determined Contribution (ADC) can be funded on an annual basis. The District contributes an amount that is actuarially determined that represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

In Fiscal Year ended June 30, 2026, the District contributed $3,547,000 in pay-as-you-go amounts for the year ended June 30, 2026. Additional contributions were in the form of an implicit subsidy in the amount of $661,000 were made.

In Fiscal Year ended June 30, 2025, the District contributed $4,236,000 to the established trust fund through CERBT. In addition, the District contributed $3,290,000 in pay-as-you-go amounts for the year ended June 30, 2025. Additional contributions were in the form of an implicit subsidy in the amount of $605,000 were made.

Annually, in addition to funding the "normal cost" of the OPEB plan, the District is required to amortize a portion of the unfunded accrued liability through a payment into the plan. A portion of this cost is attributed to the JPB and the Transportation Authority. In Fiscal Year 2026, the plan had a funding excess; accordingly, no payment to amortize the unfunded accrued liability was required or allocated to the JPB or the Transportation Authority. In Fiscal Year 2025, the JPB's portion of this payment was $456,000, and the Transportation Authority's portion of this payment was $268,000.

Net OPEB Liability

The District's net OPEB liability includes all employees assigned to work for the JPB and the Transportation Authority. It was measured as of June 30, 2025 for the Fiscal Year ended on June 30, 2026 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2025 that was based on the following actuarial methods and assumptions:

Valuation Date	June 30, 2025
Measurement Date	June 30, 2025
Actuarial Cost Method	Entry Age Normal, Level Percentage of Payroll
Discount Rate	6.25%
Inflation	2.50%
Investment Rate of Return	6.25%
Mortality	Projected fully generational with Scale MP-2021
Healthcare Trend Rate	Non-Medicare – 7.35% for 2027, decreasing to an ultimate rate of 3.45% in 2076 Medicare – 6.50% for 2027, decreasing to an ultimate rate of 3.45% in 2076

The District's net OPEB liability was measured as of June 30, 2024 for the Fiscal Year ended on June 30, 2025 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2023, that was based on the following actuarial methods and assumptions:

Valuation Date	June 30, 2023
Measurement Date	June 30, 2024
Actuarial Cost Method	Entry Age Normal, Level Percentage of Payroll
Discount Rate	6.25%
Inflation	2.50%
Investment Rate of Return	6.25%
Mortality	Projected fully generational with Scale MP-2021
Healthcare Trend Rate	Non-Medicare – 8.50% for 2025, decreasing to an ultimate rate of 3.45% in 2076 Medicare – 6.25% for 2025, decreasing to an ultimate rate of 3.45% in 2076

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of OPEB 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. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation [1]	Long-Term Expected Real Rate of Return [2][3]
Global Equity	49.00%	4.56%
Fixed Income	23.00%	1.56%
TIPS	5.00%	-0.08%
Commodities	3.00%	1.22%
REITs	20.00%	4.06%
	100.00%	

(1) The long-term expected real rates of return are presented as geometic means.

(2) Includes 2.5% inflation.

(3) Expected Long-Term Net Rate of Return, Rounded = 6.25%

Discount Rate

The discount rate used to measure the total OPEB liability was 6.25 percent for the measurement date as of June 30, 2025 and 6.25 percent for the measurement date as of June 30, 2024. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Change in Net OPEB Liability

The changes in the net OPEB liability for the District's plan over the measurement period ended June 30, 2025 (Fiscal Year ended June 30, 2026) are as follows:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Asset)
Balance at June 30, 2025	$ 52,668	$ 51,217	$ 1,451
Changes for the year:			
Service cost	1,712	-	1,712
Interest	3,277	-	3,277
Changes in benefit terms	-	-	-
Differences between actual and expected experience	3,821	-	3,821
Changes in assumptions	(408)	-	(408)
Contribution - employer	-	8,141	(8,141)
Contribution - member	-	-	-
Net investment income	-	6,386	(6,386)
Benefit payments and refunds	(3,895)	(3,895)	-
Administrative expenses	-	(26)	26
Net changes	4,507	10,606	(6,099)
Balance at June 30, 2026	**$ 57,175**	**$ 61,823**	**$ (4,648)**

The changes in the net OPEB liability for the District's plan over the measurement period ended June 30, 2024 (Fiscal Year ended June 30, 2025) are as follows:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2024	$ 51,546	$ 42,552	$ 8,994
Changes for the year:			
Service cost	1,666	-	1,666
Interest	3,209	-	3,209
Changes in benefit terms	-	-	-
Differences between actual and expected		-	-
Changes in assumptions		-	-
Contribution - employer	-	7,764	(7,764)
Contribution - member	-	-	-
Net investment income	-	4,680	(4,680)
Benefit payments and refunds	(3,753)	(3,753)	-
Administrative expenses	-	(26)	26
Net changes	1,122	8,665	(7,543)
Balance at June 30, 2025	**$ 52,668**	**$ 51,217**	**$ 1,451**

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the District if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for the year ended June 30, 2026 and 2025:

Net OPEB Liability for the Fiscal Year Ended on June 30, 2026		
Discount Rate - 1% (5.25%)	Current Discount Rate (6.25%)	Discount Rate + 1% (7.25%)
$ 676	$ (4,648)	$ (9,237)

Net OPEB Liability for the Fiscal Year Ended on June 30, 2025		
Discount Rate - 1% (5.25%)	Current Discount Rate (6.25%)	Discount Rate + 1% (7.25%)
$ 6,403	$ 1,451	$ (2,825)

Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates

The following presents the net OPEB liability of the District if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for the year ended June 30, 2026 and 2025:

Net OPEB Liability for the Fiscal Year Ended on June 30, 2026		
Trend Rate - 1%	Current Trend	Trend Rate + 1%
$ (5,851)	$ (4,648)	$ (2,874)

Net OPEB Liability for the Fiscal Year Ended on June 30, 2025		
Trend Rate - 1%	Current Trend	Trend Rate + 1%
$ 108	$ 1,451	$ 3,271

OPEB Plan Fiduciary Net Position

CalPERS issues a publicly available financial report that may be obtained from CalPERS website at http://www.calpers.ca.gov.

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the Fiscal Year ended June 30, 2026, the District recognized an OPEB expense in the amount of $512,000. As of Fiscal Year ended June 30, 2026, the District reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	$ 4,212	$ -
Changes of Assumptions	681	(1,081)
Differences between Expected and Actual Experiences	3,283	(2,705)
Net differences between projected and actual earnings on plan investments	-	(2,236)
Total	**$ 8,176**	**$ (6,022)**

For the Fiscal Year ended June 30, 2025, the District recognized an OPEB expense in the amount of $1,072,000. As of Fiscal Year ended June 30, 2025, the District reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	$ 8,141	$ -
Changes of Assumptions	1,168	(1,079)
Differences between Expected and Actual Experiences	-	(3,986)
Net differences between projected and actual earnings on plan investments	309	-
Total	**$ 9,618**	**$ (5,065)**

Recognition of Deferred Outflows and Deferred Inflows of Resources

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time. Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The recognition period differs depending on the source of the gain or loss. The contributions made subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the next fiscal year. The other deferrals are amortized over the remaining 5 years from 2027 to 2031 and thereafter as follows:

Year Ended June 30		
2027	$	87
2028		(1,322)
2029		(1,257)
2030		(574)
2031		481
Thereafter		527
Total	**$**	**(2,058)**

Note 11 - Insurance Programs

The District is exposed to various risks of loss including but not limited to those related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The District is self-insured for a portion of its public liability, property damage and workers' compensation liability. As of June 30, 2026, coverage provided by self-insurance and excess coverage (purchased by the District) is generally summarized as follows:

Type of Coverage	Self-Insured Retention (in thousands)	Excess Insurance (in thousands)
General Liability and Propert of Others	$3,000 per occurrence	$99,000 per occurrence/ annual aggregate
Workers' Compensation	$1,000 per occurrence	$10,000 per occurrence
Employment Practices	$1,000 per claim	$2,000 aggregate
Bus Physical Damage	$100 maximum per vehicle / $150 maximum per occurence	$25,000 per occurrence $194,000 Total Insurable Values (TIV)
Real and Personal Property	$25 per occurrence	9,000 Loss Limit Per Occurrence $155,000 Total Insurable Values (TIV)
Environmental Liability	$50 per occurrence	$6,000 per occurrence / annual aggregate
Fiduciary Liability	$10 per occurrence	$2,000 aggregate
Cyber Liability	$50 per occurrence	$10,000 ggregate
Crime Insurance/Employee Dishonesty	$50 per occurrence except for computer fraud and funds transfer	$15,000 per loss
Kidnap & Ransom	$0	$1,000 aggregate

With the exception of the older, 2009 Gillig buses insured at actual cash value (ACV), all rolling stock is insured at full replacement value for total insurable values (TIV) of $194,718,000. Real and Personal Property is insured for total insurable values (TIV) of $155,695,000 and is inclusive of $25,000,000 in state and federally mandated flood insurance. General Liability is inclusive of Public Officials Liability up to $50,000,000. Coverage extends to the Transportation Authority in excess of the Authority's own $11,000,000 in general liability coverage and $3,000,000 public officials liability policy. Terrorism coverage applies to Liability and Property. Earthquake coverage remains cost-prohibitive to procure. To date there have been no significant reductions in any of the District's insurance coverage. Settlements have not exceeded excess coverages for each of the past three Fiscal Years.

The unpaid claims liabilities are based on the results of actuarial studies and include amounts for claims incurred but not reported and incremental claim expenses. Allocated and unallocated claims adjustment expenses are included in the claims liability balances. Claims liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors.

Annual expense is charged using various allocation methods that include actual costs, trends in claims experience, and number of participants. It is the District's practice to obtain full actuarial studies annually.

Changes in the balances of claims liabilities for the three years ended June 30 for public liability, property damage and workers' compensation are as follows (in thousands):

	2026	2025	2024
Self-insurance liabilities, beginning of year	$ 22,541	$ 18,629	$ 9,167
Incurred claims and changes in estimates	9,777	9,618	11,259
Claim payments and related costs	(7,040)	(5,706)	(4,901)
Total Self-insurance claims liabilities	25,278	22,541	18,629
Less current portion	7,927	8,303	7,207
Noncurrent portion	**$ 17,351**	**$ 14,238**	**$ 11,422**

Note 12 - Commitment and Contingent Liabilities

Legal

The District is directly and indirectly involved in various litigation matters relating principally to claims alleging personal injury and property damage arising from incidents related to the provision of its transit service. In the opinion of District management and legal counsel, as of June 30, 2026, the ultimate resolution of these matters will not materially affect the District's financial position.

Grants

The District's grants are subject to review and audit. Such audits could lead to requests for reimbursement for expenditures disallowed under the terms of the grants. In the opinion of District management, such allowances, if any, will not materially affect the District's financial position.

Note 13 - Hedge Program

In order to create more certain future diesel fuel costs and to manage the budget risk caused by uncertain future diesel fuel prices, the District established a diesel fuel hedging program. The hedging instruments used are New York Harbor Ultra Low Sulfur Diesel (NYHRBRULSD) futures contracts with a notional amount of 42,000 gallons each as listed on the New York Mercantile Exchange Clearinghouse (NYMEX).

As of June 30, 2026, the District has 33 futures contracts. The aggregate fuel hedge contracts cover the period from July 2026 through September 2027. As of June 30, 2025, the District had 31 futures contracts. The aggregate fuel hedge contracts covered a period from July 2025 through February 2027.

The District enters into futures contracts to hedge its price exposures to diesel fuel which is used in District vehicles to provide transportation. These contracts are derivative instruments. The effectiveness of the hedge is determined according to GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, which require a statistically strong relationship between the price of the futures contracts and the District's cost of diesel fuel from suppliers in order to ensure that the futures contracts effectively hedge the expected cash flows associated with diesel fuel purchases/exposures. The District applies hedge accounting for derivatives that are deemed effective hedges. Under hedge accounting, the increase (decrease) in the fair value of a hedge is reported as a deferred cash flow on the statement of net position. For the reporting period, all of the District's derivatives meet the effectiveness tests. Net gains/losses from completed hedges become an element of diesel fuel cost.

For diesel fuel futures contracts, the fair values are determined according to exchange settlement prices and the prices at which the futures contracts were purchased where each contract has a volume of 42,000 gallons. The following is a summary of the fair values and notional amounts of derivative instruments (diesel futures contracts) outstanding as of June 30, 2026 (in thousands):

(in thousands)	2026 Change in Fair Value		Fair Value, June 30, 2026		
	Classification	Amount	Classification	Amount	Notional
Effective Cash Flow Hedges					
Futures contracts	Deferred Inflow	$ 1,074	Derivative Instruments	$ 1,172	1,386 Gallons

For diesel fuel futures contracts, the fair values are determined according to exchange settlement prices and the prices at which the futures contracts were purchased where each contract has a volume of 42,000 gallons. The following is a summary of the fair values and notional amounts of derivative instruments (diesel futures contracts) outstanding as of June 30, 2025 (in thousands):

(in thousands)	2025 Change in Fair Value		Fair Value, June 30, 2025		
	Classification	Amount	Classification	Amount	Notional
Effective Cash Flow Hedges					
Futures contracts	Deferred Outflow	$ 5	Derivative Instruments	$ (98)	1,890 Gallons

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Required Supplementary Information
June 30, 2026

San Mateo County Transit District

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San Mateo County Transit District

Schedule of Changes in the Net OPEB Liability and Related Ratios

(Amounts in thousands)	Fiscal Year 2026	Fiscal Year 2025	Fiscal Year 2024	Fiscal Year 2023	Fiscal Year 2022	Fiscal Year 2021	Fiscal Year 2020	Fiscal Year 2019	Fiscal Year 2018*
Total OPEB Liability									
Service cost	$ 1,712	$ 1,666	$ 1,734	$ 1,688	$ 1,588	$ 1,623	$ 1,638	$ 1,659	$ 1,611
Interest on Total OPEB Liability	3,277	3,209	3,405	3,306	3,497	3,446	3,486	3,367	3,247
Changes of benefit terms	-	-	-	-	-	-	-	-	-
Changes of Assumptions	(408)	-	(1,203)	-	3,116	(931)	(330)	-	-
Difference Between Expected and Actual Experience	3,821	-	(3,424)	-	(3,838)	-	(2,076)	-	-
Benefit Payments, Including Refunds of Employee Contributions	(3,895)	(3,753)	(3,427)	(3,459)	(3,340)	(3,318)	(3,281)	(3,199)	(3,032)
Net Change in Total OPEB Liability	4,507	1,122	(2,915)	1,535	1,023	820	(563)	1,827	1,826
Total OPEB Liability - Beginning	52,668	51,546	54,461	52,926	51,903	51,083	51,646	49,819	47,993
Total OPEB Liability - Ending	$ 57,175	$ 52,668	$ 51,546	$ 54,461	$ 52,926	$ 51,903	$ 51,083	$ 51,646	$ 49,819
Fiduciary Net Position									
Contributions - Employer	$ 8,141	$ 7,765	$ 7,438	$ 7,467	$ 6,586	$ 6,565	$ 6,327	$ 6,746	$ 5,032
Contributions - Employee	-	-	-	-	-	-	-	-	-
Net Investment Income	6,386	4,680	2,422	(5,364)	7,469	725	1,219	1,143	1,174
Other Miscellaneous Income	-	-	-	-	-	-	-	-	-
Benefit Payments, Including Refunds of Employee Contributions	(3,895)	(3,753)	(3,427)	(3,459)	(3,340)	(3,318)	(3,281)	(3,199)	(3,032)
Administrative Expense	(26)	(27)	(22)	(18)	(18)	(20)	(12)	(36)	(6)
Net Change in Fiduciary Net Position	10,606	8,665	6,411	(1,374)	10,697	3,952	4,253	4,654	3,168
Plan Fiduciary Net Position - Beginning	51,217	42,552	36,141	37,515	26,818	22,866	18,613	13,959	10,791
Plan Fiduciary Net Position - Ending	$ 61,823	$ 51,217	$ 42,552	$ 36,141	$ 37,515	$ 26,818	$ 22,866	$ 18,613	$ 13,959
Net OPEB Liability (Asset) - Ending	**$ (4,648)**	**$ 1,451**	**$ 8,994**	**$ 18,320**	**$ 15,411**	**$ 25,085**	**$ 28,217**	**$ 33,033**	**$ 35,860**
Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)	108.13%	97.25%	82.55%	66.36%	70.88%	51.67%	44.76%	36.04%	28.02%
Covered Payroll	$ 119,415	$ 103,063	$ 87,771	$ 80,473	$ 71,296	$ 74,287	$ 70,978	$ 64,378	$ 49,777
Net OPEB Liability (Asset) as a Percentage of Covered Payroll	-3.89%	1.41%	10.25%	22.77%	21.62%	33.77%	39.75%	51.31%	72.04%
Measurement date	6/30/2025	6/30/2024	6/30/2023	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017

*Historical information is not available prior to the implementation of the OPEB standards.

See Notes to Required Supplementary Information

San Mateo County Transit District
Schedule of OPEB Contributions

(Amounts in thousands)	Fiscal Year 2026	Fiscal Year 2025	Fiscal Year 2024	Fiscal Year 2023	Fiscal Year 2022	Fiscal Year 2021	Fiscal Year 2020	Fiscal Year 2019	Fiscal Year 2018*
Actuarially Determined Contribution	$ 4,212	$ 8,141	$ 7,765	$ 7,438	$ 7,467	$ 6,585	$ 6,565	$ 6,326	$ 6,080
Benefit Payments, Including Refunds of Employee Contributions	(4,212)	(8,141)	(7,765)	(7,438)	(7,467)	(6,585)	(6,565)	(6,326)	(6,080)
Contribution Deficiency (Excess)	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Covered Payroll	125,855	119,415	103,063	87,771	80,473	71,296	74,287	70,978	64,378
Contributions as a Percentage of Covered Payroll	3.35%	6.82%	7.53%	8.47%	9.28%	9.24%	8.84%	8.91%	9.44%
Actuarial Valuation Date	6/30/2025	6/30/2023	6/30/2023	6/30/2021	6/30/2021	6/30/2019	6/30/2019	6/30/2017	6/30/2017

* Historical information is not available prior to the implementation of the OPEB standards.

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San Mateo County Transit District

Schedule of Changes in the District's Net Pension Liability and Related Ratios

(Amounts in thousands)	2026	2025	2024	2023[2]	2022	2021	2020	2019	2018	2017[1]
Total pension liability										
Service cost	$ 15,329	$ 12,944	$ 11,456	$ 10,516	$ 9,837	$ 9,524	$ 8,706	$ 8,511	$ 8,145	$ 7,020
Interest on the total pension liability	33,423	31,547	29,756	28,240	27,333	26,145	24,887	23,524	22,342	21,338
Changes of assumptions	-	-	499	12,758	-	-	-	(2,738)	18,030	-
Difference between expected and actual experience	4,859	5,704	2,157	(4,875)	(1,601)	87	1,785	2,022	(1,390)	(903)
Benefit payments, including refunds of employee contributions	(24,138)	(22,581)	(20,805)	(19,040)	(17,746)	(17,477)	(15,487)	(14,227)	(12,618)	(11,410)
Net change in total pension liability	29,473	27,614	23,063	27,599	17,823	18,279	19,891	17,092	34,509	16,045
Total pension liability - beginning of year	483,937	456,323	433,260	405,661	387,838	369,559	349,668	332,576	298,067	282,023
Total pension liability - end of year	$ 513,410	$ 483,937	$ 456,323	$ 433,260	$ 405,661	$ 387,838	$ 369,559	$ 349,668	$ 332,576	$ 298,068
Fiduciary net position										
Contributions from the employer	$ 16,514	$ 14,384	$ 13,146	$ 11,844	$ 10,714	$ 9,633	$ 8,159	$ 6,603	$ 5,961	$ 5,014
Contributions from employees	7,536	6,759	5,348	4,636	4,379	4,434	4,157	3,703	3,489	3,428
Net investment income	48,477	34,731	21,362	(28,268)	69,515	14,835	18,503	22,310	26,892	1,287
Benefit payments, including refunds of employee contributions	(24,138)	(22,581)	(20,805)	(19,040)	(17,746)	(17,477)	(15,487)	(14,227)	(12,618)	(11,410)
Administrative expense	(282)	(294)	(252)	(234)	(307)	(418)	(201)	(412)	(355)	(148)
Other miscellaneous income/(expense)	-	-	-	-	-	-	1	(782)	-	-
Net change in fiduciary net position	48,107	32,999	18,799	(31,062)	66,555	11,007	15,132	17,194	23,369	(1,829)
Fiduciary net position - beginning of year	394,761	361,762	342,963	374,025	307,470	296,463	281,331	264,137	240,768	242,596
Fiduciary net position - end of year	$ 442,868	$ 394,761	$ 361,762	$ 342,963	$ 374,025	$ 307,470	$ 296,463	$ 281,331	$ 264,137	$ 240,767
Net pension liability	**$ 70,542**	**$ 89,176**	**$ 94,561**	**$ 90,297**	**$ 31,636**	**$ 80,368**	**$ 73,096**	**$ 68,337**	**$ 68,439**	**$ 57,301**
Fiduciary net position as a percentage of the total pension liability	86.26%	81.57%	79.28%	79.16%	92.20%	79.28%	80.22%	80.46%	79.42%	80.78%
Covered payroll	$ 68,805	$ 63,387	$ 63,387	$ 64,630	$ 64,932	$ 64,630	$ 64,498	$ 61,004	$ 56,133	$ 49,777
Net pension liability as percentage	102.52%	140.68%	149.18%	139.71%	48.72%	124.35%	113.33%	112.02%	121.92%	115.12%
Measurement date	6/30/2025	6/30/2024	6/30/2023	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016

[1] In 2017 the discount rate was changed to 7.15 percent from 7.65 percent.

[2] In 2023 the discount rate was changed to 6.90 percent from 7.15 percent.

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San Mateo County Transit District

Schedule of District's Pension Contributions

(Amounts in thousands)	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Contractually required contribution (actuarially	$ 18,600	$ 16,513	$ 14,379	$ 13,147	$ 11,842	$ 10,714	$ 9,633	$ 8,158	$ 6,603	$ 5,943
Contributions in relation to the actuarially determined	(18,600)	(16,513)	(14,379)	(13,147)	(11,842)	(10,714)	(9,633)	(8,158)	(6,603)	(5,943)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 93,355	$ 78,068	$ 68,805	$ 63,387	$ 64,932	$ 64,630	$ 64,498	$ 61,004	$ 56,133	$ 49,777
Contributions as a percentage of covered payroll	19.92%	21.15%	20.90%	20.74%	18.24%	16.58%	14.94%	13.37%	11.76%	11.94%
Actuarial Valuation Date	6/30/2023	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014

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See Notes to Required Supplementary Information

Note 1 – OPEB Methods and Assumptions used to Determine Contributions

Methods and assumptions used to determine contributions:

Actuarial Cost Method	Entry-Age Normal Cost Method
Asset Valuation Method	Fair Value of Assets
Amortization Method	Level Percent of Payroll
Actuarial Assumptions	
Discount Rate	6.25%
Inflation	2.50%
Aggregate Payroll Increase	2.75%
Salary Merit and Longevity Increases	CalPERS 2000-2019 Experience Study

Note 2 – Pension Methods and Assumptions used to Determine Contributions

Methods and assumptions used to determine contributions:

Actuarial Cost Method	Entry-Age Normal Cost Method									
Asset Valuation Method	Fair Value of Assets									
Actuarial Assumptions										
Actuarial Valuation Date	**June 30, 2023**	**June 30, 2022**	**June 30, 2021**	**June 30, 2020**	**June 30, 2019**	**June 30, 2018**	**June 30, 2017**	**June 30, 2016**	**June 30, 2015**	**June 30, 2014**
Discount Rate	6.900%	6.800%	6.800%	7.000%	7.000%	7.250%	7.250%	7.375%	7.500%	7.500%
Inflation	2.300%	2.500%	2.500%	2.500%	2.500%	2.625%	2.625%	2.750%	2.750%	2.750%
Payroll Growth	2.800%	2.800%	2.800%	2.750%	2.750%	2.875%	2.875%	3.000%	3.000%	3.000%
Projected Salary Increase	Varies by Entry-Age and Service									
Mortality	Rates Vary by Age, Type of Retirement and Gender									

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Supplementary Information
June 30, 2026

San Mateo County Transit District

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San Mateo County Transit District

Schedule of Revenues, Expenses, Capital Outlay, and Long-Term Debt Payment Comparison of Budget to Actual
(Budgetary Basis)
Year Ended June 30, 2026

(Amounts in thousands)

	Budget	Actual	Variance Positive (Negative)
Operating Revenues			
Passenger fares	$13,087	$ 12,413	$ (674)
Other income	4,098	8,015	3,917
Total operating revenues	17,185	20,428	3,243
Operating Expenses:			
Salaries and benefits	117,379	116,696	683
Contract operations and maintenance services	68,171	61,856	6,315
Other services	18,669	13,820	4,849
Materials and supplies	14,528	13,896	632
Insurance	17,719	16,599	1,120
Miscellaneous	22,042	13,729	8,313
Total operating expenses	258,508	236,596	21,912
Operating loss	(241,323)	(216,168)	(18,669)
Nonoperating Revenues (Expenses) and Subsidies			
Noncapital subsidies	250,036	263,190	13,154
Investment income	17,960	19,147	1,187
Interest expense	(6,317)	(5,950)	367
Other income, net	-	54	54
Total nonoperating income (expenses) and subsidies	261,679	276,441	14,762
Income (loss) before capital outlay and long-term debt principal payments	20,356	60,273	39,917
Capital Outlay			
Capital assistance	4,698	84,766	80,068
Capital expenditures	(4,698)	(84,766)	(80,068)
Net capital outlay	-	-	-
Long-term debt principal or interest payment	(14,963)	(14,963)	-
Excess (Deficiency) Of Revenues and Nonoperating Income Over Expenses, Capital Outlay and Debt Principal Payments	**$ 5,393**	**$ 45,310**	**$ 39,917**

See Notes to Supplementary Information

Note 1 - Budgetary Basis of Accounting

The District prepares its budget on a basis of accounting that differs from Generally Accepted Accounting Principles (GAAP). The actual results of operations are presented in the supplemental schedule on the budgetary basis to provide a meaningful comparison of actual results with budget. In addition, certain budget amounts have been reclassified to conform to the presentation of actual amounts in the supplemental schedule. Budgeted amounts presented are the final adopted budget. The primary difference between the budgetary basis of accounting and GAAP concerns capital assets. Depreciation and amortization expense per GAAP is not budgeted and budgeted capital expenditures are not recorded as an expense per GAAP. In addition, unrealized gains and losses under GASB Statement No. 31 are not recognized as well as some long-term expenses such as OPEB and bond related payments.

Note 2 - Reconciliation of Budgetary Basis to GAAP Basis

A reconciliation of the budgetary basis of accounting to GAAP is as follows (in thousands):

Excess of revenues and non-operating income over expenses, capital outlay and debt principal payment		$ 45,310
Capital expenditures	$ 84,766	
Depreciation and amortization	(25,928)	
Postemployment benefits accrual	3,700	
Pension Expense - GASB 68	4,165	
Long-term debt principal payments	14,963	
GASB 31 unrealized gain/loss	1,359	
Expense for noncapitalized projects	(4,989)	
Capital gain (losses) on investment	55	
Bond refunding costs amortization expense	991	
GASB 87 Interest Income	1,259	
Interest Income Invest Premium/Discount	731	
Bond premium amortization	2,886	
Sub-total reconciling items		83,958
Change in net position, GAAP basis		**$ 129,268**

Statistical Section
June 30, 2026

San Mateo County Transit District

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Statistical

Financial Trends

- Net Position and Change in Net Position

Revenue Capacity

- Revenue Base and Revenue Rate
- Overlapping Revenue
- Principal Revenue Payers

Debt Capacity

- Ratio of Outstanding Debts
- Bonded Debt
- Direct and Overlapping Debt and Limitations
- Pledged Revenue Coverage

Demographics and Economic Information

- Population, Income, and Unemployment Rates
- Principal Employers

Operating Information

- Ridership and Fares
- Farebox Recovery and Miles
- Employees (Full-time Equivalents)
- Capital Assets

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Statistical Section

The Statistical Section of the District's Annual Comprehensive Financial Report presents detailed information as a context for understanding the information in the financial statement, notes disclosure, required supplementary information and other supplementary information for assessing the District's economic condition.

Financial Trends

These schedules contain trend information to assist readers in understanding and assessing how the District's financial position has changed over time.

Revenue Capacity

These schedules contain information to assist readers in understanding and assessing the factors affecting the District's ability to generate passenger fares.

Debt Capacity

These schedules assist readers in understanding and assessing the District's debt burden and its capacity to issue future debt.

Demographics and Economic Information

These schedules present socioeconomic indicators to assist readers in understanding the environment within which the District's financial activities take place.

Operating Information

These schedules contain contextual information about the District's operations and resources to assist readers in using financial statement information to understand and assess the District's economic condition.

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San Mateo County Transit District

Net Position and Change in Net Position

Fiscal Years 2017 Through 2026 (in thousands)

Fiscal Year	2026	2025	2024	2023	2022[1]	2021[2]	2020	2019	2018[3]	2017
Operating Revenues	$ 20,428	$ 19,062	$ 12,719	$ 11,226	$ 8,913	$ 5,615	$ 11,690	$ 15,567	$ 15,742	$ 17,041
Operating Expenses										
Salaries and benefits	108,831	115,399	97,642	83,740	53,620	70,253	83,438	75,467	67,851	60,665
Contract operations and maintenance	61,856	59,106	52,198	41,632	36,678	38,177	39,625	40,507	35,694	34,621
Other services	13,820	12,829	13,715	11,234	11,484	10,932	10,750	9,770	9,312	8,856
Materials and supplies	13,896	13,186	12,100	11,418	9,259	7,737	7,448	7,604	7,300	6,588
Insurance	16,599	18,240	17,245	13,134	4,519	9,534	8,575	5,306	3,603	6,651
Miscellaneous	13,729	15,124	12,764	12,588	9,123	9,613	10,812	9,128	8,139	7,598
Total operating expenses	228,731	233,884	205,664	173,746	124,683	146,246	160,648	147,782	131,899	124,979
Operating loss before depreciation, amortization and administrative expenses capitalized	(208,303)	(220,756)	(192,945)	(162,520)	(115,770)	(140,631)	(148,958)	(132,215)	(116,157)	(107,938)
Depreciation and amortization	(25,928)	(18,905)	(17,514)	(18,394)	(18,719)	(20,491)	(25,842)	(21,492)	(23,078)	(22,252)
Operating Loss	(234,231)	(239,661)	(210,459)	(180,914)	(134,489)	(161,122)	(174,800)	(153,707)	(139,235)	(130,190)
Noncapital subsidies	263,190	257,174	258,451	272,494	241,629	250,472	206,031	160,416	144,802	135,910
Nonoperating Revenues (Expenses)										
Investment income	25,437	35,396	26,587	11,671	(8,188)	288	7,442	10,036	3,859	3,536
Interest expense	(4,959)	(6,772)	(6,289)	(6,644)	(7,045)	(7,270)	(7,497)	(10,954)	(11,145)	(11,249)
Caltrain service subsidy	-	-	-	-	-	(8,877)	(9,239)	(7,634)	(6,170)	(6,480)
Expense for noncapitalized projects	(4,989)	(5,540)	(2,788)	(1,635)	(4,155) [4]	-	-	-	-	-
Other income, net	54	5,975	20,934	6,321	7,739	13,118	13,970	10,180	10,860	11,492
Capital contributions	84,766	19,246	24,016	4,076	3,124	6,094	49,509	8,789	10,970	25,424
Total nonoperating revenues (expenses)	100,309	48,305	62,460	13,789	(8,525)	3,353	54,185	10,417	8,374	22,723
Change In Net Position	129,268	65,818	110,452	105,369	98,615	92,703	85,416	17,126	13,941	28,443
Restatement	-	-	-	-	145	364	-	-	(23,400)	-
Net Position Components										
Net investment in capital assets	299,450	192,809	173,842	151,793	159,345	171,967	184,402	156,626	165,481	171,022
Restricted	26,555	28,256	26,602	26,601	26,599	26,600	26,599	26,575	26,804	26,811
Unrestricted	436,199	411,871	366,674	278,272	165,353	53,970	(51,531)	(109,147)	(135,357)	(131,446)
Net Position	**$ 762,204**	**$ 632,936**	**$ 567,118**	**$ 456,666**	**$ 351,297**	**$ 252,537**	**$ 159,470**	**$ 74,054**	**$ 56,928**	**$ 66,387**

[1] 2022 restatement due to implementation of GASB 96.

[2] 2021 restatement due to implementation of GASB 87.

[3] 2018 restatement due to implementation of GASB 75.

[4] Expense for noncapitalized projects was not classified prior to 2022.

This table presents revenues and expenses, contributions, depreciation and amortization and net position components.

Source: Current and prior years' Annual Comprehensive Financial Reports.

San Mateo County Transit District

Revenue Base and Revenue Rate

Fiscal Years 2017 Through 2026

Fiscal Year Ending	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Passenger fares (in thousands)	$ 12,413	$ 13,128	$ 12,719	$ 11,226	$ 8,913	$ 5,615	$ 11,690	$ 15,567	$ 15,742	$ 17,041
Revenue Base										
Number of passengers (in thousands)	10,982	10,753	10,007	8,529	8,529	6,957	8,734	10,671	11,133	11,817
Fare structure										
Adults local fare	$ 2.25	$ 2.25	$ 2.25	$ 2.25	$ 2.25	$ 2.25	$ 2.25	$ 2.25	$ 2.25	$ 2.25
Senior citizen/disabled/ Medicare cardholder	$ 1.10	$ 1.10	$ 1.10	$ 1.10	$ 1.10	$ 1.10	$ 1.10	$ 1.10	$ 1.10	$ 1.10
Youth	$ 1.10	$ 1.10	$ 1.10	$ 1.10	$ 1.10	$ 1.10	$ 1.10	$ 1.10	$ 1.10	$ 1.10
Redi-Wheels (Paratransit)	$ 4.25	$ 4.25	$ 4.25	$ 4.25	$ 4.25	$ 4.25	$ 4.25	$ 4.25	$ 4.25	$ 3.75
Sales tax rate [2]	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.50%	0.50%	0.50%
Sales tax revenue (in thousands)	$ 186,075	$ 171,421	$ 173,258	$ 176,626	$ 169,030	$ 140,411	$ 135,835	$ 100,729	$ 87,797	$ 84,353
Taxable sales in San Mateo County (in thousands) [1]	$ 24,809,979	$ 22,856,168	$ 23,101,067	$ 23,900,000	$ 21,960,000	$ 17,700,000	$ 18,800,000	$ 19,700,000	$ 17,900,000	$ 16,600,000

[1] 2026 taxable sales are estimates based on sales tax revenues received; 2025 taxable sales amount is the most current information available on the County of San Mateo Annual Comprehensive Financial Report.

This table presents passenger fares, number of passengers and revenue fare structure, the half-cent transaction and use tax received by the District and the total taxable sales in San Mateo County.

[2] Includes 0.25% Tax Rate for Measure W, effective on 7/1/2019.

Source: California State Board of Equalization.

County of San Mateo County FY2025 Annual Comprehensive Financial Report.

San Mateo County Transit District

Overlapping Revenue

Fiscal Years 2017 Through 2026

Fiscal Year	State	City and County	Other Special Districts	San Mateo County Transit District [1]	City of San Mateo Transactions and Use Tax	City of Half Moon Bay Transactions and Use Tax	San Mateo County Transactions and Use Tax	City of South San Francisco Transactions and Use Tax	City of Belmont Transactions and Use Tax	City of East Palo Alto Transactions and Use Tax	City of Burlingame Transactions and Use Tax	City of Redwood City Transactions and Use Tax	City of San Bruno Transactions and Use Tax	City of Daly City Local Recovery and Relief Transactions and Use Tax	2020 Peninsula Corridor Joint Powers Board Retail Transactions and Use Tax	City of Brisbane Transactions and Use Tax	City of Pacifica Transactions and Use tax	Town of Colma Transactions and Use Tax	Total
2026	6.00%	1.25%	0.50%	0.50%	0.25%	0.50%	1.00%	0.50%	0.50%	0.50%	0.25%	0.50%	0.50%	0.50%	0.125%	0.50%	0.50%	0.50% [14]	14.88%
2025	6.00%	1.25%	0.50%	0.50%	0.25%	0.50% [13]	1.00%	0.50%	0.50%	0.50%	0.25%	0.50%	0.50%	0.50%	0.125%	0.50%	0.50%		14.38%
2024	6.00%	1.25%	0.50%	0.50%	0.25%	0.00%	1.00%	0.50%	0.50%	0.50%	0.25%	0.50%	0.50%	0.50%	0.125%	0.50%	0.50%		13.88%
2023	6.00%	1.25%	0.50%	0.50%	0.25%	0.00%	1.00%	0.50%	0.50%	0.50%	0.25%	0.50%	0.50%	0.50%	0.13%	0.50% [11]	0.50% [12]		13.88%
2022	6.00%	1.25%	0.50%	0.50%	0.25%	0.00%	1.00%	0.50%	0.50%	0.50%	0.25%	0.50%	0.50%	0.50%	0.13% [10]				12.88%
2021	6.00%	1.25%	0.50%	0.50%	0.25%	0.00%	1.00% [7]	0.50%	0.50%	0.50%	0.25%	0.50%	0.50%	0.50% [9]					12.75%
2020	6.00%	1.25%	0.50%	0.50%	0.25%	0.00%	1.00%	0.50%	0.50%	0.50%	0.25%	0.50%	0.50% [8]						12.25%
2019	6.00%	1.25%	0.50%	0.50%	0.25%	0.00%	0.50%	0.50%	0.50%	0.50%	0.25%	0.50% [6]							11.25%
2018	6.00%	1.25%	0.50%	0.50%	0.25%	0.00%	0.50%	0.50%	0.50%	0.50%	0.25% [5]								10.75%
2017	6.50% [2]	1.25%	0.50%	0.50%	0.25%	0.00%	0.50%	0.50%	0.50% [3]	0.50% [4]									11.00%

[1] State legislation requires the District to obtain the approval of a majority of the voters in a public election to approve any sales tax measure.

[2] State sales tax and local sales tax effective January 1, 2017.

[3] City of Belmont Transactions and Use Tax (BMTG), tax rates effective on April 1, 2017

[4] City of East Palo Alto Transactions and Use Tax (EPAG), tax rates effective on April 1, 2017

[5] City of Burlingame Transactions and Use Tax (BUEG), tax rates effective on April 1, 2018

[6] City of Redwood City Transactions and Use Tax (REDG), tax rates effective on April 1, 2019

[7] Measure W, tax rates effective on July 1, 2019

[8] City of San Bruno Transactions and Use Tax, tax rates effective on April 1, 2020

[9] City of Daly City Local Recovery and Relief Transactions and Use Tax, tax rates effective on April 1, 2021

[10] 2020 Peninsula Corridor Joint Powers Board Retail Transactions and Use Tax (JPBM), tax rates effective July, 1, 2021

[11] City of Brisbane Transactions and Use Tax, tax rates effective April 1, 2023

[12] City of Pacifica Transactions and Use Tax, tax rates effective April 1, 2023

[13] City of Half Moon Bay Trnsaction and Use Tax, tax rates effective April 1, 2025

[14] Town of Colma Transaction and Use Tax, tax rates effective July 1, 2025

This table presents the tax rates for local authorities in San Mateo County. The District receives a half-cent county transaction and use tax.

Source: California State Board of Equalization.
District Taxes, Rates, & Effective Dates.
California City and County Sales & Use Tax Rates.

Sources:

https://cdtfa.ca.gov/taxes-and-fees/sales-use-tax-rates.html- Go to District Taxes, Rates, and Effective Dates
https://www.cdtfa.ca.gov/taxes-and-fees/sales-use-tax-rates-history.html - Shows state and local tax rates

San Mateo County Transit District

Principal Revenue Payers
Fiscal Years 2025 and 2016

	FY 2025			FY 2016		
Major Industry Group	Rank	Percent of Sales Receipts	Amount	Rank	Percent of Sales Receipts	Amount
County & State Pool	1	20.3%	$ 45,821,223	3	14.8%	$ 23,639,220
Autos And Transportation	2	17.4%	39,323,672	2	18.1%	28,916,777
Business And Industry	3	17.0%	38,374,190	1	11.4%	18,213,722
Restaurants And Hotels	4	14.1%	31,722,322	4	14.1%	22,459,920
General Consumer Goods	5	13.6%	30,684,171	5	21.1%	33,650,946
Building And Construction	6	7.2%	16,304,371	7	8.5%	13,540,642
Fuel And Service Stations	7	6.1%	13,849,125	6	6.8%	10,815,995
Food And Drugs	8	4.1%	9,311,832	8	5.1%	8,209,390
Transfers & Unidentified	9	0.2%	369,763	9	0.07%	107,741
Total			**$ 225,760,669**			**$ 159,554,353**

Source: County-wide sales tax receipts provided for the County of San Mateo by Major Industry Group by Hinderliter, de Llamas and associates (HDL).

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San Mateo County Transit District

Ratio of Outstanding Debts

Fiscal Years 2017 Through 2026

Fiscal Year	2025 Series A Refunding Bond (in thousands)[1]	Leases and SBITAs (in thousands)[1]	Total Debt for SamTrans (in thousands)[1]	Personal Income for San Mateo County (in millions)[2]		As a Percent of Personal Income
2026	$ 120,922	$ 110,179	$ 231,101	$ 137,174	*	0.17%
2025	136,288	1,353	137,641	133,179	*	0.10%
2024	157,712	1,223	158,935	129,401	*	0.12%
2023	171,446	1,769	173,215	125,632	*	0.15%
2022	183,230	1,642	184,872	121,973		0.16%
2021	198,036	-	198,036	118,420		0.18%
2020	210,996	-	210,996	108,470		0.19%
2019	224,052	-	224,052	100,799		0.21%
2018	239,243	-	239,243	96,226		0.23%
2017	254,291	-	254,291	89,149		0.26%

[1] Current and prior years' Annual Comprehensive Financial Reports.

[2] Data include retroactive revisions by the U.S. Department of Commerce Bureau of Economic Analysis.

*Personal Income and Per Capital Personal Income data for 2023, 2024, 2025 and 2026 is based on an estimated three percent annual increase over 2022.

Source: County of San Mateo FY2025 Annual Comprehensive Financial Report.
This table presents the relationship between the revenue bonds and the total personal income of the residents.

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San Mateo County Transit District

Bonded Debt

Fiscal Years 2017 Through 2026

Fiscal Year	Debt for SamTrans (in thousands)	Total Taxable Sales in San Mateo County	As a Percent of Total Taxable Sales in San Mateo County
2026	$ 120,922	$ 24,809,979 [1]	0.49%
2025	136,288	22,856,168	0.60%
2024	157,712	23,101,083	0.68%
2023	171,446	23,900,000	0.73%
2022	183,230	21,960,000	0.82%
2021	198,036	17,700,000	1.12%
2020	210,996	18,800,000	1.12%
2019	224,052	19,700,000	1.14%
2018	239,243	17,900,000	1.34%
2017	254,291	16,600,000	1.53%

[1] Taxable sales are estimates based on sales tax revenues received.

This table presents the capacity of the District to issue revenue bonds based on total taxable sales in San Mateo County.

Source: Annual Comprehensive Financial Reports and California Department of Tax and Fee Administration.

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San Mateo County Transit District

Direct and Overlapping Debt and Limitations

June 30, 2026

The District does not have direct and overlapping debt with other governmental agencies. Additionally, the District does not have a legal debt limit.

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San Mateo County Transit District

Pledge Revenue Coverage

Fiscal Years 2017 Through 2026 (in thousands)

Fiscal Year	Sales Tax Revenue	Principal	Interest	Total	Coverage
2026	$ 124,179	$ 12,480	$ 5,072	$ 17,552	7.07
2025	114,416	12,390 [1]	8,207	20,597	8.32
2024	115,574	11,825	7,318	19,143	9.05
2023	117,920	11,290	7,855	19,145	9.23
2022	112,906	10,780	8,370	19,150	8.83
2021	93,833	10,320	8,829	19,149	7.33
2020	91,641	10,060	9,298	19,358	7.02
2019	100,729	11,930	9,661	21,591	4.67
2018	87,797	11,765	9,880	21,645	4.06
2017	84,353	11,660	9,988	21,648	3.90

This table presents the relationship between total sales tax revenue, debt service payments and the capacity of the District to meet its debt obligations.

[1] The District's oustanding bonds were restructured in 2025 by refunding $136,615 of outstanding debt.

Source: Current and prior years' Annual Comprehensive Financial Reports.

San Mateo County Transit District

Population, Income and Unemployment Rates
Fiscal Years 2017 Through 2026

Year	Population [1]	Total Personal Income (in millions) [2]	Per Capita Personal Income [2]	Average Unemployment Rates [3]
2026	748,897 *	$ 137,174 *	$ 188,854 *	3.6%
2025	748,337 *	133,179 *	183,353 *	4.3%
2024	747,777	129,300 *	178,013 *	3.5%
2023	745,302	125,534	172,828	3.1%
2022	740,821	118,716	162,863	2.1%
2021	751,596	128,260	173,524	5.0%
2020	771,061	107,772	141,348	10.8%
2019	774,231	99,157	129,043	2.2%
2018	772,372	96,226	124,705	2.5%
2017	770,256	89,149	115,556	2.9%

[1] Data include retroactive revisions by the State of California Department of Finance, Demographic Research Unit.

[2] Data include retroactive revisions by the U.S. Department of Commerce Bureau of Economic Analysis.

[3] Data include retroactive revisions by the State of California Employment Development Department. Unemployment rates are non-seasonally adjusted for June.

*2026 Population estimate is based on 0.07% increase from 2024 to 2025

*Total Personal Income and Per Capital Personal Income data for 2024, 2025, and 2026 is based on an estimated three percent annual increase over 2023. Source data for table is FY25 San Mateo County Annual Comprehensive Financial Report.

This table highlights San Mateo County's total population, total personal and per capita income, and percentage of unemployed residents.

Source: County of San Mateo FY2025 Annual Comprehensive Financial Report.

San Mateo County Transit District

Principal Employers
Fiscal Years 2023 and 2016

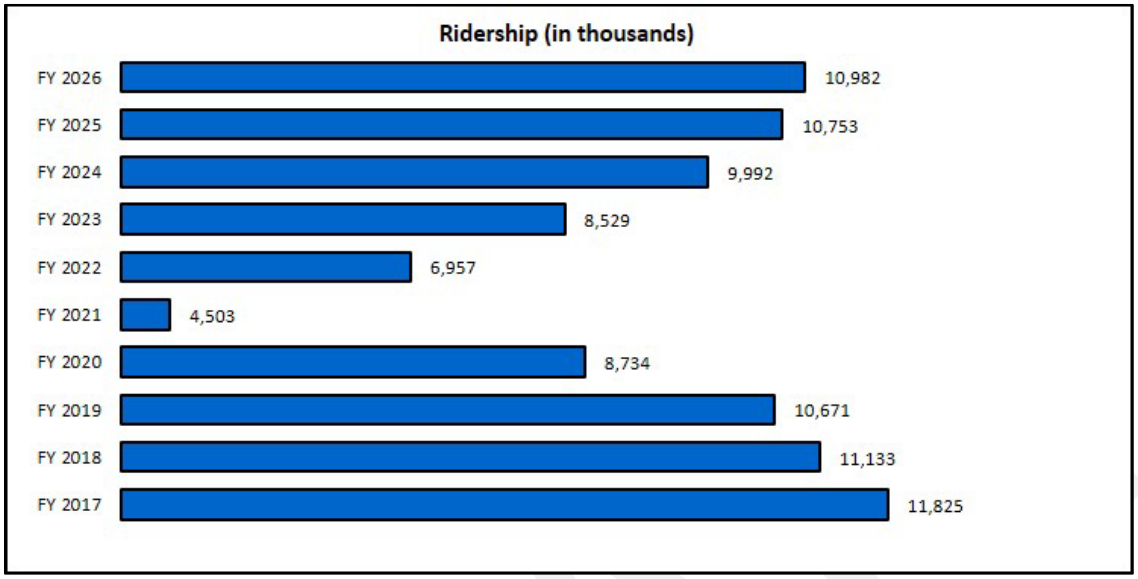
		2023*			2016		
Employers in San Mateo County	Business Type	Number of Employees	Rank	Percent of Total County Employment	Number of Employees	Rank	Percent of Total County Employment
Meta (Facebook Inc.)	Social Network	18,000	1	4.28%	6,068	4	1.40%
Genentech Inc.	Biotechnology	9,000	2	2.14%	10,000	2	2.30%
County of San Mateo	Government	5,959	3	1.42%	5,500	5	1.26%
Gilead Sciences Inc.	Biotechnology	4,307	4	1.02%	3,500	7	0.80%
Sutter Health	Health Care	3,347	5	0.80%			
Sony Interactive Entertainment	Interactive Entertainment	3,000	6	0.71%			
YouTube	Online Video-Streaming Platform	2,500	7	0.59%			
Safeway Inc.	Retail Grocer	2,117	8	0.50%	2,393	9	0.55%
Kaiser Permanente	Healthcare	2,100	9	0.50%			
Electronic Arts Inc.	Video Game Developer and Publisher	1,600	10	0.38%	2,367	10	0.54%
United Airlines	Airline				10,500	1	2.41%
Oracle Corp.	Hardware and Software				6,750	3	1.55%
Visa USA/Visa International	Global Payments Technology				3,500	6	0.80%
Robert Half International Inc.	Professional Staffing Services				2,500	8	0.57%
Total		**51,930**		**12.34%**	**53,078**		**12.18%**

* The latest information available for principal employers in the County.

This table presents the top 10 principal employers in San Mateo County for 2023 and 2016.

Source: San Francisco Business Times - 2024 Book of Lists; California Employment Development Department (provided by San Mateo County Controller's office) from the FY2025 County of San Mateo Annual Comprehensive Financial Report.

Fixed-Route Ridership



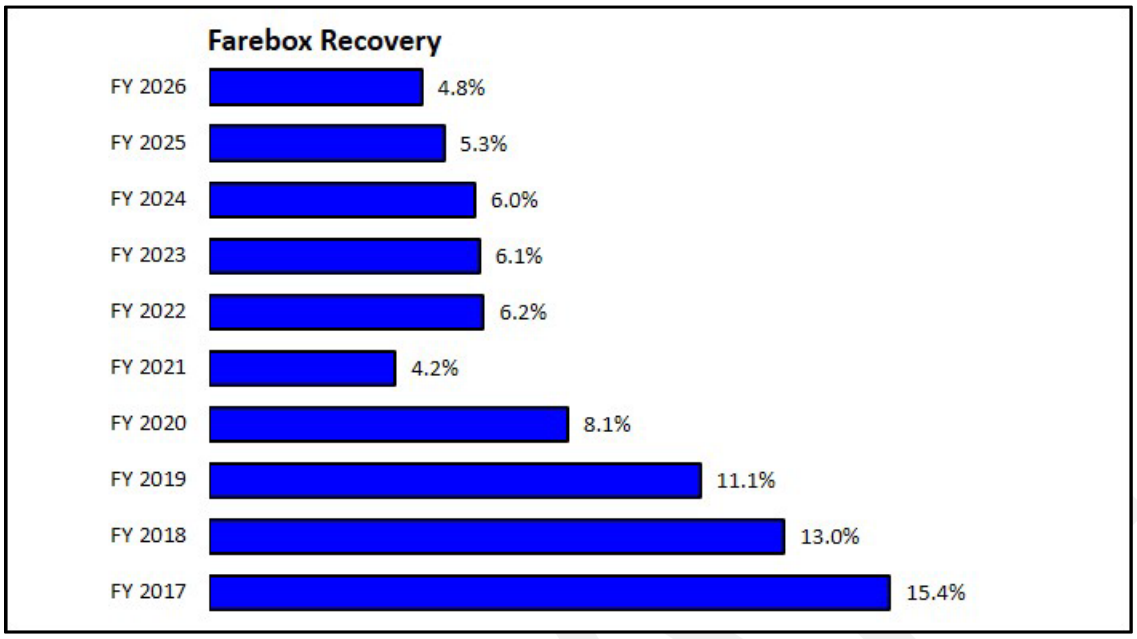
Ridership data presents total ridership for motor bus service and shuttle service.

Fixed-Route Passenger Fares



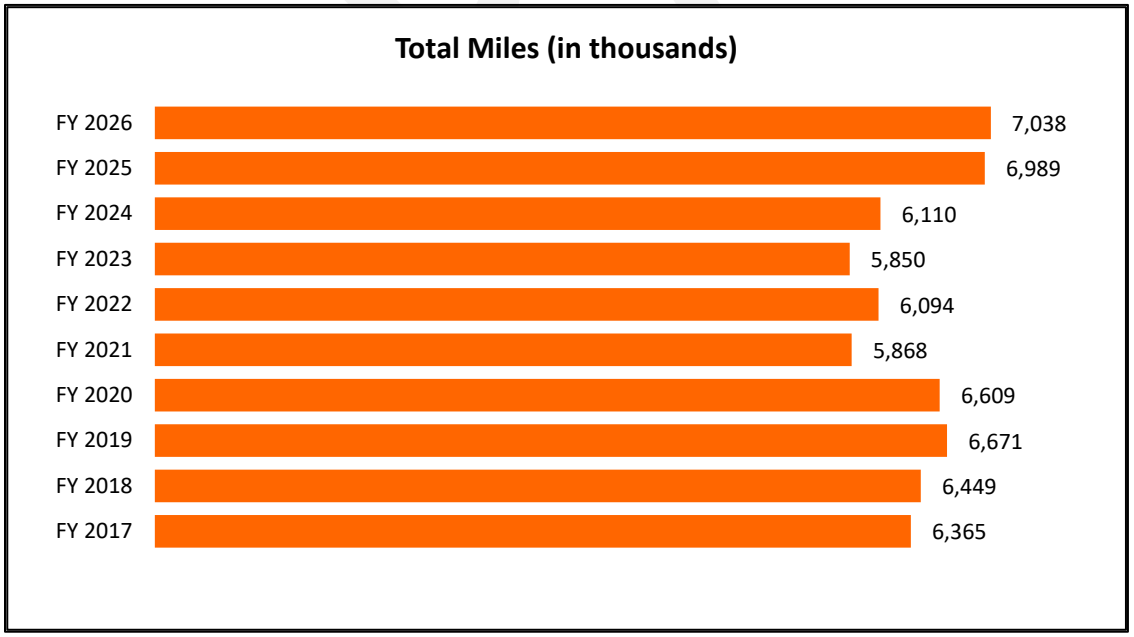
Bus passenger fares data presents the total bus fare revenue for each year.
Source: National Transportation Database.

Fixed-Route Farebox Recovery



Farebox recovery data presents the percentage of fixed-route fare revenue collected compared to fixed-route operating expenses.

Fixed-Route Revenue Miles*



The revenue miles data present the total fixed-route miles traveled.
*Fixed-route data includes La Honda and shuttle service, which makes up less than 5% of the total data. Source: National Transportation Database.

San Mateo County Transit District

Employees (Full-Time Equivalents)
Fiscal Years 2017 Through 2026

	Full-Time Equivalents									
Division	**2026**	**2025**	**2024**	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**
Bus Operations	564.64	544.93	550.05	-	-	-	-	-	-	-
Communications	29.92	32.37	28.90	-	-	-	-	-	-	-
Finance	52.92	55.23	60.73	-	-	-	-	-	-	-
Innovation and Technology	30.24	25.34	42.00	-	-	-	-	-	-	-
People and Culture	29.02	26.12	32.88	-	-	-	-	-	-	-
Planning	19.72	19.27	20.09	-	-	-	-	-	-	-
Rail	0.09	0.08	0.14	-	-	-	-	-	-	-
Safety & Security	5.98	6.67	6.75	-	-	-	-	-	-	-
Caltrain Modernization Program	-	-	-	-	-	0.40	-	-	-	0.10
Customer Service and Marketing	-	-	-	26.4	29.38	28.49	29.15	34.36	31.39	28.46
Executive	4.26	6.30	4.95	3.95	3.75	3.50	3.5	3.59	3.99	5.12
Finance and Administration	-	-	-	118.2	106.83	96.23	95.64	83.07	82.39	79.02
Operations, Engineering, and Construction	-	-	-	533.57	493.11	541.70	506.65	472.90	465.40	471.88
Planning and Development	-	-	-	17.15	16.15	7.26	6.86	6.46	8.71	7.66
Public Affairs	-	-	-	-	-	-	-	-	-	-
Total	736.79	716.31	746.49	699.27	649.22	677.58	641.80	600.38	591.88	592.24

Note: The organization went through a reorganization in FY2024

Note: Historical years are presented using budgeted Full-Time Equivalent (FTE), whereas Fiscal Year 2025 reflects actual FTEs.

Source: Operating and capital budgets.

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San Mateo County Transit District
Capital Assets
Fiscal Years 2017 Through 2026

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Depreciable capital assets										
Buses and bus equipment	$ 254,676	$228,154	$ 216,482	$ 200,080	$ 200,000	$ 222,823	$ 220,442	$ 176,969	$ 164,038	$ 157,353
Buildings and building improvements	78,117	77,842	77,434	76,803	75,517	75,127	72,961	73,303	70,212	69,031
Maintenance and other equipment	36,352	35,380	35,330	35,133	32,907	30,333	29,685	27,546	34,982	33,642
Furniture and fixtures	33,907	33,697	30,720	30,692	29,981	30,023	29,989	33,295	35,240	33,861
Shelters and bus stop signs	11,888	11,878	11,878	11,878	11,878	10,393	10,393	10,372	592	592
Right-to-use subscription assets	5,597	4,335	3,543	3,335	2,332	2,332	-	-	-	-
Right-to-use leased equipment	107,269	-	-	-	102	18	-	-	-	-
Other vehicles	3,117	3,034	3,034	2,524	2,483	3,000	2,518	2,467	2,496	2,273
Total depreciable capital assets	530,923	394,320	378,421	360,445	355,200	374,049	365,988	323,952	307,560	296,752
Accumulated Depreciation/Amortization for										
Buses and bus equipment	(180,095)	(165,056)	(151,729)	(138,787)	(127,678)	(135,452)	(119,797)	(112,603)	(91,889)	(102,607)
Buildings and building improvements	(70,720)	(69,238)	(67,756)	(66,346)	(64,659)	(63,456)	(62,236)	(61,284)	(58,874)	(56,630)
Maintenance and other equipment	(33,301)	(32,260)	(31,341)	(30,397)	(29,438)	(28,409)	(27,487)	(22,406)	(16,810)	(16,770)
Furniture and fixtures	(32,059)	(30,994)	(30,159)	(30,055)	(29,944)	(29,993)	(29,946)	(27,008)	(35,036)	(24,619)
Shelters and bus stop signs	(9,184)	(8,132)	(7,081)	(6,026)	(4,938)	(3,783)	(2,845)	(1,299)	(590)	(585)
Right-to-use subscription assets	(1,789)	(2,948)	(2,219)	(1,374)	(545)	-	-	-	-	-
Right-to-use leased equipment	(4,408)	-	-	-	(23)	(7)	-	-	-	-
Other vehicles	(2,596)	(2,379)	(2,132)	(1,918)	(1,694)	(1,970)	(1,817)	(1,768)	(1,923)	(1,798)
Total accumulated depreciation and amortization	(334,152)	(311,007)	(292,417)	(274,903)	(258,919)	(263,070)	(244,128)	(226,368)	(205,122)	(203,009)
Nondepreciable Capital Assets										
Land	56,915	56,915	56,915	56,915	56,915	56,915	56,915	53,855	53,855	53,855
Construction in progress	155,943	53,934	32,146	11,105	7,870	6,416	5,627	5,187	9,188	23,424
Total nondepreciable capital assets	212,858	110,849	89,061	68,020	64,785	63,331	62,542	59,042	63,043	77,279
Capital Assets, Net	**$ 409,629**	**$194,162**	**$ 175,065**	**$ 153,562**	**$ 161,066**	**$ 174,310**	**$ 184,402**	**$ 156,626**	**$ 165,481**	**$ 171,022**

This table presents total nondepreciable capital assets, total depreciable capital assets and total accumulated depreciation.

Source: Current and prior years' Annual Comprehensive Financial Reports

Annual Comprehensive Financial Report
Fiscal Year Ended June 30, 2026



FY25 vs FY26: Financial Results ($ in Millions)

Metric	FY25	FY26	Change ($)	Change (%)
Operating Revenues	$19.0	$20.4	+$1.4	+7.2%
Operating Expenses	$258.3	$259.6	+$1.3	+0.5%
Operating Gain/(Loss)	***($239.3)***	***($239.2)***	***-$0.1***	***0.0%***
Non-Capital Subsidies	$257.2	$263.2	+$6.0	+2.3%
Capital Contributions	$19.3	$84.8	+$65.5	+340.1%
Investment Income	$35.3	$25.4	-$9.9	-28.1%
Interest Expense	($6.7)	($5.0)	-$1.7	-25.4%
Gain/(Loss) incl. Non-Operating	***$65.8***	***$129.3***	***+$63.5***	***+96.4%***
Net Position	$632.9	$762.2	+$129.3	+20.4%

Operating Results

Looks at revenues from operations (fares, advertising, etc.) vs expenses. It remains comparable with prior year: operating expenses increased only 0.5%, while operating revenues grew 7.2%.

Results including Non-Operating Subsidies

The operating loss was offset by growth in non-capital subsidies of 2.3% and capital grants and contributions of 340.1%, contributing to the increase in net position.

Net Position (Balance Sheet)

The $129.3M increase in net position was driven by capital grants supporting fleet and facility projects.

FY25 vs FY26: Revenue and Funding ($ in Millions)

Revenue/Source	FY25	FY26	Change ($)	Change (%)
Passenger Fares	$13.1	$12.4	-$0.7	-5.3%
Other Operating Revenue	$5.9	$8.0	+$2.1	+35.6%
Total Operating Revenues	***$19.0***	***$20.4***	***+$1.4***	***+7.2%***
Transaction & Use Tax	$171.4	$186.1	+$14.7	+8.6%
Other Non-Capital Subsidies	$85.8	$77.1	-$8.7	-10.1%
Total Non-Capital Subsidies	***$257.2***	***$263.2***	***+$6.0***	***+2.3%***
Capital Contributions	$19.3	$84.8	+$65.5	+340.1%
Investment Income	$35.3	$25.4	-$9.9	-28.1%

Operating revenues increased $1.4M (7.2%)

- Passenger fares declined $0.7M, partly offset by fare-assistance reimbursements.
- Other operating revenue increased $2.1M, driven by one-time clean-vehicle tax credits.

Non-capital subsidies increased $6.0M (2.3%)

- Transaction and use tax increased $14.7M, reflecting resilient consumer spending.
- Other non-capital subsidies declined $8.7M due to lower STA and TDA funding.

Capital and investment income

- Capital grants increased $65.5M as fleet and facility reimbursements accelerated.
- Investment income declined $9.9M due to unrealized losses on fixed-income investments.

Operating Expenses: Significant Year-over-Year Changes ($ in Millions)

Metric	FY25	FY26	Change ($)	Change (%)
Salaries & Benefits	$115.4	$108.8	-$6.6	-5.7%
Contract O&M Services	$59.1	$61.9	+$2.8	+4.7%
Depreciation & Amortization	$18.9	$25.9	+$7.0	+37.1%
Other Operating Expenses	$64.4	$62.5	-$1.9	-3.0%

Salaries & Benefits decreased $6.6M (-5.7%)

Decrease driven by favorable pension investment performance and OPEB trust assets exceeding the District's OPEB liabilities.

Contract O&M Services increased $2.8M (4.7%)

Increase driven by higher service mileage and contract rate adjustments.

Depreciation & Amortization increased $7.0M (37.1%)

Increase due to amortization of Millbrae HQ and subscription assets.

FY2026 Audit Results

Eide Bailly, the District's independent auditor, conducted the FY2026 financial statement audit in accordance with applicable auditing and government auditing standards.

Audit Scope

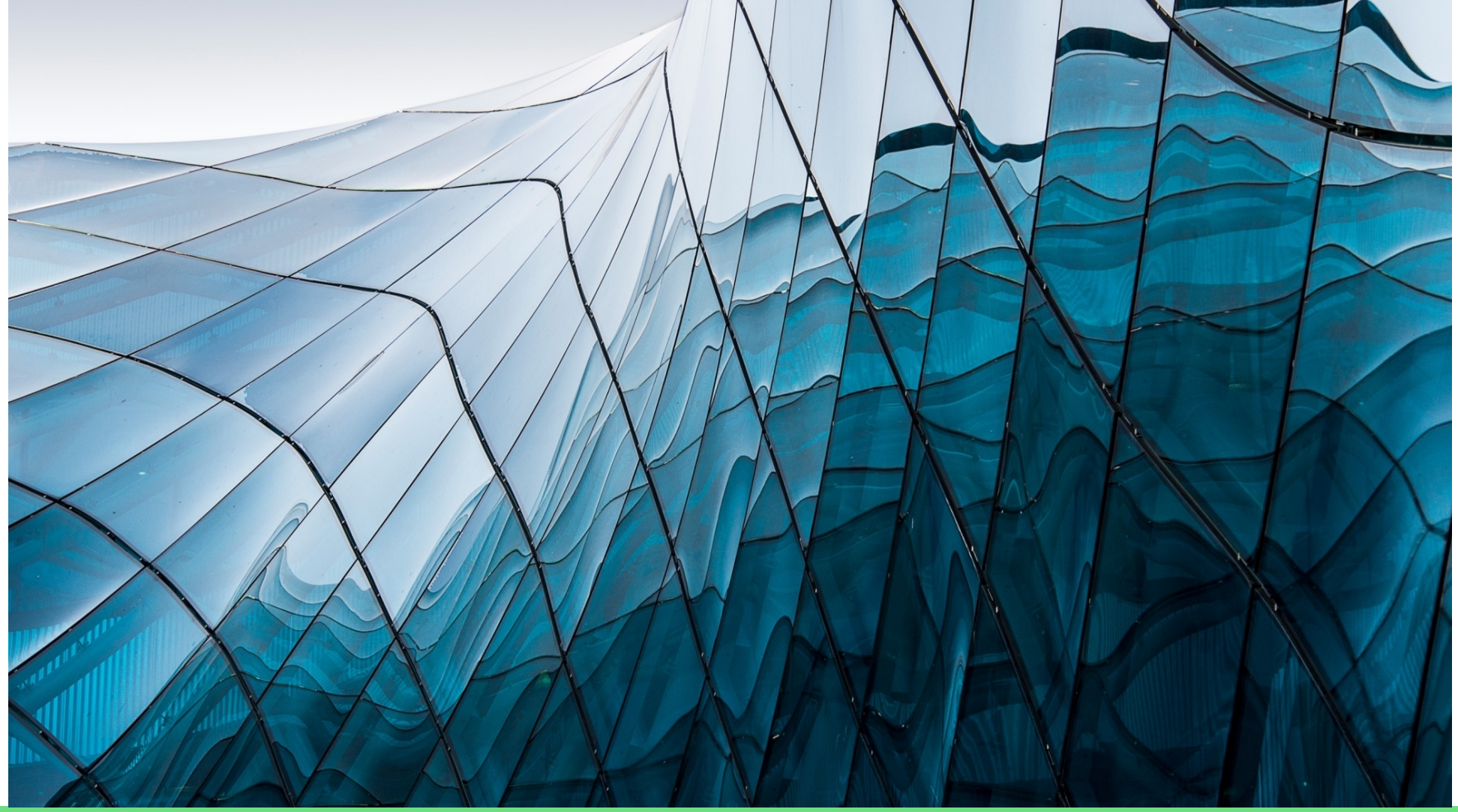
FY2026 financial statement audit and compliance work

Audit Results

Independent auditor's opinion and key conclusions

Required Communications

Governance, internal control, and compliance matters



San Mateo County Transit District

Communication with Those Charged with Governance

Audit Scope



- Audit of the San Mateo County Transit District (District) Annual Comprehensive Financial Report as of June 30, 2026, in accordance with auditing standards generally accepted in the United States of America
- Report on internal control over financial reporting and on compliance in accordance with *Government Auditing Standards*
- Report on federal compliance in accordance with the Uniform Guidance
- Agreed-upon procedures related to the District's ridership reporting to the National Transit Database

Our Responsibilities in Accordance with Professional Standards

- Form and express an opinion on whether the financial statements, which are the responsibility of management and subject to your oversight, are presented fairly, in all material respects, in accordance with U.S. GAAP.
- Our responsibility is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement.
- We considered internal control over financial reporting solely to determine our audit procedures, not to provide assurance concerning internal control.



Summary of Audit Results

Financial Statements

- Unmodified opinion on the financial statements

Government Auditing Standards

- No significant deficiencies
- No instances of noncompliance reported

Summary of Audit Results

Uniform Guidance

- The Single Audit is reported separately under the Uniform Guidance.
- Federal compliance results are not included in this financial statement audit presentation.
- The reporting timeline was extended due to delays in OMB's issuance of the Compliance Supplement.

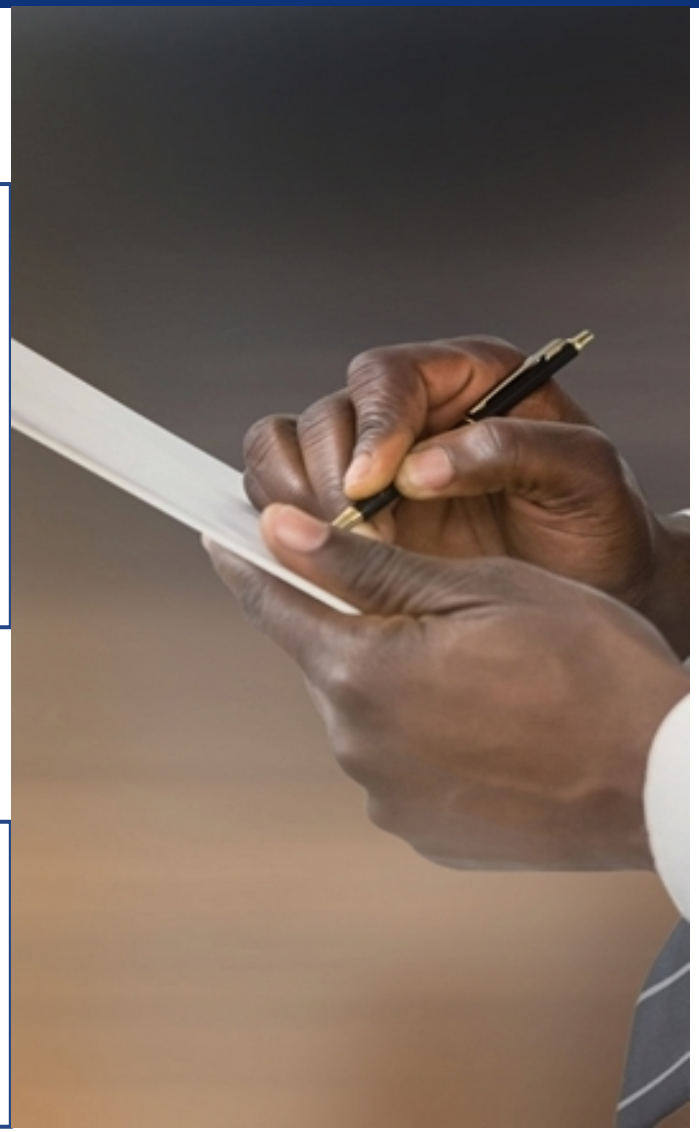
Auditor Communications

Ethics and Independence

- We have complied with all relevant ethical requirements regarding independence.

Significant Estimates

- Pension, OPEB, and claims liabilities



Auditor Communications

Sensitive Disclosures

- Pension and OPEB liabilities, deferrals, discount rates

Misstatements

- No such matters were reported.

Consultations with Other Accountants

- Management informed us that there were no consultations with other accountants regarding auditing or accounting matters, and none came to our attention.



Auditor Communications

Significant Difficulties

- We encountered no difficulties in dealing with management.

GASB 103 and 104 Implementation

- GASB 103 revised the financial reporting model and revenue/expense classifications. GASB 104 expanded certain capital asset disclosures.

Disagreements with Management

- No disagreements arose during the course of the audit.



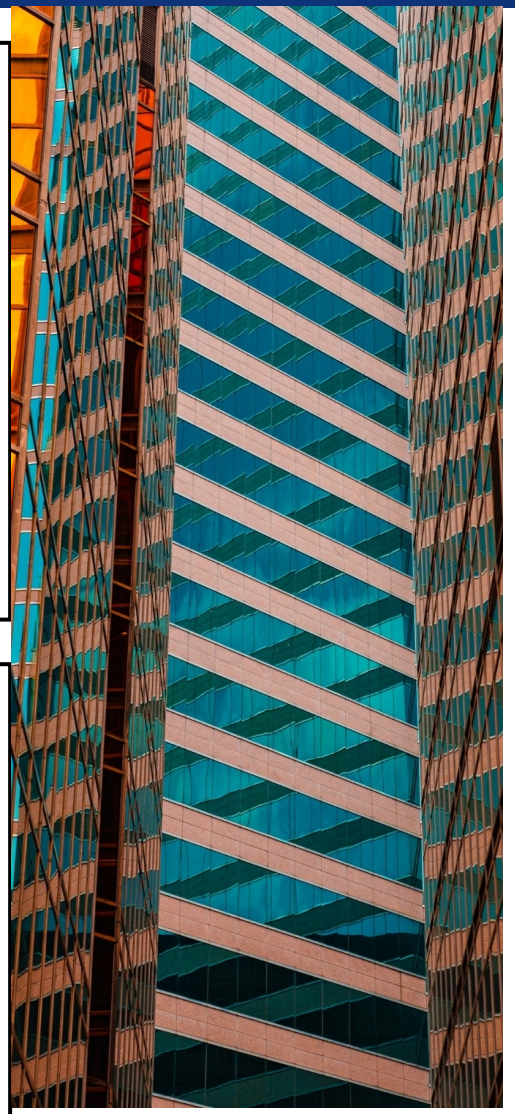
Auditor Communications

Significant Areas Tested

- Our audit procedures addressed significant and higher-risk areas, including:
  - Fare revenue accounting.
  - Pension and OPEB balances, sales taxes, grants, and revenue classification.

Annual Comprehensive Financial Report

- We reviewed the District's Annual Comprehensive Financial Report and related other information. The District received the GFOA Certificate of Achievement for its fiscal year 2025 ACFR.





Questions?

This presentation is presented with the understanding that the information contained does not constitute legal, accounting, or other professional advice. It is not intended to be responsive to any individual situations or concerns, as the contents of this presentation are intended for general information purposes only. Viewers are urged not to act upon the information contained in this presentation without first consulting competent legal, accounting, or other professional advice regarding implications of a particular factual situation. Questions and additional information can be submitted to your Eide Bailly representative or the presenter of this session.

THANK YOU

Ahmad Gharaibeh
Partner
agharaibeh@eidebailly.com
650.223.6103

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