SANDAG

San Diego County Regional Transportation Commission

A Component Unit of San Diego Association of Governments

BASIC FINANCIAL STATEMENTS

For the Fiscal Year Ended

June 30, 2021

San Diego, California

6289 10/2021

San Diego County Regional Transportation Commission (A Component Unit of the San Diego Association of Governments)

San Diego, California

Basic Financial Statements

For the year ended June 30, 2021

PREPARED BY THE SAN DIEGO ASSOCIATION OF GOVERNMENTS

FINANCE DEPARTMENT

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San Diego Regional Transportation Commission
A Component Unit of the San Diego Association of Governments

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INTRODUCTORY SECTION

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SANDAG

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December 24, 2021

Honorable Chair and Members of the Board of Directors
San Diego Association of Governments

We are pleased to present the basic financial statements of the San Diego County Regional Transportation Commission (Commission), a blended component unit of the San Diego Association of Governments (SANDAG), for the fiscal year ended June 30, 2021. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with management of SANDAG. A comprehensive framework of internal controls has been designed and implemented to ensure the assets of the Commission are protected from loss, theft, or misuse, and to ensure that financial information is accurate and complete. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and changes in financial position including results of the Commission's operations. All disclosures necessary to enable the reader to gain an understanding of the Commission's financial activities have been included.

Crowe LLP has issued an unmodified ("clean") opinion on the Commission's financial statements for the fiscal year ended June 30, 2021.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

Reporting Entity

SANDAG is the San Diego region's Council of Governments (COG). Local elected officials throughout the United States have joined together to form similar COGs to deal cooperatively with issues that go beyond jurisdictional boundaries, such as transportation, growth management, environmental quality, and other public facility needs. SANDAG is a statutorily created agency, codified in California state law. Voting among the agency's 18 cities and county government is based upon both membership and the population of each jurisdiction, providing for an equitable representation of the region's residents. Caltrans, United States Department of Defense, San Diego Unified Port District, San Diego Metropolitan Transit System (MTS), North County Transit District (NCTD), San Diego County Water Authority, Imperial County, Southern California Tribal Chairmen's Association, and Mexico (Consulate General of Mexico) are nonvoting advisory members of SANDAG.

SANDAG traces its origins to the 1960s as local planners and decision-makers saw the need for coordinated efforts to solve a growing list of regional issues. In 1972, a Joint Powers Agreement was formalized among local governments, creating a COG, then known as the Comprehensive Planning Organization, with independent staffing and cooperative financing from the local members and project grants from state and federal agencies. In 1980, the name was changed from the Comprehensive Planning Organization to the San Diego Association of Governments, to better reflect the agency's purpose. In 2003, Senate Bill 1703 (Peace, 2003), as amended by Assembly Bill 361 (Kehoe, 2003), called for the consolidation of certain MTS and NCTD transit functions into SANDAG. SANDAG is now responsible for long-range transit planning, programming, project development, and construction of transportation projects in the region. This structure is intended to streamline regional decision making to improve the transportation system, protect open space and habitat, bolster our infrastructure, and sustain our quality of life.

The Commission is a blended component unit of SANDAG and therefore, is considered part of the SANDAG primary government. The SANDAG Board of Directors also serves as the Commission's Board of Directors. The Commission is responsible for the implementation and administration of transportation improvement programs funded by the San Diego countywide one-half percent sales tax. This tax became effective on April 1, 1988, as a result of the passage of Proposition A – The San Diego County Transportation Improvement Program, known as *TransNet*. The sales tax funds are used for highway, public transit, local street and road improvements, bicycle and pedestrian facilities, and administration.

In November 2004, the voters of San Diego County extended the one-half cent sales tax another 40 years to 2048. The extension of *TransNet* will help SANDAG continue to implement the region's transportation program, as well as provide funding for bicycle, pedestrian, and neighborhood safety projects; major corridor capital projects; environmental mitigation projects; smart growth projects; local street and road projects; transit system projects; and operation of the new transit services. The Extension Ordinance includes a mandate that an Independent Taxpayer Oversight Committee (ITOC) for *TransNet* be formed to provide an enhanced level of accountability for the expenditure of funds under the *TransNet* expenditure plan. The ITOC also helps ensure that all voter mandates are carried out as required and develops recommendations for improvements to the financial integrity and performance of the program. The Commission is authorized to issue limited tax bonds payable from the sales tax receipts, the proceeds of which can be used to finance approved *TransNet* projects. The Commission has created a Plan of Finance (POF) for the *TransNet* program, which is updated at least annually. A summary of the most recent POF is provided near the end of this letter.

San Diego's Regional Economy

Basics of the San Diego Economy

San Diego is a diverse, growing region of 3.3 million people, who are younger than the national average, richer in terms of per capita income, and better educated with more college and advanced degrees. The $250 billion economy is also diverse and well positioned for the future in innovative sectors.

Blessed with a beautiful natural environment, 70 miles of coastline, mild weather, and a plethora of outdoor activities, the city is often referred to as "America's Finest City." This moniker pays tribute to the natural amenities that make San Diego one of the most desirable places to live and work in the nation, and one to which most people would consider relocating.

This offers employers a highly skilled workforce and forecasts for the next 20 years show a growing population, adding over 10,000 residents annually. The San Diego job base and economy are expected to continue to diversify over the forecast period.

While the local economy has been severely affected by the recession associated with the COVID-19 pandemic, it is expected to bounce back in the coming years. While risks still surround the pace of the recovery, the strong pre-recession trend should be reached by 2023.

History of the San Diego Economy

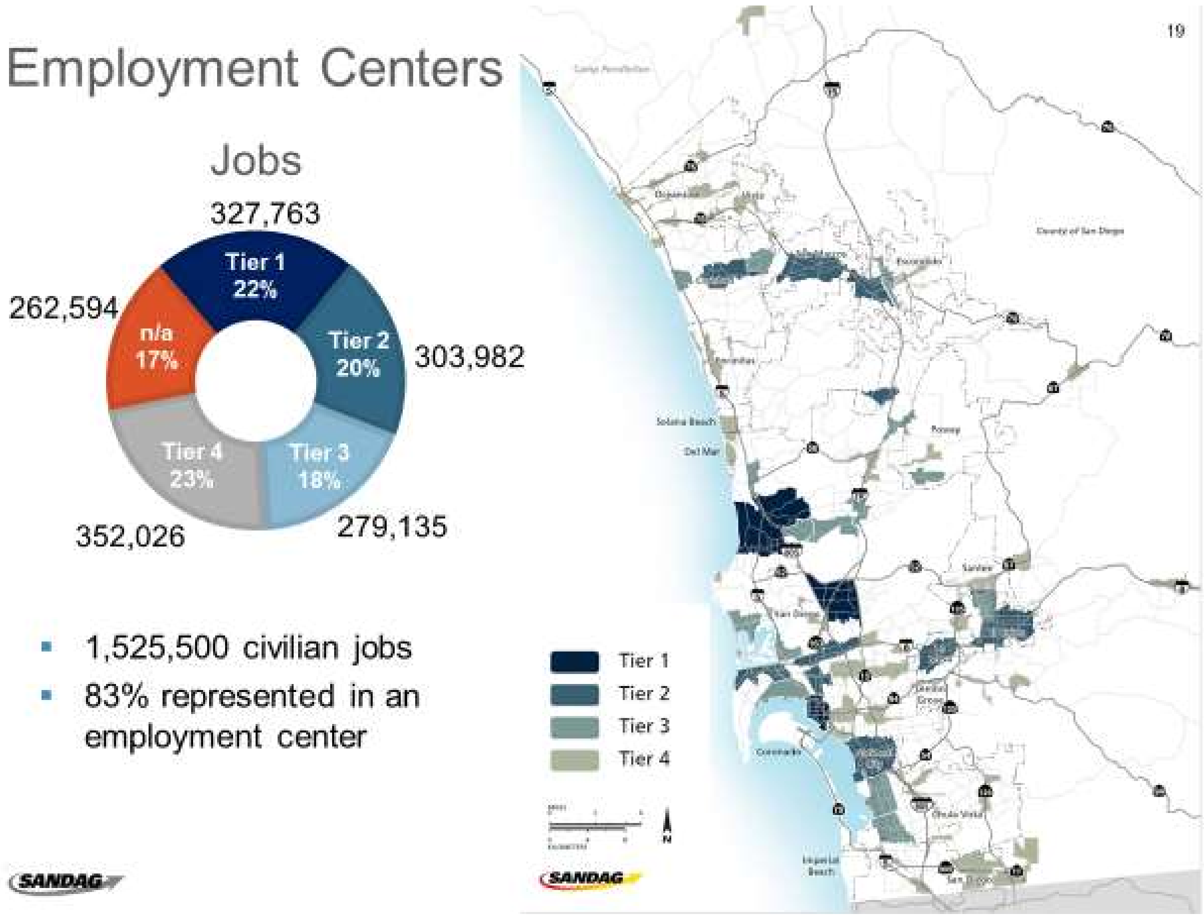
Once characterized as a sleepy Navy town, and later as a tourist destination, San Diego's economy has diversified and matured over the last 75 years. Before World War II, 70 percent of jobs in the local economy were in traditional sectors such as the Military, Manufacturing, Construction, Finance, and Retail and Wholesale Trade; today it is less than 50 percent.

- The military accounted for about 20 percent of the region's employment in 1940 (and ballooned to nearly half during the early 1950s) and stayed prominent throughout the Cold War.
- The 1960s brought the emergence of the Tourism and Hospitality industry, the opening of UC San Diego (which became a key economic engine), as well as the approval of maquiladoras in Mexico, allowing U.S. firms access to low-cost manufacturing.
- By the 1980s, tourism was booming, and the nascent life sciences sector was beginning to take root.
- Base Re-alignment and Closure (BRAC), shuttered the Naval Training Center in the early 1990s and helped reduce the Military sector to today's 8 percent, despite a steady military presence.
- The 2000s brought the dot-com bust, 9/11, and the Great Recession, but also the longest expansion on record from 2010 to early 2020 which has greatly benefited the region.

Sectors driving the San Diego Economy

Today, San Diego boasts an economy that is not dominated by any one sector and, in fact, no sector accounts for more than 16 percent of the regional economy.

Many of these sectors are physically clustered in San Diego's "employment centers," which allow opportunities to develop a more compact development pattern. In analyzing the travel patterns, regional agencies can plan for improved transportation options, such as the in-progress Mid-Coast Corridor Transit Project.



San Diego fares well in industries like Health Care, Education, and a lean Government sector. These sectors are generally population driven (rising in tandem with population) have proven through the Great Recession to be less affected by traditional economic cycles.

Several sectors are "economic drivers," specifically the "Innovation", Military and Tourism sectors, which together make up almost a third of the regional economy. Innovation will continue to drive San Diego's economy, with forward-looking technologies with massive growth potential from companies like Illumina (revolutionized DNA sequencing with tremendous potential to improve health care and quality of life), PacketSled and SPAWAR (cybersecurity experts), and Nuvasive (most used products and techniques for adult back surgeries). The Military is pivoting toward Asia and has committed to San Diego, as have many military contractors, like General Dynamics (makers of the Predator drone) and ViaSat (satellite communications leaders). Tourism is supported by the weather, beaches, as well as major attractions, such as the San Diego Zoo, and the Convention Center.

The "Innovation Sector" is key in the positioning of the regional economy for the future. Its success can be traced back to our higher learning institutions and research facilities, like the Salk Institute, Scripps Institute of Oceanography, San Diego State University, the University of San Diego, Cal State San Marcos, and UC San Diego.

Nineteen different institutions of higher education enroll about 300,000 students in the region. UC San Diego specifically is a highly ranked research university that has spawned hundreds of businesses, many of which remain important local employers, and which together employ about 4 percent of San Diego workers. Moreover, UC San Diego's commitment to generating economic opportunity is evident through their business-friendly approach to licensing technologies to new startup companies that simplifies the transfer of copyrights and licenses for a minimal equity in the company.

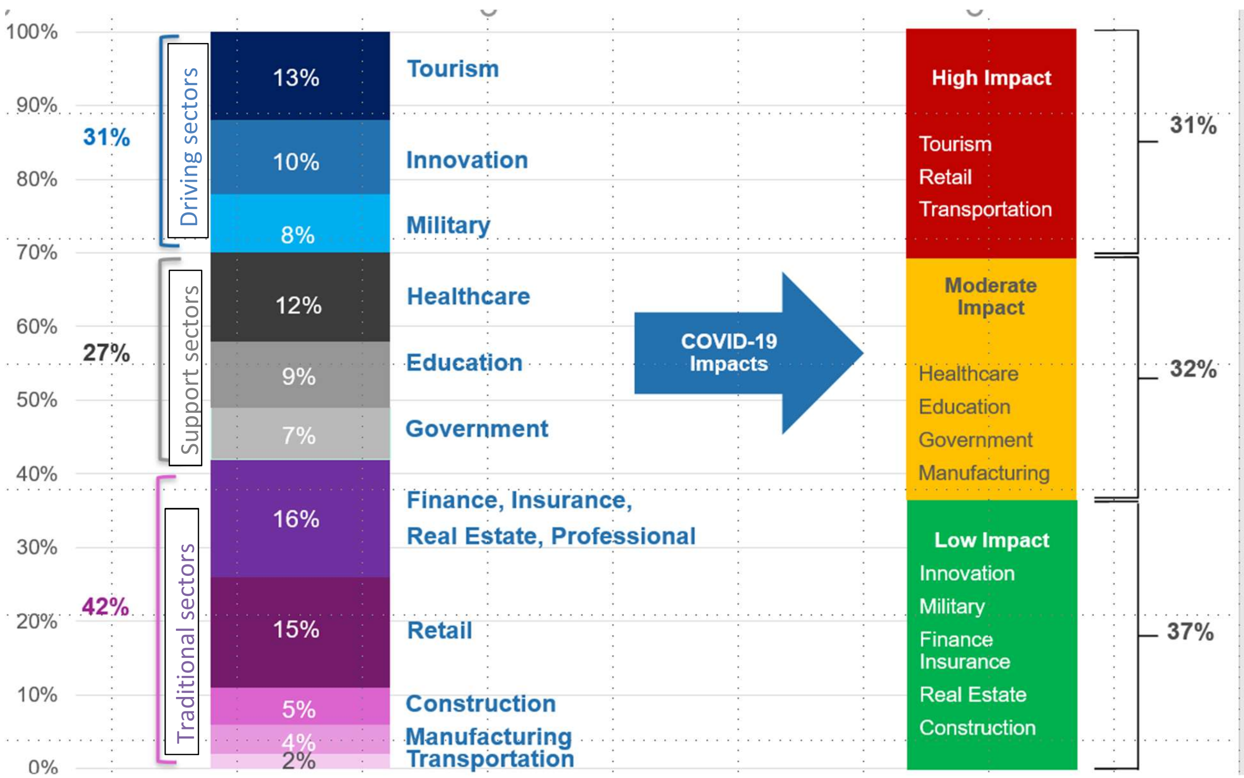
Incubated by world-class research institutions, San Diego's Innovation sector has grown considerably over the last 25 years, posting a growth rate ten times that of the rest of the economy. It now represents 11 percent of our local economy and employs over 160,000 people in high-paying jobs. The Innovation sector is also itself diverse, featuring Information and Communication Technology, Biotechnology and Biomedical, Aerospace and Navigation, and CleanTech. San Diego is the second most patent-intensive county in the United States, behind Santa Clara County, and is the top destination for National Institutes of Health research funding, first in life-sciences laboratory space, and the number seven place in the United States to launch a startup, according to Forbes. The contribution of several regional institutions to COVID-19 epidemiology research and vaccine development confirms the strength and high contribution of the sector to our economy.

San Diego has had long and successful relationship with the military. With a large deep-water port, a dozen military installations, and a well-developed support economy, San Diego is an irreproducible ecosystem for the military. The military sector provides a stable and diverse employment base to the region. The presence of the military attracts over $10 billion in government contracts each year, and almost 150,000 jobs, about 1 in 12 San Diegans are directly employed by the military or the Department of Defense. =Many of these jobs are highly skilled, and all generate indirect employment effects in many other sectors throughout the economy. Going forward, San Diego's economy will benefit from the decision to reallocate 60 percent of military assets to the West Coast over the next decade leading to 50 percent more ships will be berthed in San Diego, and billions of dollars invested by the Navy in infrastructure like the Seal training facility.

San Diego is also a major tourism destination, routinely listed as the number one domestic travel destination, such as in Money magazine's 2016 assessment. As a result, San Diego's Hospitality sector grew two times as fast as our overall economy during the past 30 years. Nearly 37 million visitors come to San Diego annually, bringing almost $12 billion into the regional economy. While tourism jobs pay slightly less than the average, they do provide ample entry-level employment and have seen strong wage gains recently.

The tourism sector has been one of the hardest hit by the COVID-19 related recession as a result of the high-contact business closures like restaurants and bars, the sharp declines in international and business travel, and the closure of many local tourist attractions. As of July 2021, employment in the tourism sector was 22% below its July 2019 level but 20% above the 2020 level. The recovery will take time and is not expected before 2023 in the best-case scenario.

Overall, the balanced structure has helped during the COVID-19 related recession. While no sector has been shielded from the recession and the tourism and retail sectors have taken a sharp hit, the impact has somewhat been cushioned by the strong innovation sector and the military sector. Close to 40% of the local economy is estimated to have only suffered a limited impact of the crisis.



International Trade

San Diego is home to the busiest land crossing in the western hemisphere, and its economic impact is significant. Between 2002 and 2019, trade through the border more than doubled to $75 billion, but declined by 9% in 2020 as a result of the recession on both sides of the border.

The presence of maquiladoras in Tijuana that provide highly skilled workers in technologically advanced factories where costs average a fraction of that in the United States is a critical advantage for the San Diego economy. The new U.S. Mexico-Canada Agreement (USMCA) is expected to continue to support economic prosperity on both sides of the border and trade flows.

Jobs, Wages, and Housing

The diverse and robust San Diego economy presented above resulted in strong job growth and low unemployment for San Diegans during the post Great Recession expansion. In 2019, San Diego's unemployment rate stood at 3.3 percent, lower than both California (4.1%) and the United States as a whole (3.7%).

The brutal Covid-19 related recession resulted in a sharp increase in unemployment that is estimated to have peaked at 15% in May 2020, and is now below 6% and falling. Job losses have been concentrated in high contact sectors such as tourism, retail and education, which are estimated to account for 80% of COVID-related the job losses in the region. Traditional sectors like Professional Services, Construction, and Finance have fared much better than in past recessions, while military has proven an essential buffer.

Despite wage increases, after adjusting for inflation, real wages remained stagnant, between early-2017 and mid-2019. Strong wage increases and lower inflation boosted the purchasing power of wages in the second half of 2019, but the recession has put an end to this favorable trend. Job losses and stagnating wage gains have however been partly compensated by income support via the stimulus package and temporarily enhanced unemployment insurance benefits. This has helped support households spending during the recession. So far in 2021, while both are on the rise, prices have been increasing faster than wages.

The San Diego region is reassessing past housing and development practices. In prior eras, it was assumed that housing would continue to spread east into the back-country, but jurisdictions throughout the county have responded to residents' concerns about sprawl and adjusted their general plans to concentrate growth in existing communities. On the positive side, much of the recent development has been in multifamily housing in downtown areas, which is generally both less expensive and attractive to younger, high-skill workers (and some senior buyers) who prefer active, vibrant communities. As open land acceptable for residential development is in short supply, demand continues to outstrip the pace of building, and while San Diego housing costs are less than those of comparable coastal metros, prices and rents are higher than California or the United States as a whole and represent a challenge to additional economic growth and to the economic well-being of many residents.

Despite the pandemic, the median price of a detached home averaged $860,000 in July 2021, over 10 times the county median household income and close to 8 out 10 San Diegans are priced out of the housing market.

Outlook

While structurally strong, the San Diego economy has been hardly hit by the COVID-19 related recession. Nationally, GDP growth contracted between 2.2% in 2020. In recent months, the recovery strengthened supported by additional government spending, the further reopening of the economy and the positive impact of vaccination on spending on services such as travel, restaurants, and entertainment. Risks persist however and most recent indicators suggest some easing of the growth momentum as consumer spending and confidence weaken amid a resurgence of COVID cases and high inflation.

While the regional economy may be able to recover its pre-COVID level in the first half of 2022, the travel and hospitality sector is expected to take longer to recover while economic drivers like the Innovation sector should continue to thrive and the Military will continue to expand its strong presence. In the long run, the Health Care sector, both in the United States and globally, is expected to see continued growth as the population ages, and as new therapies and treatments are available to more people. Education, once it recovers, should also be a long-term driver of economic growth, and Government typically grows proportional to population and is forecasted to increase. The Financial, Professional, and Information sector (excluding Innovation sectors), has done relatively better than other sectors during the pandemic and is expected to see slow but steady growth. Construction and Real Estate have also fared better than others.

TransNet Plan of Finance Update

The SANDAG Board of Directors adopted its FY 2022 Program Budget in May 2021. The FY 2022 Program Budget reflects the priorities for SANDAG based on the expected adoption of the 2021 Regional Plan. The 2021 Regional Plan is built from a bold new vision, which completely rethinks how people get around so that mobility is faster, fairer, and cleaner. The *TransNet* Extension Ordinance requires consistency with the regional plan and given the pending adoption of the new plan in December 2021, Ordinance amendments would be proposed to reflect consistency with the regional plan. Subsequently, the 2022 Plan of Finance would be developed to reflect new assumptions included in the regional plan and Ordinance. The timing for the Plan of Finance update is anticipated to occur in spring 2022.

Financial Highlights

TransNet sales tax revenues increased by $34,464,655 or 11.00% from $313,251,738 in fiscal year 2020 to $347,716,393 in fiscal year 2021. The increase was primarily attributed to the recovery from the Covid-19 recession and higher-than-expected impact of the Wayfair ruling. Revenues have also benefited from robust spending on taxable items as a result of public income support (stimulus checks and supplemental unemployment benefits), the fast recovery in high-paying jobs, and the strong stock market. Behavior changes have also led to strong increases in spending on taxable goods, while spending on services decreased due to COVID-related restrictions.

In recent months, the recovery was strengthened and supported by additional government spending, the further reopening of the economy, and the positive impact of vaccination resulted in increased spending on services such as travel, restaurants, and entertainment. However, risks persist and the most recent indicators suggest some easing of the growth momentum as consumer spending and confidence weaken amid a resurgence of COVID cases and high inflation.

Through the use of timely and prudent debt financing, the Commission was able to provide the financial resources necessary to fund the programmed projects and accumulate a Sales Tax Projects Fund for future project expenditures of $485.5 million.

This past year alone, the Commission funded approximately $29.1 million in bicycle facilities, $86.9 million in public transit projects and operations, including operations of new transit services, and $81.4 million in local street and road improvements. In addition, the Commission funded projects of approximately $89.1 million in Major Corridor Capital Projects and approximately $18.5 million of the Environmental Mitigation Program. In total, $304.9 million in public transportation and other infrastructure improvements were funded this past year.

Acknowledgments

The preparation of this report was accomplished with the cooperation of SANDAG management, financial staff, and SANDAG independent auditors, Crowe LLP. We express our appreciation to the staff members and the auditors who contributed to the preparation of this report.

Respectfully submitted,

ANDRÉ DOUZDJIAN	RAY MAJOR
Chief Financial Officer	Chief Analytics Officer/Chief Economist

Board of Directors

The 18 cities and county government are SANDAG serving as the forum for regional decision-making. SANDAG builds consensus; plans, engineers, and builds public transit; makes strategic plans; obtains and allocates resources; and provides information on a broad range of topics pertinent to the region's quality of life.

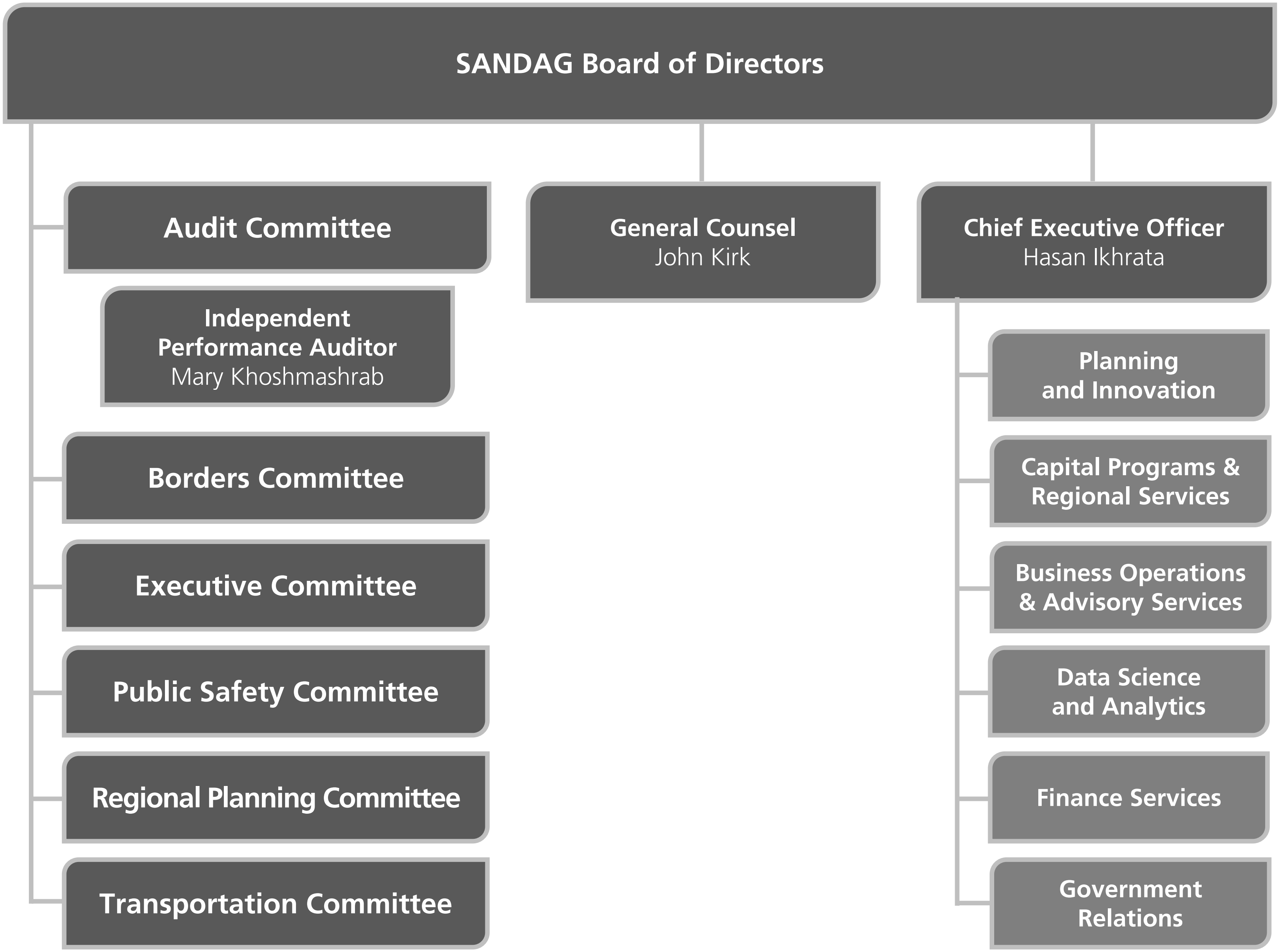
SAN DIEGO ASSOCIATION OF GOVERNMENTS

Executive Staff

June 30, 2021

Chief Executive Officer	Hasan Ikhrata
Chief Capital Programs and Regional Services Officer	Jim Linthicum
Chief Planning and Innovation Officer	Ray Traynor
Chief Operations Officer	(Vacant)
Chief Data Analytics Officer/Chief Economist	Ray Major
Chief Financial Officer	André Douzdjian
General Counsel	John Kirk
Director of Accounting and Finance	Leeanne Wallace
Director of ARJIS	Eric Wood
Director of Business Information & Technology Services	James Dreisbach-Towle
Director of Contracts and Grants	Julie Wiley
Director of Data & Modeling	Pat Landrum
Director of Diversity and Equity	Elaine Richardson
Director of Engineering and Construction	John Haggerty
Director of Financial Planning and Budgets	Susan Huntington
Director of Government Relations	Victoria Stackwick
Director of Integrated Transportation Planning	Elisa Arias
Director of Mid-Coast Transit Project	Ramon Ruelas
Director of Mobility and Innovation	Antoinette Meier
Director of Organization Effectiveness	Melissa Coffelt
Director of Regional Planning	Coleen Clementson
Director of Regional Transportation Services	Ryan Ross
Director of Research and Program Management	Cindy Burke
Director of Strategic Communications	Irene McCormack
Director of Strategic Projects	Ryan Kohut

SANDAG Agency Structure



FINANCIAL SECTION

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Crowe LLP
Independent Member Crowe Global

INDEPENDENT AUDITOR'S REPORT

Board of Directors
San Diego County Regional Transportation Commission
San Diego, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the San Diego County Regional Transportation Commission (Commission), a component unit of the San Diego Association of Governments (SANDAG), as of and for the year ended June 30, 2021 and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

(Continued)

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities and each major fund of the Commission, as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Prior-Year Comparative Information

We have previously audited the Commission's 2020 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the governmental activities and each major fund in our report dated December 23, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The introductory section, supplementary information - budgetary comparison information for the Commercial Paper and Sales Tax Revenue Bonds Debt Service Fund, and statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information - budgetary comparison information for the Commercial Paper and Sales Tax Revenue Bonds Debt Service Funds 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information - budgetary comparison information for the Commercial Paper and Sales Tax Revenue Bonds Debt Service Fund is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated December 24, 2021 on our consideration of the Commission'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 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 Commission'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 Commission's internal control over financial reporting and compliance.

Crowe LLP

Crowe LLP

Costa Mesa, California
December 24, 2021

Management's Discussion and Analysis

As management of the San Diego County Regional Transportation Commission (Commission), we provide this narrative overview and analysis of the financial activities of the Commission for the fiscal year ended June 30, 2021. The intent of this analysis is to assist the readers of the Commission's financial statements in better understanding the overall financial condition of the Commission. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the Letter of Transmittal.

Financial Highlights

- Liabilities and deferred outflows of resources of the Commission exceeded its assets at the close of the most recent fiscal year, resulting in a current year net deficit of $1,763,182,570. A significant factor related to the net deficit was the issuance of $3,903,975,000 of bonds, $1,242,355,000 of which were refunded and $258,940,000 were cumulative principal paydown. The 2008, 2010, 2012, 2014, and 2016 bond issuances were part of the San Diego Association of Governments (SANDAG) Early Action Program (EAP) to expedite congestion relief projects, the issuance of the 2019 Bonds to partially refund the 2012 and 2014 bonds, and the issuance of the 2020 bonds to fully refund the 2010 series B and fund SANDAG's Bicycle and Pedestrian program. The Commission also issued an additional $265,990,000 2021 Series AB bonds to refund the 2014A bonds and fund additional Major Corridor Capital Projects as well as the issuance of $537,480,000 in 2021 short-term notes to refinance the 2018 short-term notes.

- The Commission's current outstanding debt portfolio is $2,604,043,870, which includes $1,749,050,000 of senior sales tax revenue bonds that were issued from fiscal year 2008 through fiscal year 2021; $116,150,000 2021 Series B bonds, $53,488,000 of commercial paper notes, and $537,480,000 of short-term notes issued in fiscal year 2021. The portfolio carries a total unamortized premium balance of $147,875,870.

- The Commission's total net deficit of $1,763,182,570 decreased in the current fiscal year by $11,207,414. The deficit decrease is primarily due to an increase in *TransNet* program payments for Major Corridor capital, local project environmental mitigation, and Bicycle and Pedestrian projects.

- As of the close of the current fiscal year, the Commission's governmental funds reported combined ending fund balances of $774,074,089 an increase of $97,600,662 in comparison with the prior year. The significant increase in fund balance is due to bonds issued this fiscal year, increasing other financing sources. The total fund balance is restricted for purposes related to the *TransNet* Extension Ordinance, including debt service.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Commission's basic financial statements. The Commission's financial statements consist of three components: (1) government-wide financial statements; (2) fund financial statements; and (3) the notes to the basic financial statements. The report also includes required supplementary information and other supplementary information intended to furnish additional detail to support the financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Commission's finances, in a manner similar to a private sector business.

The *Statement of Net Position* presents financial information on all the Commission's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the residual amount reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Commission is improving or deteriorating.

The *Statement of Activities* presents information showing changes in the Commission's net position during the fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements can be found on pages 15 to16 of this report.

Fund financial statements. A *fund* is a group of related accounts that is distinguished by specific activities or objectives in accordance with special regulations or restrictions. The Commission, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Both funds of the Commission are governmental funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds use the current financial resources measurement focus. Thus, they report near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year.

The governmental fund financial statements can be found on pages 21 and 23.

Because the focus of governmental funds is narrower than that of the government-wide statements, it is useful to compare the information presented for governmental funds with similar information provided for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Reconciliation statements on pages 22 and 24 are shown to facilitate the comparison between governmental funds and government-wide financial statements.

The Commission maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the sales tax projects special revenue fund (special revenue fund) and the commercial paper and sales tax revenue bonds debt service fund (debt service fund), both of which are considered to be major funds. The Commission does not have any other funds considered to be nonmajor governmental funds.

Notes to the basic financial statements. Various disclosures accompany the government-wide and fund financial statements in order to provide a full understanding the Commission's finances. The notes to the financial statements are on pages 27 to 60.

Other information. In addition to the financial statements and accompanying notes, this report presents certain required supplementary information and statistical information beginning on page 61. The

Commission adopts a spending plan each year. Budgetary comparison schedules are provided for the special revenue fund on pages 63, and page 67 for the debt service fund.

Government-Wide Financial Analysis

The Commission's net position at June 30, 2021 decreased by $11,207,414 or .64 percent, when compared to June 30, 2020. The decrease in net position was primarily due to an increase in Major Corridor Capital and Bicycle Facilities expenses.

The following is a summary of the statement of net position as of June 30, 2021, and 2020:

Table 1
Net Position
Governmental Activities

	2021	2020
Current and other assets	$ 826,303,896	$ 721,450,294
Restricted assets	108,759,141	75,136,162
Total assets	935,063,037	796,586,456
Deferred outflows of resources	110,449,265	133,969,116
Current liabilities	195,575,660	186,244,911
Restricted liabilities	30,500,617	31,399,346
Noncurrent liabilities	2,573,798,876	2,455,497,106
Total liabilities	2,799,875,153	2,673,141,363
Deferred inflows of resources	8,819,719	9,389,365
Net Position		
Restricted	78,258,524	43,736,816
Unrestricted (deficit)	(1,841,441,094)	(1,795,711,972)
Total net position	$ (1,763,182,570)	$ (1,751,975,156)

The increase in current and other assets of $104,853,602, or 14.53 percent, was primarily due to the issuance of the 2021 Series B Bonds used to fund Major Corridor Capital Projects.

The increase in restricted assets of $33,622,979 or 44.75 percent, is primarily due to $35.2 million transferred to the capitalized interest fund as part of the issuance of the 2021 short-term Notes. Sales tax is set aside each month to cover monthly 2008 bond interest and swap payments. All other bonds and the 2021 short-term notes have semi-annual interest payment requirements, therefore, sales tax for one-sixth of upcoming interest payments, and one-twelfth of the annual principal payments are set aside monthly. The sales tax set aside are held with the trustee and are restricted.

Restricted liabilities consist of funds held for the following purposes:

- $8,494,994 is restricted deposit for the repayment of outstanding bonds.
- $21,750,000 is restricted investment payable for a portion of the outstanding commercial paper notes issued to buy the North County Transit District (NCTD) Certificates of Participation (COP) investment.
- $240,085 is restricted deposit payable from NCTD for commercial paper interest payments related to the COPs.
- $15,538 is restricted deposit payable from Barclays Bank PLC, which is held as collateral on the 2018 basis rate swaps (see Note II.D.2 for further information).

Deferred outflows of resources experienced a decrease of $23,519,851 or 17.56 percent attributable to a $30,442,396 increase in the fair value of hedging swap agreements compared to the prior year, and the refunding loss on the 2014 Series A Bonds and 2018 short-term note.

Deferred inflows of resources experienced a decrease of $569,646 attributable to the amortization of refunding gain on the 2010 Series A and 2012 Series A Bonds.

Restricted net position includes resources subject to externally imposed restrictions that must be used for debt repayments and *TransNet*-eligible environmental mitigation projects.

A significant factor contributing to the $1,841,441,094 net position unrestricted deficit at June 30, 2021, is $2,604,043,870 of outstanding debt of the Commission. The debt is issued to advance various *TransNet* projects in the region as part of the SANDAG Early Action Program (EAP), the SANDAG Bicycle and Pedestrian program, the Mid Coast Corridor project, and Major Corridor capital projects. The debt will be repaid using annual sales tax revenue, except for the 2021 short-term notes, which will be repaid with the Transportation Infrastructure Finance and Innovation Act (TIFIA) loan proceeds.

Additional information on the Commission's long-term debt can be found in Note II.F in the notes to the basic financial statements of this report.

Governmental activities. Table 2 on the following page is a summary of the Statement of Activities for the years ended June 30, 2021 and 2020.

Table 2
Change in Net Position
Governmental Activities

	2021	2020
Revenues:		
Program revenues:		
Operating contributions	$ 15,432,726	$ 17,353,566
General revenues:		
Sales tax	347,716,393	313,251,738
Investment earnings	7,775,102	8,398,413
Total revenues	370,924,221	339,003,717
Expenses:		
General government	3,081,652	3,099,234
Bicycle facilities	29,100,112	22,404,909
Independent Taxpayer Oversight Committee	644,536	376,416
Major corridor capital projects	89,072,197	70,373,145
Major corridor environmental mitigation	16,056,669	30,585,452
Local project environmental mitigation	2,423,027	10,381
Local street improvements	80,828,288	79,911,482
Smart growth	8,121,247	6,934,242
New major corridor transit operations	26,022,907	25,306,778
Transit system improvements	49,012,120	51,083,017
Interest on long-term debt	76,625,696	77,863,016
Cost of debt issuance	1,143,184	854,744
Total expenses	382,131,635	368,802,816
Change in net position	(11,207,414)	(29,799,099)
Net position (deficit) - beginning of year	(1,751,975,156)	(1,722,176,057)
Net position (deficit) - end of year	$ (1,763,182,570)	$ (1,751,975,156)

Program revenues decreased by $1,920,840 due to non-recurring escrow restructuring proceeds recognized in fiscal year 2020 related to the 2019 bond issuance. Program revenues are comprised of rental income for property purchased with major corridor capital projects funds, the federal subsidy received for the 2010 Series A Build America Bond (BAB) interest payments, and a *TransNet*/Fastrak fund swap approved by the Board of Directors on September 27, 2019.

General revenues increased by $33,841,344 or 10.52 percent. The increase is primarily attributable to the increase in sales tax revenue of $34,464,655 compared to the prior fiscal year. The increase was expected due to the significant impact of the Wayfair ruling and increased spending on taxable goods despite the COVID-19 related recession affecting the San Diego economy.

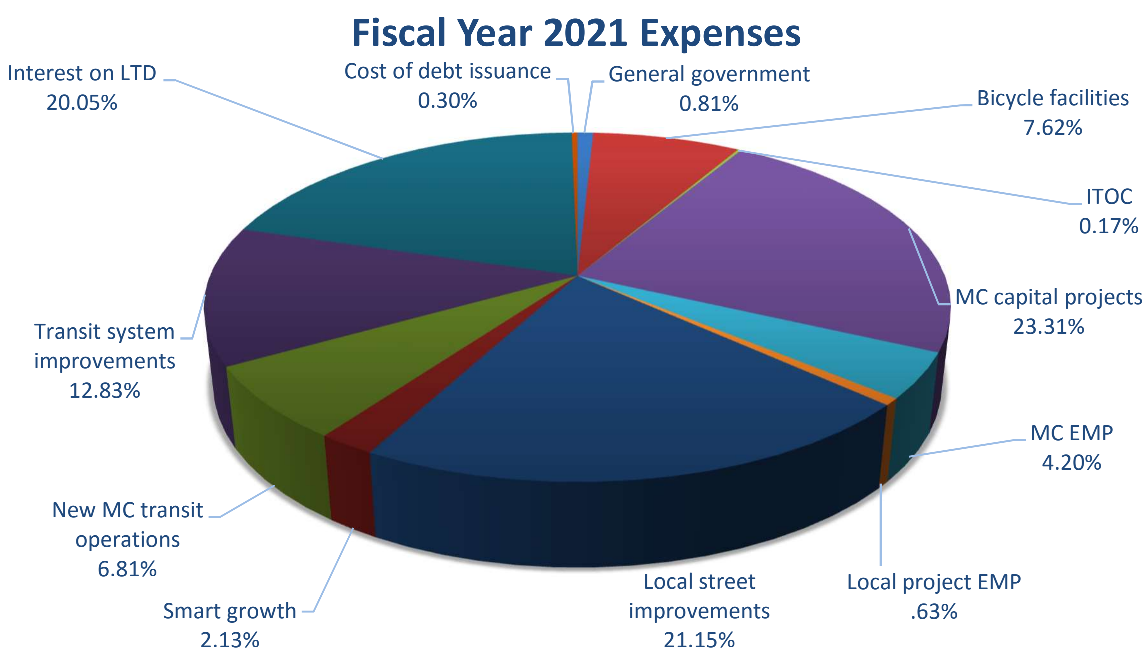
TransNet expenses increased by $13,328,819, or 3.61 percent, which is primarily due to an increase in payments for Major Corridor capital projects and Bicycle and Pedestrian projects.

- The Major Corridor Capital Projects increase of $18,699,052 or 26.57 percent from $70,373,145 in FY20. This increase is primarily due to a change in funding sources. In FY20, Grant Anticipation Notes (GANs) issued by SANDAG were used to fund those expenses, while in FY21 sales tax from the Commission was primarily used.

- Expenses for Bicycle facilities increased by $6,695,203 from $22,404,909 or 29.88 percent. This is due to construction costs related to the start of the 4th and 5th Ave Bike project as well as heavy construction on the Georgia/Meade bike project.

- The major corridor environmental mitigation program (EMP) decreased $14,528,783 or 47.5 percent. Activity was relatively slow compared to FY20 on both the San Elijo Lagoon Restoration Project and the San Dieguito Tidal Marsh project.

Expenses in fiscal year 2021 were broken down as follows:



Financial Analysis of the Government's Funds

As noted earlier, the Commission uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. Both Commission's funds are governmental funds, the focus of which is to provide information on near-term outflows, inflows, and balances of spendable resources. Such information is useful in assessing the Commission's financing requirements.

As of the end of the fiscal year, the Commission's governmental funds reported combined ending fund balances of $774,074,089, an increase of $97,600,662 from the prior year.

The Commission's special revenue fund ended the year with a fund balance of $486,755,164, most of which was restricted. The fund balance decreased by $37,404,070 with key contributing factors as follows:

- Total revenue exceeded expenditures by $53,322,645 compared to $19,060,171 in the prior fiscal year.

- Sales tax of $131,312,185 was transferred to the debt service fund for principal and interest payments on outstanding debts. This is offset by the Transfers in of $40,585,470 compared to last year's transfers in of $83,849,089 or a $43,263,619 decrease. Transfers in are mainly for the use of debt proceeds toward expenditures of the major corridor and major corridor environmental mitigation program. The decrease in transfers in compared to last fiscal year is indicative of less project proceeds from bond issuances being used, and a heavier reliance on sales tax revenues.

The Commission's debt service fund ended the year with a fund balance of $287,318,925, all of which was restricted. The fund balance increased by $135,004,732 with key factors as follows:

- Expenditures in the current year exceeded revenues by $124,165,410 due to required debt payments of commercial paper and the 2008, 2010, 2012, 2014, 2016, 2019, 2020, 2021 bonds and 2021 short-term notes that included principal and interest payments and other charges, offset with the receipt of federal subsidy revenue for the 2010 BABs net interest payment.

- Net interfund transfers out of $90,726,715 were primarily transfers with the special revenue fund for the use of debt proceeds toward expenditures of the major corridor and major corridor environmental mitigation programs and to meet required principal and interest payments on outstanding debt obligations.

- Issuances of $553,000 in Commercial Paper, $803,470,000 in Bonds net of $683,845,000 related to the 2014 Series A and 2018 short-term notes refunding, along with $72,222,479 in bond premiums provided additional sources of financing in FY 2021.

Debt Administration

- Long-term debt. At the end of the current fiscal year, the Commission's total debt outstanding increased by 4.72% percent over the prior year and was comprised of $860,500,000 tax-exempt sales tax revenue bonds, $338,960,000 taxable BABs, $515,900,000 taxable sales tax revenue green bonds, and $149,840,000 in federally taxable bonds. These outstanding debts include net premium on the 2012 tax-exempt bonds of $686,712, net premium on the 2014 tax-exempt bonds of $2,560,802, net premium on the 2016 tax-exempt bonds of $60,364,222, net premium on the 2020 taxable bonds of $18,776,231, and net premium on the 2021 tax-exempt bonds of $35,539,091. The Commission also carries additional debt of $537,480,000 2021 sales tax revenue short-term notes, net premium of $29,948,812, and $53,488,000 of commercial paper notes:

	2021	2020	Change	% Change
Bonds	$ 1,865,200,000	$ 1,777,935,000	$ 87,265,000	4.91%
Premium	117,927,058	106,983,254	10,943,804	10.23%
Short-term Notes	537,480,000	537,480,000	-	0.00%
Premium	29,948,812	8,032,713	21,916,099	272.84%
Commercial paper	53,488,000	56,213,000	(2,725,000)	-4.85%
Total	$ 2,604,043,870	$ 2,486,643,967	$ 117,399,902	4.72%

Total debt increased by $117,399,902 which is primarily due to the issuance of the 2021 Series B of $116,150,000.

Additional information on the Commission's long-term debt can be found in Note II.F in the accompanying notes to the basic financial statements.

Economic Factors and Next Year's Budgets and Rates

- The COVID-19-related recession hit a strong and healthy San Diego economy, leading to massive job and income losses in 2020. With the progress of the vaccination campaign and the reopening of the economy, the recovery is ongoing. The unemployment rate of 7.0% in June 2021, is well below its 15.9% peak in April 2020 but remains more than twice as high as in 2019. As elsewhere in the country, local companies are facing labor shortages as a result of lack of childcare options, persisting fears of contracting the virus, and generous receipts of unemployment benefits from last September.

- After stalling in FY2020, sales tax revenue collection surged in FY2021 registering an 11% increase. Besides the higher-than-expected impact of the Wayfair ruling[1], revenues have also benefited from robust spending on taxable items as a result of public income support (stimulus checks and supplemental unemployment benefits), the fast recovery in high paying jobs, and the strong stock market. Behavior changes have also led to strong increases in spending on taxable goods, while spending on services decreased due to COVID-related restrictions.

- For the FY 2022 budget, $322,982,020 in TransNet sales tax receipts is projected. The sales tax revenue budget will fund general government administration; bicycle, pedestrian, and neighborhood safety projects; the Independent Taxpayer Oversight Committee; major corridor capital projects; major corridor environmental mitigation; local project environmental mitigation; local street improvements; smart growth; new major corridor transit operations; and transit system improvements.

- In FY 2022, the Commission is expecting to disbursements of $33,980,000 in bond principal repayments and approximately $96,761,578, net of BABs subsidy, in interest expenditures related to the 2008, 2010, 2012, 2014, 2016, 2019, 2020, 2021 sales tax revenue bonds, and the 2021 short-term notes. The Commission also is expecting commercial paper principal repayments of $3,612,000 with $418,160 of estimated commercial paper interest payments and costs based on the current outstanding balance. NCTD will be funding the commercial paper principal repayment and most of the interest payments, with the balance paid with sales tax funds.

Requests for Information

This financial report was designed to provide a general overview of the Commission's finances for all those interested. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to the Chief Financial Officer, San Diego County Regional Transportation Commission, 401 B Street, Suite 800, San Diego, California 92101, or emailed to the Public Information Officer at pio@sandag.org.

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[1] The U.S. Supreme Court's Ruling in South Dakota v. Wayfair Inc., ruled that states have the right to tax online sales and broadened their ability to tax online sales when the seller is located in another state. The ruling had a one-time permanent impact on the level of revenues from Q4 2020 onwards.

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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San Diego County Regional Transportation Commission
A Component Unit of the San Diego Association of Governments
Statement of Net Position
June 30, 2021
(With comparative information for the prior year)

	Governmental Activities	
	2021	2020
ASSETS		
Cash and investments	$ 662,570,287	$ 572,684,195
Prepaid items and other assets	17,982	45,766
Interest receivable	1,345,158	2,089,882
Due from other governments	150,617,613	139,771,261
Due from SANDAG	742,496	495,403
Derivative instrument - swap asset	11,010,360	6,363,787
Restricted assets:		
Cash and investments restricted for debt service	107,570,385	73,958,925
Cash and investments restricted for environmental mitigation	1,188,756	1,177,237
Total assets	935,063,037	796,586,456
DEFERRED OUTFLOWS OF RESOURCES		
Accumulated decrease in fair value of hedging swap agreements	99,845,899	130,288,295
Deferred refunding charge	10,603,366	3,680,821
Total deferred outflows of resources	110,449,265	133,969,116
LIABILITIES		
Accounts payable	806,991	624,094
Retentions payable	4,905	4,905
Due to SANDAG	66,769,960	28,194,388
Due to other governments	5,321,175	4,944,115
Accrued interest payable	22,826,730	22,189,114
Derivative instrument - swap liability	99,845,899	130,288,295
Liabilities payable from restricted assets:		
Deposits payable	255,623	252,485
Long-term debt payable - due within one year	30,244,994	31,146,861
Noncurrent liabilities:		
Long-term debt payable - due within one year	57,223,006	594,906,139
Long-term debt payable - due in more than one year	2,516,575,870	1,860,590,967
Total liabilities	2,799,875,153	2,673,141,363
DEFERRED INFLOWS OF RESOURCES		
Deferred refunding	8,819,719	9,389,365
Total deferred inflows of resources	8,819,719	9,389,365
NET POSITION		
Restricted for:		
Debt service	77,069,768	42,559,579
Environmental mitigation	1,188,756	1,177,237
Unrestricted (deficit)	(1,841,441,094)	(1,795,711,972)
Total net position	$ (1,763,182,570)	$ (1,751,975,156)

See accompanying Notes to the Basic Financial Statements.

San Diego County Regional Transportation Commission
A Component Unit of the San Diego Association of Governments
Statement of Activities
For the year ended June 30, 2021
(With comparative information for the prior year)

Functions	Expenses	Program Revenues Operating Contributions	Net Revenue (Expenses) and Changes in Net Position Governmental Activities 2021	2020
Primary government:				
Governmental activities:				
General government	$ 3,081,652	$ -	$ (3,081,652)	$ (3,099,234)
Bicycle facilities	29,100,112	-	(29,100,112)	(22,404,909)
Independent Taxpayer Oversight Committee	644,536	-	(644,536)	(376,416)
Major corridor capital projects	89,072,197	8,826,881	(80,245,316)	(59,607,892)
Major corridor environmental mitigation	16,056,669	-	(16,056,669)	(30,585,452)
Local project environmental mitigation	2,423,027	-	(2,423,027)	(10,381)
Local street improvements	80,828,288	-	(80,828,288)	(79,911,482)
Smart growth	8,121,247	-	(8,121,247)	(6,934,242)
New major corridor transit operations	26,022,907	-	(26,022,907)	(25,306,778)
Transit system improvements	49,012,120	-	(49,012,120)	(51,083,017)
Interest on long-term debt	76,625,696	6,605,845	(70,019,851)	(71,274,703)
Cost of debt issuance	1,143,184	-	(1,143,184)	(854,744)
Total governmental activities	382,131,635	15,432,726	(366,698,909)	(351,449,250)
Total primary government	$ 382,131,635	$ 15,432,726	(366,698,909)	(351,449,250)
General revenues:				
Sales tax			347,716,393	313,251,738
Investment earnings			7,775,102	8,398,413
Total general revenues			355,491,495	321,650,151
Change in net position			(11,207,414)	(29,799,099)
Net position (deficit) - beginning of year			(1,751,975,156)	(1,722,176,057)
Net position (deficit) - end of year			$ (1,763,182,570)	$ (1,751,975,156)

See accompanying Notes to the Basic Financial Statements.

FUND FINANCIAL STATEMENTS

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GOVERNMENT FUND FINANCIAL STATEMENTS

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San Diego County Regional Transportation Commission
A Component Unit of the San Diego Association of Governments
Balance Sheet
Governmental Funds
June 30, 2021
(With comparative information for the prior year)

	Major Governmental Funds			
	Sales Tax Projects Special Revenue	Commercial Paper and Sales Tax Revenue Bonds Debt Service	Total Governmental Funds 2021	Total Governmental Funds 2020
ASSETS				
Cash and investments	$ 482,510,138	$ 180,060,149	$ 662,570,287	$ 572,684,195
Prepaid items and other assets	17,982	-	17,982	45,766
Interest receivable	1,313,061	6,472	1,319,533	2,036,956
Due from SANDAG	742,496	-	742,496	495,403
Due from other governments	73,823,304	76,783,832	150,607,136	139,764,954
Cash and investments - restricted	1,188,756	107,570,385	108,759,141	75,136,162
Total assets	$ 559,595,737	$ 364,420,838	$ 924,016,575	$ 790,163,436
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 784,185	$ 22,806	$ 806,991	$ 624,094
Retentions payable	4,905	-	4,905	4,905
Due to SANDAG	66,730,308	39,652	66,769,960	28,194,388
Due to other governments	5,321,175	-	5,321,175	4,944,115
Deposits payable	-	15,538	15,538	15,514
Liabilities payable from restricted assets	-	240,085	240,085	236,971
Total liabilities	72,840,573	318,081	73,158,654	34,019,987
Deferred inflows of resources:				
Unavailable revenues	-	76,783,832	76,783,832	79,670,022
Total deferred inflows of resources	-	76,783,832	76,783,832	79,670,022
Fund Balances:				
Nonspendable:				
Prepaid items	17,982	-	17,982	45,766
Total nonspendable	17,982	-	17,982	45,766
Restricted for:				
Debt-service	-	107,314,762	107,314,762	73,706,440
Environmental mitigation	1,188,756	-	1,188,756	1,177,237
TransNet- eligible projects	485,548,426	180,004,163	665,552,589	601,543,984
Total restricted	486,737,182	287,318,925	774,056,107	676,427,661
Total fund balances	486,755,164	287,318,925	774,074,089	676,473,427
Total liabilities, deferred inflows of resources and fund balances	$ 559,595,737	$ 364,420,838	$ 924,016,575	$ 790,163,436

See accompanying Notes to the Basic Financial Statements.

San Diego County Regional Transportation Commission
A Component Unit of the San Diego Association of Governments
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Position
June 30, 2021

Total Fund Balances - Total Governmental Funds	$	774,074,089
Amounts reported for governmental activities in the statement of net position are different because:		
Other long-term assets are not available to pay for current-period expenditures and, therefore, are not reported in the governmental funds.		
Interest receivable - commercial paper		10,477
Interest receivable - swap		25,626
Deferred refunding		(8,819,719)
Some revenues will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and, therefore, are not reported in the governmental funds.		76,783,832
Derivative instruments are not reported in the funds but must be reported in the statement of net position.		
Accumulated decrease in fair value of hedging swap agreements		99,845,899
Derivative instrument - swap asset		11,010,360
Deferred inflow of resources		
Derivative instrument - swap liability		(99,845,899)
Long-term liabilities, including debt payable, are not due and payable in the current period and, therefore, are not reported in the funds.		
Accrued interest payable - bond		(22,816,253)
Accrued Interest payable - commercial paper		(10,478)
Commercial paper payable		(53,488,000)
Bond premium		(147,875,870)
Deferred refunding charge		10,603,366
Bonds payable		(2,402,680,000)
Net position of governmental activities	$	(1,763,182,570)

See accompanying Notes to the Basic Financial Statements.

San Diego County Regional Transportation Commission
A Component Unit of the San Diego Association of Governments
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2021
(With comparative information for the prior year)

	Major Governmental Funds		Total Governmental Funds	
	Sales Tax Projects Special Revenue	Commercial Paper and Sales Tax Revenue Bonds Debt Service	2021	2020
REVENUES:				
Sales tax	$ 347,716,393	$ -	$ 347,716,393	$ 313,251,738
Investment earnings	1,695,126	1,456,533	3,151,659	20,001,817
Debt repayments from other governments	-	3,439,190	3,439,190	4,150,792
Federal funds	-	6,605,845	6,605,845	6,588,313
Other revenues	8,826,881	-	8,826,881	10,765,253
Total revenues	358,238,400	11,501,568	369,739,968	354,757,913
EXPENDITURES:				
Current:				
General government	3,081,652	-	3,081,652	3,099,234
Bicycle facilities	29,100,112	-	29,100,112	22,404,909
Independent Taxpayer Oversight Committee	644,536	-	644,536	376,416
Major corridor capital projects	89,072,197	-	89,072,197	70,373,145
Major corridor environmental mitigation	16,056,669	-	16,056,669	30,585,452
Local project environmental mitigation	2,423,027	-	2,423,027	10,381
Local street improvements	81,381,288	-	81,381,288	109,289,482
Smart growth	8,121,247	-	8,121,247	6,934,242
New major corridor transit operations	26,022,907	-	26,022,907	25,306,778
Transit system improvements	49,012,120	-	49,012,120	51,083,017
Debt service:				
Principal retirement	-	35,638,000	35,638,000	31,642,000
Debt issuance costs	-	1,143,184	1,143,184	854,744
Interest and other charges	-	88,195,273	88,195,273	99,827,008
Payments to refunding escrow agent	-	10,690,521	10,690,521	4,240,102
Total expenditures	304,915,755	135,666,978	440,582,733	456,026,909
REVENUES OVER (UNDER) EXPENDITURES	53,322,645	(124,165,410)	(70,842,765)	(101,268,996)
OTHER FINANCING SOURCES (USES):				
Transfers in	40,585,470	131,312,185	171,897,655	216,526,373
Transfers out	(131,312,185)	(40,585,470)	(171,897,655)	(216,526,373)
Commercial paper issued	-	553,000	553,000	29,378,000
Bonds issued	-	803,470,000	803,470,000	517,440,000
Premium on bonds issued	-	72,222,479	72,222,479	20,448,312
Payments to refunding escrow agent	-	(707,802,052)	(707,802,052)	(446,044,046)
Total other financing sources (uses)	(90,726,715)	259,170,142	168,443,427	121,222,266
Change in fund balances	(37,404,070)	135,004,732	97,600,662	19,953,270
FUND BALANCES:				
Beginning of year	524,159,234	152,314,193	676,473,427	656,520,157
End of year	$ 486,755,164	$ 287,318,925	$ 774,074,089	$ 676,473,427

See accompanying Notes to the Basic Financial Statements.

San Diego County Regional Transportation Commission
A Component Unit of the San Diego Association of Governments
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Government-Wide Statement of Activities
For the year ended June 30, 2021

Net Change in Fund Balances - Total Governmental Funds	$	97,600,662
Amounts reported for governmental activities in the statement of activities are different because:		
Interest revenues in the government-wide statement of activities that do not provide current financial resources are not reported as interest revenues in the funds.		
Commercial paper accrued interest revenue		(23,130)
Change in fair value of derivative instrument		4,646,573
The issuance of long-term debt (e.g., bonds, commercial paper) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of bond issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are amortized in the government-wide statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Revenue bond principal retirement		32,360,000
Refunding escrow payments - principal		683,845,000
Refunding escrow payments - premium		34,647,573
Commercial paper issued		(553,000)
Bond pass-through payments to other governments		553,000
Debt repayments from other governments - bond		(1,156,621)
Debt repayments from other governments - commercial paper		(2,282,569)
Commercial paper repayments		3,278,000
Bonds issued		(803,470,000)
Premium on bonds issued		(72,222,479)
Amortization expense on unamortized premium on bonds issued		13,563,047
Amortization expense on unamortized loss on bond refunding		(1,925,500)
Amortization expense on unamortized gain on bond refunding		569,646
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
Change in accrued interest payable - bonds		(633,445)
Change in accrued interest payable - commercial paper		(4,171)
Change in net position of governmental activities	$	(11,207,414)

See accompanying Notes to the Basic Financial Statements.

NOTES TO THE BASIC FINANCIAL STATEMENTS

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San Diego County Regional Transportation Commission
A Component Unit of the San Diego Association of Governments
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the San Diego County Regional Transportation Commission (Commission) have been prepared in conformity with generally accepted accounting principles in the United States as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body of establishing governmental accounting and financial reporting principles. The more significant of the Commission's accounting policies are described below.

A. Reporting entity

The Commission is the agency established for the purpose of, and is responsible for, the implementation and administration of transportation improvement programs funded by the San Diego countywide one-half percent sales tax that was effective April 1, 1988, through 2008, as a result of the passage of Proposition A – The San Diego County Transportation Improvement Program. On November 2, 2004, the voters of San Diego County voted to extend the current one-half percent sales tax for 40 more years to 2048.

The Commission and the San Diego Association of Governments (SANDAG) share the same Board of Directors (Board). SANDAG was formed under a Joint Powers Agreement dated September 10, 1972 and was originally named the Comprehensive Planning Organization. The Joint Powers Agreement was amended on November 5, 1980, to change the agency's name to SANDAG.

On January 1, 2003, SANDAG became a legislatively created regional government agency pursuant to the San Diego Regional Transportation Consolidation Act (Public Utilities Code Section 132350, *et seq.*). The Board includes representatives from the 18 incorporated cities in the San Diego region and the County of San Diego. The effect of this legislation was to make SANDAG a permanent, rather than voluntary, association of local governments, and to increase the SANDAG responsibilities and powers.

The Commission is a blended component unit of SANDAG because a common Board is shared, and SANDAG is financially accountable for the Commission.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all activities of the Commission. The Statement of Activities demonstrates the direct expenses associated with governmental activities that are clearly identifiable with this specific function. Taxes and other items not included among program revenues are reported instead as general revenues.

All funds are considered major individual governmental funds and are therefore reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported 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. Sales tax is recognized as revenue in the year in which it is earned.

Amounts reported as program revenues include operating contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include sales taxes and other general revenues not restricted to specific programs.

Interfund balances and transfers have been eliminated in the government-wide financial statements.

Governmental fund financial statements are reported using the "*current financial resources*" measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter (generally 120 days after year end) to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting; however, debt service expenditures are recorded only when payment is due.

Revenues which are considered to be susceptible to accrual include sales tax and interest. These accruals have been recognized as revenue of the current fiscal period.

Other revenues are recorded when received in cash because they are generally not measurable until actually received.

The Commission reports the following major governmental funds:

The *Sales Tax Projects Special Revenue Fund (Special Revenue Fund)* is considered the main operating fund and accounts for the activities and resources received pursuant to the countywide one-half percent local sales tax. These revenues are passed through to other governmental agencies to be spent in accordance with the *TransNet* ordinances, spent by the Commission in accordance with the *TransNet* ordinances, or transferred to the Commission's debt service fund to make principal and interest payments on the long-term debt sales tax revenue bonds and commercial paper.

The *Commercial Paper and Sales Tax Revenue Bonds Debt Service Fund (Debt Service Fund)* accounts for the activities and resources accumulated for principal and interest payments on the long-term debt sales tax revenue bonds, the short-term notes and commercial paper. Revenues are derived from interest earned on the investments accumulated for the payment of principal and interest on the revenue bonds and commercial paper, payment of interest on the short-term notes, proceeds of bonds, debt repayments from other governmental agencies, and the federal subsidy related to the 2010 Build America Bonds (BABs) issuance.

Amounts reported as program revenues include: (1) return of funds upon completion of projects; and (2) federal subsidy on the 2010 BABs. General revenues include sales tax and other general revenues not restricted to specific programs.

D. Budgetary information

1. Budgetary basis of accounting

An annual budget is adopted on a basis consistent with generally accepted accounting principles for the special revenue fund and debt service funds.

2. Appropriations in excess of expenditures

The Commission sales tax projects fund ended the year with $2,791,058 of appropriations in excess of expenditures, which is primarily the result of revenues exceeding conservative expectations set due to the COVID recession. Budgeted expenditures are based on estimated sales tax revenues allocated to the programs and does not include the use of debt proceeds or unspent revenue received in prior years.

The Commission debt service fund had an excess of $7,758,674 expenditures over appropriations at June 30, 2021, which was primarily the result of the excess of unbudgeted payments to refunding escrow agent related to the 2014 and 2018 short-term note refinance.

E. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance

1. Cash and investments

The Commission considers all highly liquid investments with maturities of 90 days or less at the acquisition date to be cash and cash equivalents because they are readily convertible to known amounts of cash and are so near their maturity that they present an insignificant risk of change in value. Securities purchased with a maturity date greater than three months at the date of acquisition have been classified as investments.

The Commission's investment policies are consistent with SANDAG policies and in accordance with California Government Code Section 53601. See Note II.A.4 for further detail of allowable investments.

The Commission voluntarily participates in an investment pool managed by the State of California, titled Local Agency Investment Fund (LAIF). Deposits in the LAIF pool are presented as cash and cash equivalents as they are available for immediate withdrawal or deposit at any time without prior notice or penalty and there is no significant risk of principal loss. The LAIF investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these structured notes and asset-backed securities are subject to market risk and to change in interest rates. The reported value of the pool is at amortized cost and is not rated. At June 30, 2021, LAIF had an average maturity of 291 days.

The Commission is a voluntary participant in the California Asset Management Program (CAMP), which is an investment pool, offered by the California Asset Management Trust. The trust is a joint powers authority and public agency created by the Declaration of Trust and established under the provisions of the California Joint Exercise of Powers Act (California Government Code Sections 6500, *et seq.*) for the purpose of exercising the common power of its participants to invest certain proceeds of debt issues and surplus funds. In accordance with Section 53601(p) of the California Government Code, CAMP's investments are limited to investments permitted by subdivisions (a) to (n), inclusive, of Section 53601. Deposits in the CAMP are presented as cash and cash equivalents as they are available for immediate withdrawal or deposit at any time without prior notice or penalty and there is no significant risk of principal loss. The Commission reports its investments in CAMP at amortized cost provided by CAMP, which is the same as the value of the pool share. At June 30, 2021, the pool had an average maturity of 52 days.

The Commission also voluntarily participates in the San Diego County Treasurer's Pooled Money Fund (Pool), which is administered by the Treasurer-Tax Collector's Office. Deposits in the Pool are presented as cash and cash equivalents as they are available for withdrawal with two days' notice or immediate deposit at any time without prior notice or penalty and there is no significant risk of principal loss. The fair value of the Commission's investment in the Pool is reported at amounts based upon the Commission's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis. Earnings realized on investments based on amortized cost are distributed to Investment Pool participants. Section 27013 of the California Government Code authorizes the Treasurer's Office to deduct administrative fees related to investments. The net realized earnings on investments are apportioned to Pool participants quarterly, based on the participants' average daily balances. The County's annual financial report for the Pool can be obtained from the Treasurer-Tax Collector at 1600 Pacific Highway, Room 162, San Diego, California, 92101, and also can be accessed at www.sdttc.com.

In accordance with GASB Statement No. 40, Deposit and Investment Risk Disclosures (an amendment of GASB Statement No. 3), the Commission adheres to certain disclosure requirements. See Note II.A.3 for more detail.

2. *Fair value measurements*

Certain assets and liabilities are required to be reported at fair value. The fair value framework provides a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of fair value hierarchy are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly and fair value is determined through the use of models or other valuation methodologies including:

- Quoted prices for similar assets or liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in markets that are inactive.
- Inputs other than quoted prices that are observable for the asset or liability.
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement. These unobservable inputs reflect the Commission's own assumptions about the inputs market participants would use in pricing the asset or liability (including assumptions about risk). These unobservable inputs are developed based on the best information available in the circumstances and may include the Commission's own data.

3. Receivables

Receivables of the Commission are comprised of two reporting categories:

- Interest receivable, represents interest earned on investments at year end but not yet received; and
- Due from other governments, represents sales tax received from the state after year end that was collected for the period ending June 30, 2021, and funds due from local jurisdictions that have borrowing arrangements to advance local street and road improvements projects.

4. Restricted assets

Certain resources set aside for repayment of revenue bonds are classified as restricted assets. Their use is limited by applicable bond covenants and therefore are maintained in separate bank accounts. The accounts are used to segregate resources accumulated for debt service principal and interest payments.

Other resources set aside for North County Transit District Certificates of Participation are classified as restricted assets because they are maintained in separate bank accounts held by a trustee and their use is limited to paying down the equivalent amount of commercial paper.

In addition, certain environmental mitigation funds are classified as restricted assets because they are in separate bank accounts, and the endowment set aside portion may not be used, and any interest earnings may only be used for certain project costs.

Other resources set aside for *TransNet*-eligible projects are classified as restricted assets. Their use is limited by specific purposes stipulated in the Proposition A – San Diego County Transportation Improvement Program (*TransNet* Ordinance).

5. Deferred outflows/inflows of resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources, which represents a consumption of assets that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Commission has two items that qualify for reporting in this category: the accumulated decrease in fair value of the hedging swap agreements, and the deferred charge on refunding loss reported in the government-wide statement of net position. See Note II.F for more information on the Commission's long-term debts.

In addition to liabilities, the balance sheet 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(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Commission has two items that qualify for reporting in this category: unavailable revenue and deferred gain on refunding. The item, deferred gain on refunding, is reported on the government-wide statement. See Note II.F for more information on the Commission's long-term debts. The governmental funds report unavailable revenues for the revenues collected in a future period for the repayment of long-term debt proceeds issued to the local agencies for their local street improvement projects. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

6. Due from/to SANDAG

Due from SANDAG, represents the return of sales tax for projects after SANDAG receives state or federal funding after year end; and

Due to SANDAG, represents the Commission reimburses SANDAG for *TransNet*-eligible expenditures with sales tax, bond proceeds and commercial paper, depending on the type of SANDAG project and expenditure.

7. Net position

The difference between assets and deferred outflows of resources, and liabilities and deferred inflow of resources is "Net Position" on government-wide financial statements.

Net position is reported as restricted when constraints are placed on net position use by creditors or by law or enabling legislation. The following terms are used in the reporting of net position:

<u>Restricted for debt service</u> – Net position restricted for payments of future debt service.

<u>Restricted for environmental mitigation</u> – Net position restricted for funding of various environmental mitigation projects.

Unrestricted net position – Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that is not included in the above restricted categories of net position.

The governmental activities unrestricted net deficit of $1,841,441,094 results primarily from the long-term debt payable of $2,604,043,870 issued to primarily fund major corridor, transportation facilities, public infrastructure improvements and the bicycle pedestrian program. The Commission plans to repay the bonds with future sales tax revenue which is dedicated for transportation projects. The short-term note will be repaid with the Transportation Infrastructure Finance and Innovation Act (TIFIA) loan. See Note II.K on long-term debt for further information.

8. Net position flow assumption

The Commission funds outlays for particular purposes from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Commission's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

9. Fund balance

Fund balances are reported in the fund statements in the following classifications:

Nonspendable fund balance

Nonspendable fund balance – This includes amounts that cannot be spent because they are either not spendable in form (such as prepaids) or legally or contractually required to be maintained intact (such as endowments).

Spendable fund balance

Restricted fund balance – This includes amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation. If the Board action limiting the use of funds is included in the same action (legislation) that created (enables) the funding source, then it is restricted.

Committed fund balance – This includes amounts that can be used only for the specific purposes determined by a formal action of the Board. It includes legislation (Board action) that can only be overturned by new legislation requiring the same type of voting consensus that created the original action. Therefore, if the Board action limiting the use of the funds is separate from the action (legislation) that created (enables) the funding source, then it is committed, not restricted. The Commission considers a resolution to constitute a formal action of the Board for the purposes of establishing committed fund balance.

Assigned fund balance – This includes amounts that are designated or expressed by the Board but does not require a formal action like a resolution or ordinance. The Board has not delegated to any other persons or bodies the authority to assign fund balance to specific purposes.

Unassigned fund balance – This includes the remaining spendable amounts which are not included in one of the other classifications.

10. *Fund balance flow assumptions*

Sometimes the Commission will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Commission's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

11. *Long-term debts*

The Commission's long-term debts consist of debt obligations. In the government-wide financial statements, long-term debt obligations are reported as liabilities in the governmental activities of the statements of net position. Debt premiums and discounts are amortized over the life of the bonds using the effective interest method. Debt payable is reported net of the applicable bond premium or discount. Debt issuance costs are expensed in the period in which they are incurred.

See Note II.F for more information on the Commission's long-term debts.

12. *Other financing sources and uses*

In the fund financial statements, issuance of debt, including commercial paper, bonds, short-term notes, and premium on bonds issued, and transfers in are reported as other financing sources. Transfers out, payments to refunding escrow agent and discounts on bonds issued are reported as other financing uses.

13. *Estimates*

The preparation of basic financial statements in conformity with generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

14. Prior year comparative information

Selected information regarding the prior year has been included in the accompanying financial statements. This information has been included for comparison purposes only and does not represent a complete presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Commission's prior year financial statements, from which this selected financial data was derived.

15. Effects of new pronouncements

There were no new pronouncements having impact on the financial statements in FY 2021.

II. DETAILED NOTES ON ALL FUNDS

A. Cash and investments

Cash, cash equivalents, and investments consisted of the following on June 30, 2021:

	Fair Value	Weighted Average Maturity (Days)	NRSRO Rating
Cash and cash equivalents:			
Cash - demand deposits	$ 325,577	1	Not rated
Cash - Money Market Funds	87,131,692	7	NR,AAAm
Cash equivalents - Certificates of Participation	21,750,000	36	NR,A1
State of California Local Agency Investment Fund	72,409,980	291	Not rated
California Asset Management Program	152,265,216	52	AAAm
San Diego County Treasurer's Pooled Money Fund	201,904,789	613	AAAf/S1/S2
Total cash and cash equivalents	535,787,254	288	
Investments:			
U.S. Agencies	148,045,530	787	AA+/Aaa
Corporate Medium-Term Notes	67,085,006	773	BBB+/AAA
Supra-National Agency Bond/Note	18,267,770	977	AAA/Aaa
Asset-Backed Securities	2,143,868	595	AAA/Aaa
Total investments	235,542,174	796	
Total cash, cash equivalents, and investments	$ 771,329,428		

At year end, the Commission's carrying amount of deposits was $325,577 and the bank balance was $327,505. This balance was covered by federal depository insurance or by collateral held in the Commission's name.

1. Swap investments

The Commission is invested in two forward contract pay-variable, receive-variable investment derivative instruments with initial notional amounts of $156,600,000 each. At the effective date of April 1, 2018, the Commission began making monthly variable payments to the counterparty based on the current Securities Industry and Financial Markets Association (SIFMA) Swap Index and received variable payments based on 107.4 percent of three-month London Interbank Offered Rate (LIBOR). At June 30, 2021, these investment derivative instruments had a fair value of $11,010,360, net of interest. Other applicable risks (credit risk, interest rate risk, basis risk, termination risk, roll-over risk, etc.) associated with the Commission's derivative instrument investments are described in Note II.D.

2. Interest rate risk

Interest rate risk is the risk that changes in interest rates will 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. To limit losses from interest rate risk, investments are generally limited to a maturity of 5 years or less, unless express authority is granted by the board. Endowment funds may also be invested in securities with maturities longer than 5 years with executive approval and given maturity does not exceed use of funds. Furthermore, the Commission does not have callable step up United States Agency securities and holds investments in liquidity to sustain operations for the next 6 months. The Commission is in compliance with all provisions of the investment policy.

3. Credit risk

Investments are subject to credit risk, which is the chance that an issuer will fail to pay principal or interest in a timely manner, or that negative perceptions of the issuer's ability to make these payments will cause the price to decline. The Commission maintains policies to manage credit risks, which include requiring minimum credit ratings issued by nationally recognized statistical rating organizations for its investments.

The portfolio is diversified by security type and institution to avoid incurring unreasonable and avoidable risks regarding specific security types or individual financial institutions. Credit requirements listed in the investment policy apply at the time of purchase. In the event a security held by the Commission is subject to a credit rating change that brings it below the minimum credit ratings specified for purchase, the Chief Financial Officer shall review the security. The course of action to be followed will then be decided by the Chief Financial Officer and either the Executive Director or the Chief Deputy Executive Director on a case-by-case basis, considering such factors as the reason for the change, prognosis for recovery or further rate drops, and the market price of the security. Any credit rating changes below the minimum credit ratings specified for purchase will be reported to the Board along with the findings and any actions taken.

The Commission's portfolio is in compliance with all minimum rating requirements of the investment policy and did not experience any credit rating changes that brought a security below the minimum required credit ratings.

4. Concentration of credit risk

Concentration of credit risk is the risk associated with a lack of diversification or having too much invested in a few individual shares. As disclosed in the table below, the Commission maintains investment policies that establish thresholds for holdings of individual securities. The Commission did not have any holdings meeting or exceeding the allowable threshold levels as of June 30, 2021.

Authorized Investment Type	Maximum Effective Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer	Minimum Ratings
Treasury obligations	5 Years	N/A	N/A	N/A
Federal agencies and U.S. government sponsored enterprises	5 Years	N/A	N/A	N/A
State municipal obligations	5 Years	N/A	N/A	A-1/AA
Local agency obligations	5 Years	N/A	N/A	A-1/AA
Repurchase agreements	90 Days	N/A	N/A	A-1
Bankers' acceptances	180 Days	40%	10%	A-1
Commercial paper	270 Days	25%	10%	A-1
Medium-Term notes	5 Years	30%	10%	A
Negotiable certificates of deposits	5 Years	30%	N/A	A
Nonnegotiable certificates of deposit	5 Years	30%	N/A	N/A
State of California's Local agency investment fund (LAIF)	N/A	Set by LAIF	Set by LAIF	N/A
San Diego county treasurer's pooled investment fund	N/A	Set by LAIF	Set by LAIF	N/A
Savings/money market accounts	5 Years	Not to exceed equity	N/A	N/A
California asset management program	N/A	N/A	N/A	AA/A-2
Money market funds	5 Years	20%	N/A	AAA
Mortgage and asset-backed obligations	5 Years	20%	N/A	AA
Supranationals	5 Years	30%	N/A	AA

As of June 30, 2021, with the exception of investments that are explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments, the Commission did not have any investments with more than 5 percent of the total investments under one issuer except for the following U.S. Agency securities and Supra-National Agency Bond/Note:

Investment	Total	Concentration of Credit Risk
Federal Farm Credit Bank	$ 42,473,896	18.03%
Federal Home Loan Mortgage Corp (FHLMC)	29,315,137	12.45%
Federal National Mortgage Association (FNMA)	27,193,144	11.54%
Federal Home Loans Bank (FHLB)	19,703,738	8.37%
Inter-American Development Bank	12,061,430	5.12%

5. Custodial credit risk

The California Government Code requires California banks and savings and loan associations to secure the Commission's cash deposits by pledging securities as collateral. This code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the Commission's name.

The market value of pledged securities must equal at least 110 percent of the Commission's cash deposits. California law also allows institutions to secure Commission deposits by pledging first trust deed mortgage notes having a value of 150 percent of the Commission's total cash deposits. The Commission may waive collateral requirements for deposits that are fully insured up to $250,000 by the Federal Deposit Insurance Corporation. The Commission, however, has not waived the collateralization requirements.

B. Receivables

Receipts of funds from other governmental entities that are outstanding at year end are referred to as 'due from other governments' and were as follows:

Sales tax receivable - State of California Department	
of Tax and Fee Administration	$ 73,807,274
Rental income receivable	10,547
State Treasurer Condemnation Interest	5,483
Advances for local street and road improvements made to:	
County of San Diego	15,665,533
City of Del Mar	2,653,775
City of Imperial Beach	1,095,290
City of La Mesa	999,992
City of Oceanside	1,554,937
City of San Diego	26,167,000
City of San Marcos	16,164,627
City of Santee	6,982,678
City of Solana Beach	5,500,000
Total due from other governments	$ 150,607,136 *

*Total 'due from other governments' on the Statement of Net Position includes $10,477 of interest receivable.

C. Transfers in/out

Transfers consisted of transactions related to sales tax receipts transferred to the debt service fund for the payment of principal, interest, and other costs associated with long-term debt. In addition, transfers consisted of bond proceeds transferred from the debt service fund to pay for project expenditures of the special revenue fund, as follows:

Transfers from the sales tax projects fund totaling $131,312,185:

To the debt service fund consists of the following items:

- Transfer of $127,027,800 in *TransNet* sales tax revenue for bond and commercial paper principal and interest payments.
- Transfer of $4,284,385 for debt-related costs.

Transfers from the debt service fund totaling $40,585,470:

To the sales tax projects fund consists of the following items:

- $3,439,190 of bond and commercial paper repayments for the County of San Diego and cities of Del Mar, Imperial Beach, La Mesa, National City, Oceanside, and Santee.
- $6,605,845 return of *TransNet* sales tax funds that were advanced to the trustee for debt service payments and returned upon receipt of the 2010 Series A BABs federal subsidy.
- $29,914,942 of bond proceeds used to fund *TransNet*-eligible capital projects.
- $553,000 of commercial paper proceeds issued to the cities of Imperial Beach, Oceanside and San Diego for *TransNet*-eligible projects.
- $64,973 related to surplus funds transferred to the sales tax project account when closing the 2010B investment account
- $7,520 related of debt investment fee allocation to the various programs in the sales tax project fund

The Commission records expenditures when funds are transferred to SANDAG for the administration of the *TransNet* program and *TransNet*-funded projects administered and implemented by SANDAG. The SANDAG Annual Comprehensive Financial Report (ACFR) classifies this activity as a transfer out in the sales tax project fund resulting in the following difference in reporting:

	Sales Tax Projects Fund		
	Commission Basic Financial Statements	SANDAG ACFR	Variance
EXPENDITURES:			
General government	$ 3,081,652	$ -	$ 3,081,652
Bicycle facilities	29,100,112	9,339	29,090,773
Independent Taxpayer Oversight Committee	644,536	644,536	-
Major corridor capital projects	89,072,197	184,002	88,888,195
Major corridor environmental mitigation	16,056,669	(584,881)	16,641,550
Local project environmental mitigation	2,423,027	2,423,027	-
Local street improvements	81,381,288	81,195,988	185,300
Smart growth	8,121,247	10,869	8,110,378
New major corridor transit operations	26,022,907	21,965,308	4,057,599
Transit system improvements	49,012,120	47,537,875	1,474,245
Total expenditures	304,915,755	153,386,063	151,529,692
OTHER FINANCING SOURCES (USES):			
Transfers out	(131,312,185)	(282,841,877)	151,529,692

D. Derivative instruments

The Commission uses derivative instruments to hedge its exposure to changing interest rates through the use of interest rate swaps. An interest rate swap is the exchange of payments between the Commission and a counterparty in order to potentially obtain a lower cost of funding than traditional fixed rate bonds, or to hedge interest rate exposure. The Commission has entered into three pay-fixed, receive-variable interest rate swaps and two basis swaps to produce savings or to result in lower costs than what the Commission would have paid using fixed-rate debt over the life of the 2008 Series ABCD Bonds.

The following describes the interest rate swaps and evaluates the risks for the swaps in which the Commission currently participates:

1. 2008 interest rate swaps

Objective. In 2005, the Commission entered into three forward interest rate swaps for $200,000,000 each in order to hedge the interest rate risk associated with future variable-rate revenue bonds expected to be issued in 2008 by "locking in" a fixed interest rate. The intention of the Commission in entering into the swaps was to lock in a relatively low cost of funds on a substantial portion of the *TransNet* Early Action Program (EAP). The variable-rate bonds were issued in March 2008.

On May 23, 2012, the Commission refunded $151,500,000 of the outstanding variable-rate bonds with fixed-rate bonds and terminated the associated interest rate swaps. The low fixed municipal interest rates at that time provided the opportunity for the Commission to refund the 2013 through 2022 maturities of the Series 2008 variable-rate bonds ($151,500,000 in par) and terminate the associated swaps (also equal to $151,500,000 in notional amount) without increasing annual debt service. The purpose of this transaction was to reduce variable-rate exposure and swap counterparty risk at no additional cost to the Commission. The current notional amounts of the swaps are, following the refunding described above, $134,100,000 each, totaling $402,300,000.

Objective and terms of hedging derivative instruments

The following table displays the objective and terms of the Commission's hedging derivative instruments outstanding at June 30, 2021, along with the credit rating of the associated counterparty:

Type	Objective	Notional Amount	Effective Date	Maturity Date	Terms	Counterparty Credit Rating Moody's/S&P
Pay-fixed interest rate swap	Hedge of changes in cash flows on the 2008 Series A and B bonds	$134,100,000	5/23/2012	4/1/2038	Pay 3.8165%; receive SIFMA	Aa2/A+
Pay-fixed interest rate swap	Hedge of changes in cash flows on the 2008 Series B and C bonds	$134,100,000	5/23/2012	4/1/2038	Pay 3.8165%; receive SIFMA	Aa2/AA-
Pay-fixed interest rate swap	Hedge of changes in cash flows on the 2008 Series C and D bonds	$134,100,000	5/23/2012	4/1/2038	Pay 3.41%; receive 65% of USD-LIBOR	Aa2/A+

Fair values. The fair value balances and notional amount of derivative instruments outstanding at June 30, 2021, classified by type, and the changes in fair value of such derivative instruments for the year ended are as follows:

	Changes in Fair Value		Fair Value at June 30, 2021		
	Classification	Amount	Classification	Amount	Notional
Governmental activities					
Cash flow hedges:					
Pay-fixed interest rate swaps	Deferred outflows	$30,442,396	Debt	($99,845,899)	$402,300,000

The fair values of the derivative instruments were estimated by an independent third-party based on mid-market levels as of the close of business on June 30, 2021. The fair values take into consideration the prevailing interest rate environment and the specific terms and conditions of the swaps.

Credit risk. This is the risk that the counterparty will fail to perform under the terms of the agreement. As of June 30, 2021, the Commission was not exposed to credit risk on these swaps because they had negative fair values. However, should interest rates change and the fair values of the swaps become positive, the Commission would be exposed to credit risk in the amount of the swaps' fair values. Favorable credit ratings of the counterparties (Bank of America and Goldman Sachs Mitsui Marine Derivative Products) mitigate this risk. As of June 30, 2021, Bank of America was rated Aa2 by Moody's and A+ by Standard and Poor's; and Goldman Sachs Mitsui Marine Derivative Products was rate Aa2 by Moody's and AA- by Standard and Poor's. The ratings are monitored by staff on a weekly basis. In addition, the fair value of the swaps will be fully collateralized by the counterparty with cash or U.S. government securities if the counterparty's credit quality falls below a rating of Baa2 by Moody's or BBB by Standard & Poor's. Collateral would be posted with a third-party custodian.

Interest rate risk. This is the risk that changes in market interest rates will adversely affect the net payment on the swaps. The Commission is exposed to interest rate risk on its swaps when LIBOR and/or SIFMA decreases causing the Commission net payment on swaps to increase.

Basis risk. This is the risk of a mismatch between the variable rate received from the counterparty and the variable rate paid on the variable-rate debt issued in 2008. The Commission is exposed to basis risk should the floating rate that it receives on a swap be less than the actual variable rate the Commission pays on the bonds. Depending on the magnitude and duration of any basis risk shortfall, the effective fixed rate on the debt will vary. Based on historical experience, the expectation is that the payments received under the agreements will approximate the expected bond payments over the 30-year term of the swaps. During fiscal year 2021, the Commission was exposed to basis risk since the variable rate received from the counterparty, was less than the variable rate the Commission paid on the bonds.

***Termination risk and termination payments*.** This is the risk that the transaction is terminated in a market dictating a termination payment by the Commission. The Commission can terminate the swap at the fair value by providing notice to the counterparty, while the counterparty may only terminate the swap upon certain termination events under the terms of the agreement. The Commission or the counterparties may terminate the swap if the other party fails to perform under the terms of the contracts, such as the failure to make swap payments. If the swap is terminated, the variable-rated demand bond (VRDBs) would no longer be hedged.

The Commission effectively reduced the ongoing termination risk by refunding $151,500,000 in VRDBs and terminating the same amount of the outstanding interest rate swaps in May 2012 under favorable market conditions with low fixed rates. Refunding additional maturities and terminating more of the interest rate swaps would have led to a net increase in debt service under a fixed-rate structure, which was contrary to the Commission's programmatic objectives. Consequently, the reduced amount of variable-rate bonds and interest rate swaps was left in place.

***Rollover risk*.** This is the risk that maturity of the hedging derivative instruments is shorter than the maturity of the associated debt leaving the Commission unprotected in the future. When these swaps terminate, or in the case of a termination option, if the counterparty exercises its option, the Commission will be re-exposed to the risks being hedged by the swaps. The Commission is exposed to rollover risk on the swaps only in the event of a failure to perform under the terms of the contracts by the Commission or counterparty.

Market access risk. This is the risk that the Commission will not be able to enter credit markets or that credit will become more costly. The Commission's financial rating is tied to the credit strength of the sales tax revenue. The Commission also is exposed to market access risks caused by disruptions in the municipal bond market.

***Reset rates paid and received by the* Commission.** The range of weekly variable interest rates paid on the 2008 *TransNet* bonds by the Commission to the bondholders for the period July 1, 2020 through June 30, 2021 are as follows:

	Commission Pays Weekly Reset Rates	
Bondholder	Low	High
Barclays Bank	0.01%	0.18%
Goldman, Sachs & Co.	0.01%	0.16%
JP Morgan Securities, Inc.	0.01%	0.18%
Stifel, Nicolaus & Company	0.02%	0.18%

Fixed rates are paid by the Commission to the swap provider counterparties and sixty-five percent of LIBOR or SIFMA is received by the Commission from the swap provider counterparties.

The following table includes the range of LIBOR rates received for one swap and the range of SIFMA rates received for two swaps; and the fixed rate paid to the swap counterparties from July 1, 2020, through June 30, 2021.

	Commission Receives 65% LIBOR		Commission Receives SIFMA		Commission Pays
Swap Counterparty	Low	High	Low	High	Fixed
Bank of America	0.05988%	0.11115%			3.410%
Bank of America			0.03107%	0.14774%	3.8165%
Goldman Sachs Mitsui Marine Derivative Products			0.03107%	0.14774%	3.8165%

Actual debt service requirements versus the projected debt service on the swap transaction. For the fiscal year ending June 30, 2021, actual debt service was less than projected resulting in lower variable-rate payments made on the bonds as compared to the variable-rate payments received from the swap in the amount of $363,185 for fiscal year 2021:

Swap Counterparty	Actual Debt Service	Projected Debt Service	Variance $	Variance %
Bank of America	$ 4,446,444	$ 4,572,811	$ (126,367)	-2.7634%
Bank of America	4,999,568	5,117,926	(118,358)	-2.3126%
Goldman Sachs Mitsui Marine Derivative Products	4,999,466	5,117,926	(118,460)	-2.3146%
	$ 14,445,478	$ 14,808,663	$ (363,185)	-2.4525%

Over the life of the swaps from the issuance of the bonds through June 30, 2021, the cumulative excess of the variable-rate payments made on the bonds as compared to the variable-rate payments received from the swap counterparties is $2,465,497. This means that the net variable rates that the Commission is paying on the 2008 *TransNet* bonds is more than the variable rate that the Commission is receiving; these rates originally were intended to offset and net to zero.

The total net cost of the program includes liquidity facilities with J.P. Morgan (Series A and B), Bank of America, N.A. (Series C), and State Street Bank and Trust Company (Series D). Standby Bond Purchase Agreement (SBPA) costs at year end for the Series A and B bonds is 40 basis points, the Series C bonds is 45 basis points, and the SBPA cost for the Series D bonds is 35 basis points.

2. 2018 basis rate swaps overlay to the 2008 interest rate swaps

Objective. On March 19, 2009, the Commission entered into a SIFMA versus LIBOR floating-to-floating or "basis" swap. The combination of the Basis Swaps and the existing 2008 Interest Rate Swaps effectively amended the existing swaps without having to change the existing floating-to-fixed interest rate swaps. This overlay allowed the Commission to bid out the new transaction to a group of potential counterparties without changing the existing 2008 Interest Rate Swaps. The Commission entered into a new transaction with Barclays Bank PLC to overlay the terms under two of the 2008 Interest Rate Swaps, with an expected benefit to the Commission of a substantial reduction in the cost of debt after the effective date of April 1, 2018.

Terms. The notional amounts of the swaps are $140,100,000 each. Under two of the 2008 Interest Rate Swaps, the Commission pays the counterparties a fixed payment of 3.8165 percent and receives 65 percent of LIBOR (through April 2018) and thereafter receives the SIFMA index. The 2018 Basis Rate Swaps overlay these two 2008 Interest Rate Swaps with a payment of the SIFMA index and a receipt of 107.4 percent of LIBOR for the last 20 years of the swap (April 2018 to April 2038).

Fair values. The swaps had a total combined positive fair value of $11,010,360 at fiscal year-end. The fair values of the derivative instruments were estimated by an independent third party based on mid-market levels as of the close of business on June 30, 2021. The fair values take into consideration the prevailing interest rate environment and the specific terms and conditions of the swaps.

	Changes in Fair Value		Fair Value at June 30, 2021		
	Classification	Amount	Classification	Amount	Notional
Investment derivative instruments:					
Pay-floating Receive floating interest rate swaps	Investment earnings	$4,646,573	Investment	$11,010,360	$280,200,000

Terms and fair value of investment derivative instruments

The following table displays the terms and fair value of the Commission's investment derivative instruments outstanding at June 30, 2021, along with the credit rating of the associated swap counterparty:

Variable Rate Paid	Variable Rate Received	Trade Date	Effective Date	Maturity Date	Fair Value	Notional Amount	Counterparty Credit Rating*
SIFMA Swap Index	107.4% of 3-month USD-LIBOR	3/19/2009	4/1/2018	4/1/2038	$5,505,180	$140,100,000	A1/A/A+
SIFMA Swap Index	107.4% of 3-month USD-LIBOR	3/19/2009	4/1/2018	4/1/2038	$5,505,180	$140,100,000	A1/A/A+

*Moody's/S&P/Fitch

Credit risk. This is the risk that the counterparty will fail to perform under the terms of the agreements. As of June 30, 2021, the Commission was exposed to credit risk on these swaps in the amount of $11,010,360, which is the fair value of the derivative instruments. However, should interest rates change and the fair value of the swaps become negative, the Commission would not be exposed to any credit risk. The favorable credit rating of the counterparty mitigates this risk.

Collateral. To further mitigate credit risk, under terms of the International Swaps and Derivatives Association, Inc. (ISDA) Master Agreement, dated March 19, 2009, by and between the Commission and Barclays Bank PLC, upon a demand by either party, collateral may be posted by Barclays to the Commission's Trust account or returned to Barclays; dependent upon the valuation amount each day. Collateral can be posted on amounts over $15,000,000 when the minimum daily valuation change is at least $250,000. Interest earned on collateral held by the Commission is due to Barclays monthly. The Commission reports collateral holdings, including interest earned, as deposits payable. At June 30, 2021, there was $15,538 reported as deposits payable.

Netting. Under terms of the ISDA Master Agreement, in respect of the same transaction, the Commission and Barclays may elect a net amount due and payable for the party with the larger aggregate amount over the smaller aggregate amount. The Commission and Barclays elected the netting option, which resulted in net receipts of $424,977 by the Commission at year end.

***Interest rate risk*.** This is the risk that changes in market interest rates will adversely affect the net payment on the swaps. The Commission is exposed to interest rate risk on its swaps when LIBOR decreases causing the Commission net payment on the swaps to increase.

***Basis risk*.** This is the risk of a mismatch between the variable rate received from the counterparty and the variable rate paid on the variable-rate debt issued in 2008. The Commission is exposed to basis risk should the floating rate that it receives on a swap be less than the actual variable rate the Commission pays on the bonds. Depending on the magnitude and duration of any basis risk shortfall, the effective fixed rate on the debt will vary. Based on current and historical experience, staff expects the overlay of the SIFMA to LIBOR Basis Rate Swaps to significantly reduce the costs of financing after 2018, assuming a return to normal, or even near to normal trading relationships. During fiscal year 2021, the Commission was not exposed to basis risk since the variable rate received was more than the variable rate paid and amounted to $424,977.

***Termination risk and termination payments*.** This is the risk that the transaction is terminated in a market dictating a termination payment by the Commission. The Commission can terminate a swap at the fair market value by providing notice to the counterparty, while the counterparty may only terminate the swap upon certain termination events under the terms of the agreement. Given the positive fair value at June 30, 2021, the Commission was in a favorable termination position relative to the market.

SANDAG Board Policy No. 032: San Diego County Regional Transportation Commission Interest Rate Swap Policy requires a contingency plan to either replace the swaps or fund the termination payments, if any, in the event one or more outstanding swaps are terminated. Should a swap be terminated, the excellent credit rating of the Commission would allow it to assign the swap to another counterparty. Alternatively, if a swap is terminated and it has a negative fair value, the Commission could use *TransNet* sales tax receipts to fund the termination payment.

E. Fair value measurement

The Commission categorizes its fair value investments within the fair value hierarchy established by generally accepted accounting principles. The Commission has the following recurring fair value measurements as of June 30, 2021:

		Fair Value Measurements		
	June 30, 2021	Level 1	Level 2	Level 3
Investments by fair value level				
U.S. Agencies	$ 148,045,530	$ 23,910,471	$ 124,135,059	$ -
Corporate Medium-Term Notes	67,085,006	-	67,085,006	-
Supra-National Agency Bond/Notes	18,267,770	-	18,267,770	-
Asset-Backed Securities	2,143,868	-	2,143,868	-
Total investments by fair value level	235,542,174	23,910,471	211,631,703	-
Investment derivative instruments				
Interest rate swaps	$ (99,845,899)		$ (99,845,899)	
Basis rate swaps	11,010,360		11,010,360	
Total investment derivative instruments	$ (88,835,539)		$ (88,835,539)	

Investment securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Investment securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Investment derivative instruments is comprised of three forward interest rate swaps valued at ($99,845,899) and two basis swap overlays valued at $11,010,360 for a net value of ($88,835,539).

F. Long-term Debt

1. The 2008 Series ABCD bonds

In March 2008, SANDAG issued $600,000,000 of variable-rate bonds to fund some of the major projects identified in the *TransNet* reauthorization (approved by voters in November 2004) under the *TransNet* Early Action Program. In June 2012, SANDAG refunded $151,500,000 of the Series 2008 bonds and terminated a corresponding portion of the interest rate swaps relating to the Series 2008 bonds through the issuance of the 2012 Series A tax-exempt bonds.

The principal requirements to maturity for the 2008 Series ABCD bonds are as follows:

Maturity (April 1)	Principal Amount	Interest on Debt	Hedging Derivative Instruments, Net	Total Interest
2022	$ -	$ 50,288	$ 14,644,337	$ 14,694,625
2023	18,600,000	49,706	14,475,070	14,524,776
2024	19,200,000	47,362	13,792,541	13,839,903
2025	20,100,000	44,935	13,085,441	13,130,376
2026	21,000,000	42,394	12,345,580	12,387,974
2027-2031	116,700,000	170,503	49,652,602	49,823,105
2032-2036	141,600,000	90,750	26,427,513	26,518,263
2037-2038	65,100,000	10,266	2,989,476	2,999,742
Total	$ 402,300,000	$ 506,204	$ 147,412,560	$ 147,918,764

The bonds bear interest at a variable rate, which is reset weekly. See Note II.D.1 for the annual reset rate ranges for each remarketing agent. The above table incorporates the net receipts/payments of the hedging derivative instruments that are associated with this debt. These amounts assume that current interest rates on variable-rate bonds and the current reference rates of hedging derivative instruments will remain the same for their term. As these rates vary, interest payments on variable-rate bonds and net receipts/payments on the hedging derivative instruments will vary. Refer to Note II.D.1 for additional information regarding the derivative instruments associated with the debt of the Commission.

Under GASB 88, the 2008 Series ABCD bonds are classified as other debts. Sales tax revenues are pledged as collateral for these bonds. There is no unused line of credit on these bonds. In the event of default, the Commission shall immediately transfer to the Trustee all revenues held by it and the Trustee shall apply all revenues and any other funds then held of thereafter received by the Trustee under any of the provision of the Indenture.

2. *The 2010 Series A and B bonds*

On November 10, 2010, the Commission issued $350,000,000 Series 2010 A and B sales tax revenue fixed-rate bonds (2010 Series A and B bonds) to finance the Commission's continued implementation of the *TransNet* program, principally consisting of transportation facility and public infrastructure improvements within the County of San Diego, to retire $7,316,000 in outstanding commercial paper notes, and to pay the costs of issuing the Series 2010 bonds. The 2010 Series A (BAB) bonds totaled $338,960,000 and carry a fixed interest rate of 5.911 percent (net interest rate of 3.991 percent after deducting the BABs federal subsidy) with a maturity date of April 1, 2048. The 2010 Series B bonds (tax-exempt) totaled $11,040,000 and included a premium of $849,367, with a fixed interest rate of 3.14 percent, based on an interest rate range of 2.00 to 5.00 percent and a maturity date of April 1, 2030.

On February 19, 2020, the Commission fully refunded $4,765,000 of the 2010 Series B bonds with the issuance of the 2020 Bonds.

The principal requirements to maturity for the 2010 Series A bonds, net of the federal subsidy, are as follows:

Maturity (April 1, Oct 1)	Principal Amount	Interest Amount
2022	$ -	$ 13,423,068
2023	-	13,423,069
2024	-	13,423,069
2025	-	13,423,068
2026	-	13,423,068
2027-2031	-	67,115,342
2032-2036	-	67,115,342
2037-2041	88,640,000	63,693,243
2042-2046	171,945,000	36,459,217
2047-2048	78,375,000	4,684,768
	$ 338,960,000	$ 306,183,254

Under GASB 88, the 2010 Series A bonds are classified as other debt. Sales tax revenues are pledged as collateral for these bonds. There is no unused line of credit on these bonds. In the event of default, the Commission shall immediately transfer to the Trustee all revenues held by it and the Trustee shall apply all revenues and any other funds then held of thereafter received by the Trustee under any of the provision of the Indenture.

3. *The 2012 Series A bonds*

On June 14, 2012, the Commission issued $420,585,000 of 2012 Series A sales tax revenue fixed-rate bonds to finance the Commission's continued implementation of the *TransNet* program, principally consisting of transportation facility and public infrastructure improvements within the County of San Diego, to refund $151,500,000 of the Series 2008 bonds, terminate a corresponding portion of the interest rate swaps relating to the Series 2008 bonds, and pay the costs of issuing the 2012 Series A bonds. The 2012 Series A bonds included a premium of $55,876,982 and carry a fixed interest rate of 3.703 percent with a maturity date of April 1, 2048.

On December 19, 2019, the Commission partially refunded $246,910,000 of 2012 Series A bonds with the issuance of the 2019 Series A bonds.

The principal requirements to maturity for the 2012 Series A bonds, are as follows:

Maturity (April 1, Oct 1)	Principal Amount	Interest Amount
2022	$ 20,965,000	$ 1,048,250
Total	$ 20,965,000	$ 1,048,250

Under GASB 88, the 2012 Series A bonds are classified as other debts. Sales tax revenues are pledged as collateral for these bonds. There is no unused line of credit on these bonds. In the event of default, the Commission shall immediately transfer to the Trustee all revenues held by it and the Trustee shall apply all revenues and any other funds then held of thereafter received by the Trustee under any of the provision of the Indenture.

4. *The 2014 Series A bonds*

On September 10, 2014, SANDAG issued $350,000,000 Series 2014 Series A sales tax revenue bonds to finance continued implementation of the *TransNet* program, principally consisting of transportation facility and public infrastructure improvements within the County of San Diego, to retire $42,725,000 in outstanding commercial paper notes and to pay the costs of issuing the Series A 2014 bonds. The 2014 Series A bonds include a premium of $55,305,484 and carry an overall all-in interest rate of 3.85 percent with a maturity date of April 1, 2048.

On December 19, 2019, the Commission partially refunded $155,335,000 of 2014 Series A bonds with the issuance of the 2019 Series A bonds.

On March 25, 2021, the Commission partially refunded $146,365,000 of 2014 Series A bonds with the issuance of the 2021 Series A and B Bonds.

The principal requirements to maturity for the 2014 Series A bonds, are as follows:

Maturity (April 1, Oct 1)	Principal Amount	Interest Amount
2022	$ 5,860,000	$ 923,750
2023	6,155,000	630,750
2024	6,460,000	323,000
Total	$ 18,475,000	$ 1,877,500

Under GASB 88, the 2014 Series A bonds are classified as other debts. Sales tax revenues are pledged as collateral for these bonds. There is no unused line of credit on these bonds. In the event of default, the Commission shall immediately transfer to the Trustee all revenues held by it and the Trustee shall apply all revenues and any other funds then held of thereafter received by the Trustee under any of the provision of the Indenture.

5. *The 2016 Series A bonds*

On August 17, 2016, the Commission issued $325,000,000 2016 Series A sales tax revenue bonds to finance the Commission's continued implementation of the *TransNet* program, principally consisting of transportation facility and public infrastructure improvements within the County of San Diego, to retire $46,445,000 in outstanding commercial paper notes, and to pay the costs of issuing the 2016 Series A bonds. The 2016 Series A bonds included a premium of

$78,818,562 and carry an overall all-in interest rate of 3.283 percent with a maturity date of April 1, 2048.

The principal requirements to maturity for the 2016 Series A bonds, are as follows:

Maturity (April 1, Oct 1)	Principal Amount	Interest Amount
2022	$ 5,535,000	$ 15,130,500
2023	5,810,000	14,853,750
2024	6,105,000	14,563,250
2025	6,410,000	14,258,000
2026	6,730,000	13,937,500
2027-2031	39,040,000	64,291,000
2032-2036	49,820,000	53,506,250
2037-2041	63,590,000	39,740,750
2042-2046	81,145,000	22,173,500
2047-2048	38,425,000	2,905,250
Total	$ 302,610,000	$ 255,359,750

Under GASB 88, the 2016 Series A bonds are classified as other debts. Sales tax revenues are pledged as collateral for these bonds. There is no unused line of credit on these bonds. In the event of default, the Commission shall immediately transfer to the Trustee all revenues held by it and the Trustee shall apply all revenues and any other funds then held of thereafter received by the Trustee under any of the provision of the Indenture.

6. The 2017 Transportation Infrastructure Finance and Innovation Act loan (Direct Borrowing, unused credit line)

On June 27, 2017, the Commission entered into a Transportation Infrastructure Finance and Innovation Act (TIFIA) loan agreement with the United States Department of Transportation to finance the Commission's continued implementation of the *TransNet* program for up to $537,484,439 of costs to complete the Mid-Coast Corridor Transit Project. Under terms of the agreement, the Commission will pay an interest rate of 2.72 percent with anticipated disbursement of loan proceeds in 2021. The Commission's plan was to issue short-term financing during the period of project construction and use the TIFIA loan proceeds to repay the short-term borrowing.

On January 14, 2021, the Commission renegotiated the terms of the loan with the U.S. Department of Transportation to reduce the annual interest rate from 2.72 percent to 1.75 percent with anticipated disbursement of loan proceeds in 2022 to repay the 2021 short-term notes. At June 30, 2021, there was no outstanding obligation due and the unused portion is equal to the maximum borrowing amount of $537,484,439.

Under GASB 88, the TIFIA loan is classified as a direct borrowing. The full line of credit balance of $537,484,439 is unused at June 30, 2021. Sales tax revenues are pledged as collateral for the loan.

In the event of default, the TIFIA Lender is entitled and empowered to institute any actions or proceedings at law or in equity for the collection of any sums due and unpaid under the TIFIA loan documents and may prosecute any judgment or final decree against SANDAG and collect in the manner provided by law out of SANDAG's property the money adjudged or decreed to be payable. The TIFIA Lender will have all the rights and remedies of a creditor, including all rights and remedies, to the extent applicable to the Trust Estate, of a secured creditor under the Uniform Commercial Code and may take other actions necessary or desirable to collect all amounts payable by SANDAG under the loan agreement; provided, however, that any monetary judgment against SANDAG will be payable solely from the Trust Estate or from any other funds made available by SANDAG, in our discretion.

Whenever any Event of Default has occurred and continues, the TIFIA Lender may suspend or debar SANDAG from further participation in any Government program administered by the TIFIA Lender and may notify other departments and agencies of such default.

7. The 2018 short-term notes

On April 1, 2018, the Commission issued $537,480,000 2018 Series A subordinate sales tax revenue short-term notes (2018 short-term notes) to finance costs associated with the Mid-Coast Corridor Transit Project, in advance of the TIFIA loan, to retire $27,586,000 of outstanding commercial paper notes related to the Mid-Coast Corridor Transit Project, and to pay the costs of issuing the series 2018 short-term notes. The 2018 short-term notes included a premium of $31,625,092 and carries an overall all-in interest rate of 1.812% with a maturity date of April 1, 2021.

On March 23, 2021, the Commission fully refunded $537,480,000 of 2018 Series A short-term notes with the issuance of the 2021 short-term notes.

Under GASB 88, the 2018 short-term notes are classified as other debts. Sales tax revenues are pledged as collateral for these notes. There is no unused line of credit on these notes. In the event of default, the Commission shall immediately transfer to the Trustee all revenues held by it and the Trustee shall apply all revenues and any other funds then held of thereafter received by the Trustee under any of the provision of the Indenture.

8. The 2019 Series A bonds

On December 19, 2019, the Commission issued $442,620,000 2019 Series A sales tax revenue bonds to refund $246,910,000 of the 2012 Series A and $155,335,000 of the 2014 Series A bonds, and to pay the costs of issuing the Series 2019 bonds. The 2019 Series A bonds were issued at par and carry an overall all-in interest rate of 3.189 percent with a maturity date of April 1, 2048.

The principal requirements to maturity for the 2019 Series A bonds, are as follows:

Maturity (April 1, Oct 1)	Principal Amount	Interest Amount
2022	$ -	$ 13,617,419
2023	6,435,000	13,617,419
2024	6,640,000	13,498,629
2025	6,585,000	13,370,743
2026	6,570,000	13,233,445
2027-2031	36,290,000	63,779,695
2032-2036	42,250,000	58,693,616
2037-2041	93,410,000	50,844,942
2042-2046	168,925,000	29,074,310
2047-2048	75,515,000	3,698,660
Total	$ 442,620,000	$ 273,428,878

Under GASB 88, the 2019 Series A bonds are classified as other debts. Sales tax revenues are pledged as collateral for these bonds. There is no unused line of credit on these bonds. In the event of default, the Commission shall immediately transfer to the Trustee all revenues held by it and the Trustee shall apply all revenues and any other funds then held of thereafter received by the Trustee under any of the provision of the Indenture.

9. The 2020 Series A bonds

On February 19, 2020, the Commission issued $74,820,000 2020 Series A sales tax revenue bonds to finance the Commission's continued implementation of the *TransNet* program, principally consisting of transportation facility and public infrastructure improvements within the County of San Diego including bicycle and pedestrian facilities, to refund $4,765,000 of the 2010 Series B bonds, and to pay the costs of issuing the 2020 Series A bonds. The 2020 Series A sales tax revenue bonds include a premium of $20,448,312 and carry an overall all-in interest rate of 2.623 percent with a maturity date of April 1, 2048.

The principal requirements to maturity for the 2020 Series A bonds, are as follows:

Maturity (April 1, Oct 1)	Principal Amount	Interest Amount
2022	$ 1,620,000	$ 3,476,750
2023	1,705,000	3,395,750
2024	1,785,000	3,310,500
2025	1,880,000	3,221,250
2026	1,965,000	3,127,250
2027-2031	10,810,000	14,149,350
2032-2036	11,500,000	11,452,000
2037-2041	14,670,000	8,275,000
2042-2046	18,690,000	4,260,750
2047-2048	8,655,000	522,600
Total	$ 73,280,000	$ 55,191,200

Under GASB 88, the 2020 Series A bonds are classified as other debts. Sales tax revenues are pledged as collateral for these bonds. There is no unused line of credit on these bonds. In the event of default, the Commission shall immediately transfer to the Trustee all revenues held by it and the Trustee shall apply all revenues and any other funds then held of thereafter received by the Trustee under any of the provision of the Indenture.

10. *The 2021 Series A and B bonds*

On March 25, 2021, the Commission issued $265,990,000 2021 Series A and B sales tax revenue bonds to finance costs associated with Major Corridor Capital Projects, to refund $146,365,000 of the 2014 Series A bonds, and to pay the costs of issuing the 2021 Series A and B bonds. The federally taxable 2021 Series A bonds totaled $149,840,000 were issued at par and carry an overall all-in interest rate of 2.214 percent with a maturity date of April 1, 2039. The subordinate 2021 Series B bonds totaled $116,150,000 and included a premium of $36,072,813 and carry an overall all-in interest rate of 2.715 percent with a maturity date of April 1, 2048.

The advance refunding of the 2014 Series B bonds resulted in a reduction of total debt service payments over the next 18 years by $23,767,676 and obtained an economic gain (difference between the present values of the debt service payments on the old and new debt) of $21,716,799.

The principal requirements to maturity for the 2021 Series A bonds, are as follows:

Maturity (April 1, Oct 1)	Principal Amount	Interest Amount
2022	$ -	$ 3,017,568
2023	-	2,968,100
2024	-	2,968,100
2025	9,660,000	2,968,100
2026	8,915,000	2,887,342
2027-2031	46,465,000	12,559,817
2032-2036	51,140,000	7,882,602
2037-2039	33,660,000	1,745,941
Total	$ 149,840,000	$ 36,997,570

The principal requirements to maturity for the 2021 Series B bonds, are as follows:

Maturity (April 1, Oct 1)	Principal Amount	Interest Amount
2022	$ -	$ 5,904,292
2023	-	5,807,500
2024	-	5,807,500
2025	-	5,807,500
2026	3,240,000	5,807,500
2027-2031	18,785,000	26,440,250
2032-2036	23,970,000	21,250,750
2037-2041	27,255,000	14,709,000
2042-2046	29,115,000	7,955,500
2047-2048	13,785,000	1,042,250
Total	$ 116,150,000	$ 100,532,042

Under GASB 88, the 2021 Series A and B bonds are classified as other debts. Sales tax revenues are pledged as collateral for these bonds. There is no unused line of credit on the Series A while the Series B line of credit remains at $116,150,000. In the event of default, the Commission shall immediately transfer to the Trustee all revenues held by it and the Trustee shall apply all revenues and any other funds then held of thereafter received by the Trustee under any of the provision of the Indenture.

11. The 2021 short-term notes

On March 23, 2021, the Commission issued $537,480,000 2021 Series A subordinate sales tax revenue short-term notes (2021 short-term notes) to retire $537,480,000 of the 2018 short-term notes which were issued to finance costs associated with the Mid-Coast Corridor Transit Project, in advance of the TIFIA loan. A portion of the issuance was also used to pay the costs of issuing the series 2021 short-term notes. The 2021 short-term notes included a premium of $36,149,667 and carries an overall all-in interest rate of 0.312% with a maturity date of October 1, 2022.

The principal requirements to maturity for the 2021 short-term notes, are as follows:

Maturity (April 1, Oct 1)	Principal Amount	Interest Amount
2022	$ -	$ 25,426,756
2023	537,480,000	12,437,000
Total	$ 537,480,000	$ 37,863,756

Under GASB 88, the 2021 short-term notes are classified as other debts. Sales tax revenues are pledged as collateral for these notes. There is no unused line of credit on these notes. In the event of default, the Commission shall immediately transfer to the Trustee all revenues held by it and the Trustee shall apply all revenues and any other funds then held of thereafter received by the Trustee under any of the provision of the Indenture.

12. Commercial paper notes (Direct Borrowing)

The Commission issues tax-exempt Commercial Paper Notes (CPN) to provide interim financing for various *TransNet* projects including those for construction and acquisition activities and for advance-funding *TransNet* local street improvement projects, as a low cost and flexible source of capital financing.

At June 30, 2021, the Commission was authorized to issue up to $100,000,000 aggregate principal CPN, with $100,000,000 in letters of credit in place. Rates paid under the Reimbursement Agreement with Bank of America supporting the CPN are 32 basis points and are set to expire on September 10, 2021. Commission CPN are issued with maturity dates ranging from one to 270 days at various interest rates.

At June 30, 2021, the balance of notes issued and outstanding was $53,488,000. Interest rates during the current year have varied from 0.10 percent to 0.21 percent, with maturities from 63 days to 97 days. The interest rate on the outstanding amount at June 30, 2021, was 0.13 percent with a maturity of 91 days. As such, the outstanding amounts have been classified as current liabilities.

The scheduled principal requirements to maturity for the CPN are as follows:

Scheduled Repayment	Principal Amount	Interest Amount
2022	$ 3,612,000	$ 418,160
2023	3,860,000	415,103
2024	1,718,000	413,991
2025	3,089,000	446,955
2026	6,683,000	440,062
2027-2031	27,526,000	2,106,194
2032-2035	7,000,000	1,653,660
Total	$ 53,488,000	$ 5,894,125

Under the terms of the CPN, maturing principal amounts can be rolled-over by issuing new notes. It is the intention of the Commission to pay the accrued interest and reissue the principal amounts as they mature; other than any prescheduled principal repayments. Therefore, the principal debt service requirements shown in the table above include expected payments through the date of expiration of the current CPN agreements.

Under GASB 88, the commercial paper notes are classified as direct borrowings. The line of credit balance of $46,512,000 is unused at June 30, 2021. Sales tax revenues are pledged as collateral for these notes.

Upon the occurrence of any Event of Default, all Obligations shall bear interest at the Default Rate and the lender may exercise any one or more of the following rights and remedies in addition to any other remedies by law:

a) By notice to SANDAG, declare all Obligations to be, and such amounts shall become immediately due and payable with presentment, demand, protest or other notice of any kind, all of which are waived by SANDAG; provided that upon the occurrence of an Event of Default such acceleration shall automatically occur (unless such automatic acceleration is waived by the lender in writing);

b) By notice of the occurrence of any Event of Default to the Issuing and Paying Agent (which notice shall constitute a “Notice of No Issuance” for purposes of the Issuing and Paying Agent Agreement) prohibit, until such time, if any, as the lender shall withdraw (in writing) such notice, the issuance of additional Commercial Paper Notes, reduce the Stated Amount of the Letter of Credit to the amount of the then Outstanding Commercial Paper Notes supported by the Letter of Credit and interest payable thereon at maturity of such Commercial Paper Notes and/or terminate and/or permanently reduce such Stated Amount as the then Outstanding Commercial Paper Notes are paid;

c) Issue the Final Drawing Notice (the effect of which shall be to cause the Termination Date of the Letter of Credit to occur on the 15th day after the date of receipt thereof by the Issuing and Paying Agent);

d) Pursue any rights and remedies it may have under the Related Documents or the Law or the Ordinance; or

e) Pursue any other action available at law or in equity

13. *Changes in long-term debt*

Long-term debt activity for the year ended June 30, 2021, was as follows:

	Balance July 1, 2020	Increases	Decreases	Balance June 30, 2021	Due Within One Year
Senior lien debt					
2008 bonds	$ 402,300,000	$ -	$ -	$ 402,300,000	$ -
2010 A bonds	338,960,000	-	-	338,960,000	-
2012 bonds	40,935,000	-	(19,970,000)	20,965,000	20,965,000
2014 bonds	170,420,000	-	(151,945,000)	18,475,000	5,860,000
2016 bonds	307,880,000	-	(5,270,000)	302,610,000	5,535,000
2019 bonds	442,620,000	-	-	442,620,000	-
2020 bonds	74,820,000	-	(1,540,000)	73,280,000	1,620,000
2021 A bonds	-	149,840,000	-	149,840,000	-
Premium	106,983,254	-	(24,595,285)	82,387,969	-
Total senior lien debt	1,884,918,254	149,840,000	(203,320,285)	1,831,437,969	33,980,000
Subordinate lien debt					
2018 short-term notes	537,480,000	-	(537,480,000)	-	-
2021 B bonds	-	116,150,000	-	116,150,000	-
2021 short-term notes	-	537,480,000	-	537,480,000	-
Premium	8,032,713	72,222,480	(14,767,292)	65,487,901	-
CPN (Direct)	56,213,000	553,000	(3,278,000)	53,488,000	53,488,000
Total subordinate lien debt	601,725,713	726,405,480	(555,525,292)	772,605,901	53,488,000
Total long-term debt	$ 2,486,643,967	$ 876,245,480	$ (758,845,577)	$ 2,604,043,870	$ 87,468,000

14. *Pledged revenue*

The Commission has several debt issuances outstanding that are collateralized by the pledging of revenues from a one-half percent sales tax imposed within the County of San Diego. The amount and term of the remainder of these commitments are indicated in the debt service to maturity table presented in the accompanying notes. The future sales tax revenues are pledged for debt service requirements totaling $3,677,963,088 for payments through fiscal year 2048.

The following table provides the pledged future revenue information for the Commission's debt for which a pledge exists:

Description of Pledged Revenue	Fiscal Year 2021 Amount of Pledged Revenue	Fiscal Year 2021 Debt Service Payments	Debt Service as a Percentage of Pledged Revenue
Sales Tax	$ 347,716,393	$ 132,569,828	38.13%

G. Commitments

The Commission uses 'encumbrances' to control expenditure commitments for the year. Encumbrances represent commitments related to executory contracts not yet performed and purchase orders not yet filled. Commitments for such expenditure of monies are encumbered to reserve applicable appropriations. The total fund balance of the special revenue fund is restricted for purposes related to the *TransNet* Extension Ordinance, including the following encumbrances:

Purpose	Restricted
New major corridor transit operations	$ 4,954,454
Investment operations	198,111
Debt financing	21,000
Other	22,823
Total Encumbrances	$ 5,196,388

H. Risk management

Insurance coverage is maintained for the Commission by SANDAG. SANDAG has a self-insured retention (deductible) for Bodily Injury and Property Damage Liability (including General Liability and Automobile Liability) claims of $500,000 per occurrence. Amounts in excess of the self-insurance are covered by commercial excess insurance up to $50,000,000. In addition, SANDAG has insurance policies for costs arising from employee Workers' Compensation claims, Auto Property, Mexican Auto Liability, Foreign Liability and Cyber Liability. Employment Practices Liability and Public Official Errors and Omissions Liability insurance are also covered to a maximum of $10,000,000 per occurrence, with excess liability insurance up to $50,000,000. Claim payments have not exceeded insurance coverage for each of the past three fiscal years. See the SANDAG Comprehensive Annual Financial Report for further details.

I. Subsequent Events

On August 26, 2021, the Regional Transportation Commission extended its commercial paper letter of credit agreement set to expire on September 10, 2021 to August 26, 2024.

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REQUIRED SUPPLEMENTARY INFORMATION

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San Diego County Regional Transportation Commission
A Component Unit of the San Diego Association of Governments
Sales Tax Projects Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2021

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget
REVENUES:				
Sales tax	$ 288,654,845	$ 308,165,353	$ 347,716,393	$ 39,551,040
Investment earnings	6,687,360	6,687,360	1,695,126	(4,992,234)
Other revenues	-	-	8,826,881	8,826,881
Total revenues	295,342,205	314,852,713	358,238,400	43,385,687
EXPENDITURES:				
Current:				
General government	2,856,548	3,081,653	3,081,652	1
Bicycle facilities	5,713,097	6,163,307	29,100,112	(22,936,805)
Independent Taxpayer Oversight Committee	432,993	432,993	644,536	(211,543)
Major corridor capital projects	105,127,839	111,904,498	89,072,197	22,832,301
Major corridor environmental mitigation	12,172,697	14,654,160	16,056,669	(1,402,509)
Local project environmental mitigation	4,979,740	5,372,773	2,423,027	2,949,746
Local street improvements	80,505,792	86,859,833	81,381,288	5,478,545
Smart growth	5,809,696	5,809,696	8,121,247	(2,311,551)
New major corridor transit operations	22,408,829	24,177,479	26,022,907	(1,845,428)
Transit system improvements	45,647,614	49,250,421	49,012,120	238,301
Total expenditures	285,654,845	307,706,813	304,915,755	2,791,058
REVENUES OVER (UNDER) EXPENDITURES	9,687,360	7,145,900	53,322,645	46,176,745
OTHER FINANCING SOURCES (USES):				
Transfers in	117,300,536	126,558,658	40,585,470	(85,973,188)
Transfers out	(127,908,304)	(127,908,304)	(131,312,185)	(3,403,881)
Total other financing sources (uses)	(10,607,768)	(1,349,646)	(90,726,715)	(89,377,069)
Net change in fund balances	$ (920,408)	$ 5,796,254	(37,404,070)	$ (43,200,324)
FUND BALANCES:				
Beginning of year			524,159,234	
End of year			$ 486,755,164	

Actual expenditure amounts vary from Statement of Revenues, Expenditures, and Change in Fund Balance Government Funds due to interfund activities.

See accompanying Notes to Required Supplementary Information.

San Diego County Regional Transportation Commission
A Component Unit of the San Diego Association of Governments
Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2021

Budgetary Information

An annual budget is adopted on a basis consistent with generally accepted accounting principles for the San Diego County Regional Transportation Commission sales tax projects special revenue fund (special revenue fund). The special revenue fund has a legally adopted annual program budget based on expected sales tax revenue receipts.

After the annual budget is adopted, the San Diego Association of Governments Board of Directors (Board) can legally amend the budget at any time during the fiscal year to incorporate new grants or contracts which may become available during the year. Management can legally amend or transfer appropriations between programs or projects within the adopted or amended budget, once the budget has been approved, up to a maximum of $300,000 with monthly reporting of these delegated budget amendments to the Board. However, management may not exceed the authorization of any individual fund. The fund level is the legal level of control (the expenditure level on which expenditures may not legally exceed appropriations) for each budget for which data are presented in the annual financial report.

Transfers consisted of transactions related to sales tax receipts transferred to the commercial paper and sales tax revenue bonds debt service fund (debt service fund) for the payment of principal, interest, and other costs associated with long-term debt. In addition, transfers consisted of transactions using bond proceeds transferred from the debt service fund to fund project expenditures of the special revenue fund.

The Commission sales tax projects fund ended the year with $2,791,058 appropriations in excess of expenditures, which is primarily the result of revenues exceeding conservative expectations set due to the COVID recession. Budgeted expenditures are based on estimated sales tax revenues and does not include the use of debt proceeds or unspent revenue received in prior years.

SUPPLEMENTARY INFORMATION

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San Diego County Regional Transportation Commission
A Component Unit of the San Diego Association of Governments
Commercial Paper and Sales Tax Revenue Bonds Debt Service Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2021

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget
REVENUES:				
Investment earnings	$ -	$ -	$ 1,456,533	$ 1,456,533
Debt repayments from other governments	-	-	3,439,190	3,439,190
Federal funds	6,605,845	6,605,845	6,605,845	-
Other revenues	-	-	-	-
Total revenues	6,605,845	6,605,845	11,501,568	4,895,723
EXPENDITURES:				
Current:				
Debt service:				
Principal retirement	35,638,000	35,638,000	35,638,000	-
Debt issuance costs	-	-	1,143,184	(1,143,184)
Interest and other charges	92,270,304	92,270,304	88,195,273	4,075,031
Payments to refunding escrow agent	-	-	10,690,521	(10,690,521)
Total expenditures	127,908,304	127,908,304	135,666,978	(7,758,674)
REVENUES OVER (UNDER) EXPENDITURES	(121,302,459)	(121,302,459)	(124,165,410)	(2,862,951)
OTHER FINANCING SOURCES (USES):				
Transfers in	127,908,304	127,908,304	131,312,185	(3,403,881)
Transfers out	(117,300,536)	(126,558,658)	(40,585,470)	(85,973,188)
Commercial paper issued	-	-	553,000	(553,000)
Bonds issued	-	-	803,470,000	(803,470,000)
Premium on bonds issued	-	-	72,222,479	(72,222,479)
Payments to refunding escrow agent	-	-	(707,802,052)	707,802,052
Total other financing sources (uses)	10,607,768	1,349,646	259,170,142	(257,820,496)
Net change in fund balances	$ (110,694,691)	$ (119,952,813)	135,004,732	$ 254,957,545
FUND BALANCES:				
Beginning of year			152,314,193	
End of year			$ 287,318,925	

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STATISTICAL SECTION

This part of the San Diego County Regional Transportation Commission's basic financial statements presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Commission's overall financial health.

Contents **Page**

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

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San Diego County Regional Transportation Commission
A Component Unit of the San Diego Association of Governments
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year 2012	2013	2014	2015	2016
Nonspendable, reported in:					
Special revenue funds	$ -	$ -	$ -	$ -	$ 32,083
Restricted, reported in:					
Special revenue funds	447,198,151	416,962,635	502,568,971	573,714,521	558,745,889
Debt service fund	393,359,255	291,362,816	62,883,888	231,030,381	69,088,189
Total all other governmental funds	$ 840,557,406	$ 708,325,451	$ 565,452,859	$ 804,744,902	$ 627,866,161

	Fiscal Year 2017	2018	2019	2020	2021
Nonspendable, reported in:					
Special revenue funds	$ 31,287	$ 32,620	$ 36,719	$ 45,766	$ 17,982
Restricted, reported in:					
Special revenue funds	480,706,434	430,394,657	553,890,538	524,113,468	486,737,182
Debt service fund	225,652,427	413,051,537	102,592,899	152,314,193	287,318,925
Total all other governmental funds	$ 706,390,148	$ 843,478,814	$ 656,520,156	$ 676,473,427	$ 774,074,089

Source: Finance Department

San Diego County Regional Transportation Commission
A Component Unit of the San Diego Association of Governments
Change in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year 2012	2013	2014	2015	2016
Revenues					
Local *TransNet* sales tax funds	$ 239,071,064	$ 249,520,133	$ 261,732,291	$ 270,482,476	$ 276,383,787
Investment earnings	5,148,699	4,328,023	6,393,467	7,057,123	9,986,050
Debt repayments from other governments	943,177	1,624,727	1,593,525	1,729,969	1,879,752
Federal funds	7,012,574	7,012,574	6,455,074	6,504,162	6,518,187
Other revenues	82,920	4,476,536	21,934	21,934	27,396
Total revenues	252,258,434	266,961,993	276,196,291	285,795,664	294,795,172
Expenditures					
Current:					
General government	2,251,010	2,428,258	2,624,782	2,699,655	2,834,638
Bicycle facilities	2,389,972	1,790,439	7,341,136	9,903,097	7,629,790
Independent Taxpayer Oversight Committee	356,159	83,071	96,017	367,036	98,320
Major corridor capital projects	287,803,173	189,116,968	249,053,945	140,687,406	210,648,700
Major corridor environmental mitigation	40,962,875	1,999,891	18,362,651	32,491,051	25,774,110
Local project environmental mitigation	1,744	7,917,042	508,632	157,593	405,130
Local street improvements	94,405,896	78,188,231	62,038,187	76,876,715	113,824,414
Smart growth	1,841,385	2,372,485	2,545,943	4,188,347	5,700,803
New major corridor transit operations	1,912,773	2,972,076	3,368,969	11,857,463	11,803,461
Transit system improvements	37,723,736	39,734,615	40,308,350	43,690,447	44,664,969
Debt service:					
Principal retirement	165,460,000	20,260,000	16,585,000	60,050,000	22,455,000
Debt issuance costs	2,296,858	-	-	553,594	-
Interest and other charges	69,284,878	53,909,872	56,961,271	66,587,190	72,279,578
Total expenditures	706,690,459	400,772,948	459,794,883	450,109,594	518,118,913
Excess of revenues over (under) expenditures	(454,432,025)	(133,810,955)	(183,598,592)	(164,313,930)	(223,323,741)
Other financing sources (uses)					
Transfers in	443,933,392	193,538,830	348,973,909	296,214,096	309,040,484
Transfers out	(443,933,392)	(193,538,830)	(348,973,909)	(296,214,096)	(309,040,484)
Commercial paper issued	921,000	1,579,000	40,726,000	1,999,000	46,445,000
Bonds issued	420,585,000	-	-	350,000,000	-
Payment to refunded debt agent	-	-	-	-	-
Premium on bonds issued	55,876,982	-	-	55,305,483	-
Total other financing sources (uses)	477,382,982	1,579,000	40,726,000	407,304,483	46,445,000
Net change in fund balances	$ 22,950,957	$ (132,231,955)	$(142,872,592)	$ 242,990,553	$ (176,878,741)
Debt service as a percentage of noncapital expenditures[1]	34.04%	14.32%	21.90%	28.78%	18.28%

Source: Finance Department

[1]In FY 2020, the Commission recorded $446 million in principal and interest payments as part of the refinancing of the 2010 Series B, 2012 Series A, and 2014 Series A bonds.

Note: Certain amounts from prior years have been reclassified in order to present comparable results.

San Diego County Regional Transportation Commission
A Component Unit of the San Diego Association of Governments
Change in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year				
	2017	2018	2019	2020	2021
Revenues					
Local *TransNet* sales tax funds	$ 286,965,955	$ 302,364,081	$ 303,529,448	$ 313,251,738	$ 347,716,393
Investment earnings	7,537,881	11,123,983	24,266,210	20,001,817	3,151,659
Debt repayments from other governments	1,806,954	1,519,755	1,990,505	4,150,792	3,439,190
Federal funds	6,532,213	6,548,928	6,563,769	6,588,313	6,605,845
Other revenues	21,934	21,756	470,028	10,765,253	8,826,881
Total revenues	302,864,937	321,578,503	336,819,960	354,757,913	369,739,968
Expenditures					
Current:					
General government	3,253,760	2,921,326	3,008,966	3,099,234	3,081,652
Bicycle facilities	12,359,549	17,633,821	21,884,501	22,404,909	29,100,112
Independent Taxpayer Oversight Committee	100,853	365,953	368,376	376,416	644,536
Major corridor capital projects	287,491,607	409,593,151	156,792,409	70,373,145	89,072,197
Major corridor environmental mitigation	21,833,308	54,214,331	62,379,890	30,585,452	16,056,669
Local project environmental mitigation	599,181	14,275	10,002	10,381	2,423,027
Local street improvements	85,217,505	87,335,011	79,740,973	109,289,482	81,381,288
Smart growth	2,144,441	5,755,591	2,851,039	6,934,242	8,121,247
New major corridor transit operations	11,530,015	13,085,981	16,360,503	25,306,778	26,022,907
Transit system improvements	46,501,493	46,309,212	49,806,350	51,083,017	49,012,120
Debt service:					
Principal retirement	72,510,000	55,906,000	29,754,000	31,642,000	35,638,000
Debt issuance costs	1,284,951	1,557,833	-	854,744	1,143,184
Interest and other charges	83,332,849	87,552,444	104,238,608	99,827,008	88,195,273
Payments to refunding escrow agent				4,240,102	10,690,521
Total expenditures	628,159,512	782,244,929	527,195,617	456,026,909	440,582,733
Excess of revenues over (under) expenditures	(325,294,575)	(460,666,426)	(190,375,657)	(101,268,996)	(70,842,765)
Other financing sources (uses)					
Transfers in	325,982,709	512,956,620	455,278,341	216,526,373	171,897,655
Transfers out	(325,982,709)	(512,956,620)	(455,278,341)	(216,526,373)	(171,897,655)
Commercial paper issued	-	28,650,000	3,417,000	29,378,000	553,000
Bonds issued	325,000,000	537,480,000	-	517,440,000	803,470,000
Payment to refunded debt agent	-			(446,044,046)	(707,802,052)
Premium on bonds issued	78,818,562	31,625,092	-	20,448,312	72,222,479
Total other financing sources (uses)	403,818,562	597,755,092	3,417,000	121,222,266	168,443,427
Net change in fund balances	$ 78,523,987	$ 137,088,666	$ (186,958,657)	$ 19,953,270	$ 97,600,662
Debt service as a percentage of noncapital expenditures[1]	24.81%	18.34%	25.42%	29.76%	30.53%

Source: Finance Department

1In FY 2020, the Commission recorded $446 million in principal and interest payments as part of the refinancing of the 2010 Series B, 2012 Series A, and 2014 Series A bonds.

Note: Certain amounts from prior years have been reclassified in order to present comparable results.

San Diego County Regional Transportation Commission
A Component Unit of the San Diego Association of Governments
Tax Revenues by Source, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

Fiscal Year	Sales Tax
2012	$ 239,071,064
2013	249,520,133
2014	261,732,291
2015	270,482,476
2016	276,383,787
2017	286,965,955
2018	302,364,081
2019	303,529,448
2020	313,251,738
2021	347,716,393

Source: Finance Department

San Diego Regional County Transportation Commission
A Component Unit of the San Diego Association of Governments
Direct and Overlapping Sales Tax Rates
Last Ten Fiscal Years

Fiscal Year	*TransNet* Sales Tax Proposition A[1]	County of San Diego[2]
2012	0.50%	7.75%
2013	0.50%	8.00%
2014	0.50%	8.00%
2015	0.50%	8.00%
2016	0.50%	8.00%
2017	0.50%	7.75%
2018	0.50%	7.75%
2019	0.50%	7.75%
2020	0.50%	7.75%
2021[3]	0.50%	7.75%

Source: California Department of Tax and Fee Administration.

[1] *TransNet* sales tax was extended another 40 years to 2048 in 2004 under Proposition A.

[2] The following seven cities within the County of San Diego have a sales tax rate other than 7.75%:

Chula Vista	8.75%
Del Mar	8.75%
El Cajon	8.25%
Imperial Beach	8.75%
La Mesa	8.50%
National City	8.75%
Vista	8.25%
Oceanside	8.25%

[3] Rates Effective beginning 10/1/21

San Diego County Regional Transportation Commission
A Component Unit of the San Diego Association of Governments
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

	Governmental Activities					
	Sales Tax Revenue					
Fiscal Year	Bonds	Short-Term Notes	Commercial Paper	Total	Percentage of Personal Income[1]	Debt Per Capita[1]
2012	1,228,392,144	-	33,821,000	1,262,213,144	0.723%	403
2013	1,208,152,472	-	33,989,000	1,242,141,472	0.695%	394
2014	1,191,472,800	-	73,001,000	1,264,473,800	0.675%	396
2015	1,578,319,665	-	30,440,000	1,608,759,665	0.823%	504
2016	1,554,507,253	-	75,000,000	1,629,507,253	0.822%	505
2017	1,928,648,386	-	26,750,000	1,955,398,386	0.979%	595
2018	1,882,812,559	567,116,301	26,614,000	2,476,542,860	1.239%	748
2019	1,845,785,956	556,222,998	28,692,000	2,430,700,954	1.207%	725
2020	1,884,918,254	545,512,713	56,213,000	2,486,643,967	1.152%	744
2021	1,983,127,060	567,428,810	53,488,000	2,604,043,870	1.179% [2]	779 [2]

Source: Finance Department..

Note: Details regarding the outstanding debt can be found in the Notes to the Basic Financial Statements, **Note II.F**.

[1] See the Schedule of Demographic and Economic Statistics located in the SANDAG Comprehensive Annual Financial Report for personal income and population data.

[2] Used the most recent data available (2020).

San Diego County Regional Transportation Commission
A Component Unit of the San Diego Association of Governments
Pledged-Revenue Coverage
Last Ten Fiscal Years

		Sales Tax Revenue								
		Bonds Debt Service		Short-Term Notes		Commercial Paper Debt Service		Total Debt Service		
Fiscal Year	Sales Tax Revenue	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Coverage
2012	239,071,064	164,360,000	42,798,432	-	-	1,100,000	737,393	165,460,000	43,535,825	1.14
2013	249,520,133	18,640,000	50,723,216	-	-	1,620,000	584,452	20,260,000	51,307,668	3.49
2014	261,732,291	15,080,000	54,038,836	-	-	1,505,000	370,577	16,585,000	54,409,413	3.69
2015	270,482,476	15,490,000	63,254,010	-	-	1,835,000	401,719	17,325,000	63,655,729	3.34
2016	276,383,787	20,570,000	70,123,201	-	-	1,885,000	415,880	22,455,000	70,539,081	2.97
2017	286,965,955	24,260,000	80,450,441	-	-	1,805,000	581,493	26,065,000	81,031,934	2.68
2018	302,364,081	27,120,000	84,878,338	-	-	1,200,000	788,060	28,320,000	85,666,398	2.65
2019	303,529,448	28,415,000	101,809,081	-	-	1,339,000	433,980	29,754,000	102,243,061	2.30
2020	313,251,738	29,785,000	100,754,710	-	-	1,857,000	329,770	31,642,000	101,084,480	2.36
2021	347,716,393	32,360,000	77,732,628	-	-	1,978,000	76,972	34,338,000	77,809,600	3.10

Source: Finance Department

Note: Details regarding the outstanding debt can be found in the Notes to the Basic Financial Statements, Note II.F.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
San Diego County Regional Transportation Commission
San Diego, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the San Diego County Regional Transportation Commission (Commission), a component unit of the San Diego Association of Governments (SANDAG), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated December 24, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commission's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Crowe LLP

Crowe LLP

Costa Mesa, California
December 24, 2021