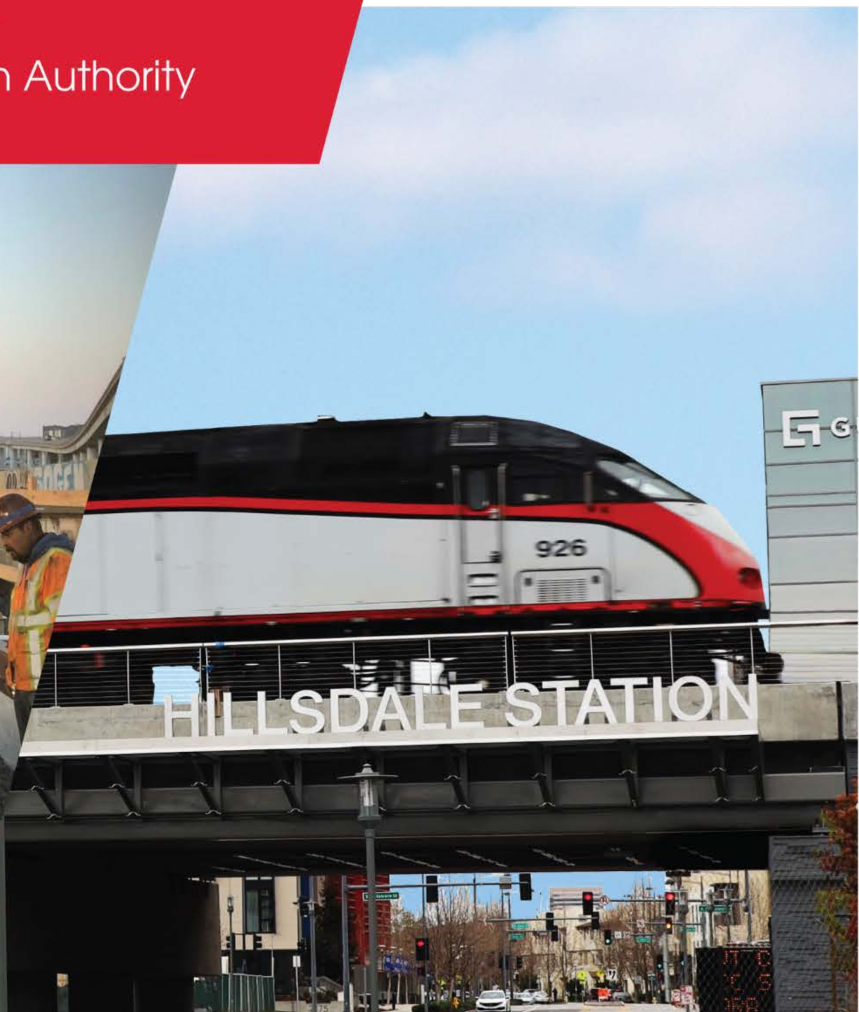
Peninsula Corridor Joint Powers Board
San Carlos, California

Caltrain

A Joint Powers Authority
Established by Agreement among:

City and County of San Francisco
San Mateo County Transit District
Santa Clara Valley Transportation Authority



Annual Comprehensive Financial Report

Fiscal Years Ended June 30, 2021 and 2020

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PENINSULA CORRIDOR JOINT POWERS BOARD

San Carlos, California

Annual Comprehensive Financial Report
Fiscal Years Ended June 30, 2021 and 2020

Prepared by the Finance Division

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October 11, 2021

To the Board of Directors of the Peninsula Corridor Joint Powers Board and the Citizens of San Francisco, San Mateo and Santa Clara Counties
San Carlos, California

Annual Comprehensive Financial Report Year Ended June 30, 2021

We are pleased to present the Annual Comprehensive Financial Report of the Peninsula Corridor Joint Powers Board (JPB) for the fiscal year July 1, 2020, through June 30, 2021. This transmittal letter provides a summary of the JPB's finances, services, achievements, and economic prospects for readers without a technical background in accounting or finance. This fiscal year has been exceptional as a result of the COVID pandemic. This letter will address those impacts where appropriate. Readers desiring a more detailed discussion of the JPB's financial results may refer to the Management's Discussion and Analysis in the Financial Section.

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

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

PROFILE OF THE ORGANIZATION

Purpose

The JPB is responsible for the Caltrain passenger rail service on the San Francisco Peninsula and south into Santa Clara County. Caltrain owns and operates the rail system that has been a central part of Peninsula communities since 1865. The rail line on which service is operated currently extends from San Francisco 77 miles south to Gilroy, serving 31 stations. Spanning San Francisco, San Mateo, and Santa Clara counties, Caltrain provides vital links to multiple transit properties in 20 cities. The JPB owns 51 miles of the rail line and operates on Union Pacific owned track for the remaining 26 miles.

Entity

The JPB is a Joint Powers Authority that is legally separate and financially independent from its three Member Agencies, namely the San Mateo County Transit District (District), the Santa Clara Valley Transportation Authority (VTA), and the City and County of San Francisco (CCSF), and is not a component unit of any other organization. Furthermore, the JPB has no component unit organizations under its control. Therefore, this Annual Comprehensive Financial Report and the financial statements contained within represent solely the activities, transactions, and status of the JPB.

History

In 1980, after two years of negotiations, the California Department of Transportation (Caltrans) and the Southern Pacific Transportation Company (Southern Pacific) executed a purchase-of-service agreement for maintaining passenger rail service between San Francisco and San Jose. Service under this agreement began in 1980 with Southern Pacific operating the trains while receiving subsidies to cover its operating costs from Caltrans and the three Member Agencies and with Caltrans providing contract administration, service planning, marketing, engineering, scheduling, fare management, customer support, and performance monitoring.

In 1988, CCSF, the District, and VTA commissioned a study that recommended transferring responsibility for the rail service from the state to the local level. The three Member Agencies accomplished this objective in October 1991, executing a new joint powers agreement that formed the current JPB. Two months later, the JPB purchased the rail right-of-way between San Francisco and San Jose (Mainline) and perpetual trackage rights between San Jose and Gilroy (Gilroy Extension) from Southern Pacific.

The JPB Member Agencies and the California Transportation Commission funded this acquisition. The JPB holds title to all right-of-way property located in the County of San Francisco and the County of Santa Clara. The JPB holds title to all right-of-way property in the County of San Mateo as tenants in common with the District, each to an undivided 50% share. In addition, the JPB holds trackage rights that extend south from the end of its property ownership in San Jose to Gilroy over a rail line owned by the Union Pacific Railroad. Those rights include the rights to operate five daily two-way train pairs.

The JPB assumed responsibility for the operation of Caltrain service from Caltrans in 1992. Amtrak served as the JPB's contracted rail operator until May 2012. The Caltrain Board of Directors, at its September 2011 meeting, authorized the award of a new operating contract to TransitAmerica Services, Inc. (TASI). The contract carried a 5-year base term with the ability to execute 5 additional one-year options. In 2017, the JPB exercised all 5 of the option years, extending the contract with TASI to June 2022. In January 2021, the JPB extended the contract until June 2027, in order to enable the completion of construction of the Federal Transit Administration (FTA) funded corridor electrification project and subsequent start-up of service in the electrified environment.

Governance

The joint powers agreement establishes a nine-person Board of Directors (Board) that governs the operations, maintenance, repair, improvements, and expansion of Caltrain. Each of the three Member Agencies appoints three persons to serve on the Board. The JPB also created a nine-person Citizens Advisory Committee (CAC) composed of three citizens from each JPB county. The principal objective of the CAC is to articulate the interests and needs of current and future customers.

Administration

The joint powers agreement as first executed in 1988, and as amended and restated in 1996, designates the District as the Managing Agency to provide management, administrative, and staff services for Caltrain under the direction and oversight of the JPB Board. The JPB reimburses the District for the direct and administrative costs incurred in providing the Managing Agency services. Some administrative costs are determined by overhead rates approved by the FTA. Currently, the District provides the following services:

The *Executive Office* is responsible for directing and overseeing all activities and for providing support to the Board.

The *Finance Division* is responsible for financial accounting and reporting, capital budgeting, operational budgeting, payroll and vendor disbursements, investments and cash management, debt management, revenue control, purchasing, contract administration, risk management, and information technology.

The *Bus Division* is responsible for some functions related to the railroad including managing the shuttle program, and paratransit service pursuant to the requirements of the Americans with Disabilities Act (ADA).

The *Rail Division* is responsible for Caltrain operations and maintenance oversight (including administration of the rail service operating contract); state of good repair; operations planning; engineering; and capital project planning and delivery, including design, construction, and integration of electrified service. The *Caltrain Modernization Program (CalMod*) is responsible for the implementation of the electrification project that will upgrade the performance, operating efficiency, capacity, safety, and reliability of Caltrain’s commuter rail service.

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

The *Planning, Grants, and Transportation Authority Division* is responsible for grant administration and property management.

The *Administrative Division* provides management assistance to executive divisions and is responsible for human resources and safety and security.

Budgetary Control

State law requires the JPB to adopt an annual budget by resolution of the Board. In the spring preceding the start of each fiscal year, staff presents an annual budget based on established agency goals, objectives, and performance measures to the Board. The Board monitors budget-to-actual performance through monthly staff reports. The Financial Section of this report includes a supplemental schedule that compares actual results on a budgetary basis of accounting to the final adopted budgets.

Once adopted, the Board has the authority to amend the budget. While the legal level of budgetary control is at the entity level, the JPB maintains stricter control at division, departmental, and line item levels to serve various needs. Cost center managers monitor budget-to-actual performance on a monthly basis. The Board has delegated the authority to transfer budget amounts between divisions and departments to the Executive Director or designee. However, any increase to the expenditure budget as a whole requires the approval of the Board. In addition, the JPB uses an encumbrance system to reduce budget balances by issuing purchase orders to avoid over-commitment of resources.

The JPB employs the same basis and principles of accounting for both budgeted and actual revenues and expenses, except that actual proceeds from the sale of capital assets, unrealized investment gains and losses, depreciation and amortization, and inter-fund transfers are not included in the budget. As a special purpose organization established pursuant to joint powers legislation, the JPB is not subject to the State of California's Gann Act requiring adherence to an annual appropriation limit.

FINANCIAL AND ECONOMIC OUTLOOK

Local Economy

Due to the COVID-19 pandemic, 2020 saw record unemployment and many struggles for businesses and consumers alike. Despite that, with financial assistance from the federal government, policies to limit the spread of COVID-19 cases, and the introduction of vaccines to combat COVID-19 in early 2021, the state of California and the Bay area are emerging and beginning to recover as we move into the summer of 2021.

According to the California Labor Department, the unemployment rate in the San Francisco-Redwood City-South San Francisco Metropolitan Area was 5.2 percent in June 2021, up from a revised 4.8 percent in May 2021, and below the year-ago estimate of 11.3 percent. The unemployment rate in the San Jose-Sunnyvale-Santa Clara Area was 5.2 percent in June 2021, up from a revised 4.7 percent in May 2021, and below the year ago estimate of 10.4 percent. This compares with an unadjusted unemployment rate of 8.0 percent for California and 6.1 percent for the nation during the same period.

The unemployment rate was 5.4 percent in San Francisco County, 5.0 percent in San Mateo County, and 5.1 percent in Santa Clara County. The Leisure and Hospitality sector was most impacted by the shutdown, and it is this sector that has seen the most job increases. Given that the state fully re-opened on June 15th, the recent hiring surge is expected to continue through the summer months, assuming no further restrictions driven by increased COVID-19 cases or a more highly transmissible variant.

COVID-19, and the changes it brought to the workplace as we knew it, has had a more dramatic impact on Caltrain's ridership than any occurrence in its history. With ridership dropping by 97 percent in the early days of the shelter in place order, the pandemic posed a unique and serious challenge to Caltrain as the service adapted to the new normal. Caltrain's historical reliance on farebox revenues made the agency especially vulnerable to that drop, resulting in substantial budget deficits. However, despite these challenges, Caltrain was quick to react in order to protect the health and safety of its riders and employees.

In fall 2020, Caltrain adopted the Bay Area Healthy Transit Plan. This regional transit plan outlines best practices for frequent cleaning, personal protective equipment, face coverings, physical distancing, ventilation, and touchless fares in order to ensure that public transit is safe for all Bay Area residents and transit employees. As riders return to public transportation, surveys show that passengers want assurance that steps have been taken to make that ride as safe as possible. To provide that assurance, transit agencies throughout the Bay Area have agreed upon common commitments based on the industry's best health-related practices to strengthen trust in riding public transportation. The plan was crafted using guidance and best practices from the California Department of Public Health, U.S. Centers for Disease Control and Prevention, and the World Health Organization, as well as other transit agencies from around the world. The plan calls for improving the operation and maintenance of transit agencies, as well as encouraging safer behaviors among riders. Riders are required to wear face coverings, practice physical distancing and hand washing, and minimize verbal activities that could help to spread COVID-19, and the use of a Clipper card or mobile apps for touchless payment.

With the robust rollout of vaccines and reopening of the region throughout the spring of 2021, Caltrain's ridership has begun trending upward. Weekday ridership has steadily increased throughout the spring and now ranges from 5-

11,000 riders per weekday. Weekend ridership recovery has been strong and has grown to over 50% of pre-COVID-19 levels. Caltrain has also seen strong demand for special event services, with trains to Giants games in particular attracting significant numbers of riders throughout the spring.

Additionally, Caltrain began operating a new schedule in December designed to increase ridership by improving service for essential workers and transit-dependent riders, consistent with key service components of the Framework for Equity, Connectivity, Recovery, and Growth. The new schedule provides riders with more frequent off-peak and weekend train service, as Caltrain's ridership skewed toward essential workers who are more likely to travel during off-peak times. Caltrain observed that demand for midday and weekend trips remains comparatively more resilient, and the schedule reflects that. Caltrain increased its service at the end of August, coincident with the planned resumption of in-office work and in person schooling by many corridor employees and educational institutions. The new service maintained the higher levels of off-peak service and also reintroduced express trains and other peak-hour services aimed at attracting the returning commuter market.

In September 2020, the Caltrain Board voted to suspend certain fare increases over the next year that will help ensure the system continues to be accessible to these riders. Caltrain has taken additional steps during the pandemic to enhance affordability by providing low-income riders with a 50% discounted fare through the Clipper START program, and as of August 30, will offer 50% off on all fares to entice riders back into the system for one month.

Housing production has increased in recent years but is not keeping pace with the Bay Area population growth. Housing affordability remains a major issue for the entire Bay Area, and as home prices and rents continue to rise, this will worsen the affordability crisis as well as likely result in reduced population growth. With the increase in remote work and flexibility of where tech workers can work due to the COVID-19 pandemic, net migration will likely be negative for the foreseeable future in the region.

The Bay Area technology sector continues to expand rapidly. In 2019, Venture Capital deals surpassed $32 billion for software and internet firms. Real income per capita in 2019 was $112,403, $133,117, and $136,983 in Santa Clara County, San Mateo County, and San Francisco County, respectively, placing the three counties among the wealthiest regions of California.

Measure RR

Measure RR was passed by the voters of San Francisco, San Mateo, and Santa Clara Counties, establishing a 1/8th cent sales tax for 30 years that will generate approximately $100 million for the system annually. This will help to sustain Caltrain through the pandemic, as well as allow the agency to fully maximize the benefits of electrification.

As the only Bay Area transit system without a dedicated revenue source prior to the passage of Measure RR, Caltrain was heavily reliant on passenger fares to maintain operations, making the service especially vulnerable to a pandemic. The measure will allow Caltrain to invest in the operation and expansion of faster, more frequent electrified service with added capacity necessary to accommodate expected increases in ridership demand in the decades to come. It will also allow the system to advance equity policies to help ensure Caltrain is accessible and affordable to all members of the communities it serves.

Despite operating without a dedicated funding source for so many years, Caltrain had grown to become the seventh largest commuter railroad in the country, the largest carrier of bikes of any American transit system, and the nation's most efficient railroad immediately pre-COVID-19.

As part of the authorization process to place Measure RR on the ballot, the JPB modified its bylaws to permit the expenditure of Measure RR revenue in any fiscal year in an amount greater than $40 million only upon approval of six of the nine members of the JPB Board, until such time of a modification of the Joint Exercise of Powers Agreement satisfactory to the members of the JPB.

Long-Term Financial and Strategic Planning

In 2017, Caltrain launched a Business Plan process that was intended to run through the majority of 2020 and provide a major update to Caltrain's plans, policies, and financial projections. When complete, the Business Plan will constitute a wholesale update of Caltrain's current Strategic Plan and will form the basis for future Short Range Transit Plan updates, will generate a long-term Capital Improvement plan, and will provide a financial model to guide the long-term sustainability and development of the Caltrain service.

As part of the Business Plan process, in October 2019, the Caltrain Board of Directors unanimously adopted a Long-Range Service Vision (Service Vision) for the railroad, which provides high-level policy guidance to evolve the Caltrain corridor and service from a traditional commuter railroad to a regional rail system operating at transit-level frequencies throughout the day. The adopted Service Vision directs staff to plan for a level of service of eight peak period trains per hour per direction while simultaneously working with the region and state towards development of a larger regional rail system that could include even higher levels of train service operating in the corridor if needed and supported by regional decisions. Following adoption of the Long-Range Service Vision, staff continued to work on the Business Plan to conduct additional technical and policy analysis, complete additional stakeholder outreach, and develop the full Business Plan document itself. Due to the COVID-19 crisis, however, in spring of 2020, the Business Plan team shifted toward pandemic recovery planning for the railroad (described below). As recovery proceeds, staff will resume work to complete the Business Plan and resume the production of Short-Range Transit Plans (which were suspended by the Metropolitan Transportation Commission during COVID-19), which will update and inform all of the service, financial, and policy issues described below.

Prior to the onset of the pandemic, Caltrain operated a total of 92 diesel locomotive-hauled trains per day on weekdays between San Francisco and San Jose with limited service further south to Gilroy. In the peak period, it operated 5 trains per peak hour per direction. During the COVID-19 pandemic, Caltrain adjusted its service several times and ultimately operated a 68-70 train per day schedule through much of 2020 and early 2021. The railroad will expand service to 104 trains per day at the end of August 2021, with an emphasis on expanded service during off-peak and evening hours. After the completion of electrification, Caltrain currently plans to expand its service to 114 trains per weekday using a mixed fleet of diesel locomotive-hauled rolling stock and new Electric Multiple Unit (EMU) trains but is actively considering a range of potential service scenarios that may result in more trains being operated. The decision on electrified service levels will ultimately be informed by the ongoing progress of the pandemic and observed changes in travel behavior as the region recovers.

Caltrain is currently developing strategies to address these budget issues and will comprehensively evaluate a variety of factors that influence the system's operating results including: fare policy and pass programs; incremental impacts of added service on operating revenues and costs; cost containment strategies; and other solutions.

Caltrain's 10-year Capital Improvement Plan (CIP) is a $3 billion program focused on maintaining the JPB's assets in a state of good repair, enhancing the reliability of the system, and delivering electrified service from San Francisco to San Jose by 2024. The CIP also reflects Caltrain's ongoing planning for the next generation of system improvements that are needed through the fiscal year 2024 timeframe to expand system capacity and continue preparations for Caltrain/High Speed Rail (HSR) blended system. The projects included in the CIP will continue to be reviewed in light of the pandemic as well as reflect the needs of the Business Plan.

The revenue sources included in the current CIP reflect Caltrain's reasonable expectation of funding levels pre-pandemic. Caltrain will continue to work with its funding partners to revise the Caltrain 10-year CIP and funding plan and identify additional funding to implement the CIP in total. Among other options, Caltrain will explore both traditional (e.g., grants) and innovative funding strategies, including the possibility of new public and private partnerships, as well as utilization of the recently approved Measure RR funds.

MAJOR INITIATIVES

Caltrain Electrification

The Peninsula Corridor Electrification Project (PCEP) is the largest component of the Caltrain Capital Improvement Program. The PCEP is intended to electrify the Caltrain Corridor from San Francisco's 4th and King Caltrain Station to approximately the Tamien Caltrain Station, replace diesel-hauled with EMU trains, and increase service up to six Caltrain trains per peak hour per direction. The PCEP includes electrification and other projects that will upgrade the performance, efficiency, capacity, safety, and reliability of Caltrain's service. Electrification provides the foundation for future improvements, including full conversion to an electric fleet, platform and station improvements, the extension of service to Downtown San Francisco, and other projects that allow Caltrain to grow and evolve with the Bay Area.

Positive Train Control

The Positive Train Control (PTC) Project deployed the corridor with federally-mandated safety technology. Caltrain PTC is interoperable with all other rail systems that access the Caltrain corridor, including commuter rail, freight rail, and, in the future, high speed rail. The Caltrain PTC system has been operable since September 2019 and received PTC Safety Certification in December 2020. PTC is a key component of the Caltrain Modernization Program that will electrify and upgrade the performance, operating efficiency, capacity, safety, and reliability of Caltrain's commuter rail service, providing a modernized rail service that will help meet growing ridership demand between San Francisco and San Jose.

Regional Service Coordination

Caltrain is at the heart of the Peninsula transportation network and collaborates with other Bay Area transit agencies to provide connections between systems. These connections are with the District, the San Francisco Municipal Transportation Agency (SFMTA/Muni), the Bay Area Rapid Transit District (BART), VTA, Capitol Corridor, Altamont Commuter Express (ACE), Dumbarton Express, and the Alameda-Contra Costa Transit District (AC Transit) as follows:

- SamTrans Bus Service: Passengers may connect to SamTrans at most stations in San Mateo County.
- Muni Light Rail and Muni Bus: Passengers may connect to the Muni Light Rail N-Judah and T-Third lines and the Muni Bus lines 30 and 45 across from the San Francisco Caltrain Station.
- BART: Passengers may connect to BART at the Millbrae Transit Center.
- VTA Light Rail: Caltrain passengers may connect to the VTA system at the Mountain View station and the Diridon and Tamien stations in San Jose.
- VTA Bus Service: Passengers may connect to VTA buses at most stations in Santa Clara County.
- Amtrak's Capitol Corridor: Passengers may connect to Caltrain at the San Jose Diridon station.
- ACE: Passengers may connect to Caltrain at the Santa Clara and San Jose Diridon stations.
- Dumbarton Express: Passengers may connect to the DB Express at the Palo Alto station.
- AC Transit: Passengers may connect to the M-line at the Caltrain Hillsdale station.

In addition to service connectivity, Caltrain is one of the Bay Area transit agencies that is a partner in Clipper, an electronic fare payment card. The program is coordinated by the Metropolitan Transportation Commission, which is the region's planning organization.

State of Good Repair Program

This program includes system-wide, scheduled improvements on infrastructure, tracks, bridges, signal and communication equipment, stations, right-of-way fencing, ticket vending equipment, and preventative maintenance and strategic replacement of the Caltrain rolling stock. In order to ensure these assets are kept in a state of good repair, replacement and rehabilitation of these assets must be done at intervals recommended by industry or manufacturer standards. Failure to maintain this program could lead to higher costs of operating these assets due to higher maintenance costs and operational delays that occur when these assets are out of service or in a state of disrepair.

Projects reaching substantial completion in fiscal year 2021 include Marin Street Bridge repairs and Napoleon Street Bridge replacement in San Francisco, and Phase I and Phase II retrofitting of 12 existing Ticket Vending Machines (TVM) to accommodate the region's Clipper card ticketing operations. Restroom rehabilitation was completed at San Francisco 4th and King Station.

Projects currently underway include designing the replacement of the Guadalupe River Bridge in San Jose, completion of the bid package for rehabilitation of the Bayshore Bridge in San Francisco, construction of the South San Francisco Station rebuild project, Phase III (21) and Phase IV (27) TVM retrofitting, development of Request for Proposal for broadband wireless communications systems to improve railroad operations and maintenance, and design of the next generation Visual Message Sign (VMS). The initial evaluation phase of the San Francisquito Creek Bridge built in 1902 between the cities of Menlo Park and Palo Alto is also underway.

Rolling stock activities completed in fiscal year 2020 include various component replacements on locomotives and cars to improve reliability, safety, and customer experience. Of note, a complete mid-life overhaul contract was awarded and is currently in progress on the six MP36 locomotives (923-928) that will remain in service following electrification. The awarded contractor currently has two MP36's (927 and 924) that are currently being overhauled; the 927 is expected to be completed in October 2021.

Caltrain Safety Improvement Program

The Caltrain safety improvement program includes station redesign, grade crossing improvements, and construction of grade separations, right-of-way fencing, and closed circuit camera systems (CCTV).

Improvements to stations will include demolition of existing narrow center platforms and construction of new platforms, installation of center fencing between the existing mainline tracks through the platform area, and installation of new pedestrian underpasses and/or signalized pedestrian at-grade crossings with pedestrian gates. The South San Francisco Station, currently underway, is an example of such a station project.

The grade crossing improvement program was developed to make grade crossings in San Francisco, San Mateo, and Santa Clara Counties safer for both vehicular and pedestrian traffic. Projects are developed using a hazard analysis tool.

Grade crossing improvement projects were completed in the City of San Mateo on 1st, 2nd, and 3rd Avenues; in the City of Menlo Park on Glenwood and Oak Grove Avenues; and in the City of Sunnyvale at both Mary and Evelyn Avenues.

Design of grade crossing improvement projects are underway in the City of San Mateo on 4th and 5th Avenues, in the City of Atherton at Watkins Avenue, and in the City of Palo Alto at Churchill Avenue.

Grade separation projects aim to improve safety by separating vehicle traffic from rail crossings. The San Mateo Grade Separation Project to construct grade separations at 31^{st}, 28^{th}, and 25^{th} Avenues in the City of San Mateo is complete. Caltrain is also working with numerous other cities to help plan, design, and eventually construct grade separations at some of the busiest intersections along the rail line, including the Broadway crossing in the City of Burlingame and Rengstorff and Castro Avenues in the City of Mountain View.

The safety fencing project is an ongoing annual project to install high security fencing along the right-of-way to deter trespassing as well as illegal dumping.

FUTURE OF CALTRAIN – SYSTEM EXPANSION AND CONNECTIONS

Prior to California High Speed Rail's anticipated arrival, additional system upgrades must also be planned, funded, and constructed. These include including high speed rail station modifications and the rail extension from the Caltrain 4^{th} and King station to the new Transbay Transit Center in downtown San Francisco. The blended system may also include passing tracks that allow high speed rail trains to bypass the Caltrain trains; grade crossing upgrades, including potential grade separations; a storage and maintenance facility; and other system upgrades such as expanded platforms that allow for longer trains and level boarding.

As discussed above, the 2040 Long-Range Service Vision (Service Vision) was adopted by the JPB to guide the long-range development of the Caltrain rail service and supporting plans, policies, and projects. The Service Vision was based on detailed technical analysis undertaken by Caltrain and its partner agencies as part of the Caltrain Business Plan process during 2018 and 2019. The Service Vision directs the railroad to plan for substantially expanded rail service that, by 2040, will address the local and regional mobility needs of the corridor while supporting local economic development activities. When fully realized, this service will provide:

- A mixture of express and local services operated in an evenly spaced, bidirectional pattern.
- Provide minimum peak and off-peak hour frequencies of trains per hour.
- Accommodation of California High Speed Rail, Capitol Corridor, Altamont Corridor Express, and freight services in accordance with the terms of existing agreements.
- Incremental development of corridor projects and infrastructure.
- Continued planning for a potential "higher" growth level of service as well as potential new regional and mega-regional connections.

The Service Vision will be periodically reaffirmed to ensure that it continues to provide relevant and useful guidance to the railroad. Such reaffirmations will occur in regular intervals of no less than five years and in response to significant changes to JPB or partner projects that materially influence the substance of the Service Vision.

FINANCIAL POLICIES

The JPB uses a comprehensive set of internal and board adopted financial policies. These policies address items such as cash management, reserves, and debt management. The policies are reviewed regularly by staff and are brought to the JPB Board for amendment and/or re-adoption as necessary.

AWARDS AND ACKNOWLEDGMENTS

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

The Government Finance Officers Association (GFOA) recognized the JPB's 2020 Annual Comprehensive Financial Report for excellence in financial reporting and the Certificate of Achievement appears immediately following this transmittal letter. To be awarded a certificate, a report must be easy to read and efficiently organized, while satisfying both accounting principles generally accepted in the United States of America and applicable legal requirements. We believe our 2021 Annual Comprehensive Financial Report also meets the requirements for a Certificate of Achievement and will submit it to the GFOA for evaluation. We would like to thank our independent audit firm, Brown Armstrong Accountancy Corporation, for its timely and expert guidance in this matter.

The Annual Comprehensive Financial Report requires the dedicated effort of many individuals working together as a team. We would like to extend our grateful recognition to all the individuals who assisted in both the preparation of this report and the processing of financial transactions throughout the fiscal year. Finally, we wish to thank the Board of Directors for their interest and support in the development of a reliable financial management and reporting system.

Respectfully submitted,

Michelle Bouchard
Acting Executive Director

Derek Hansel
Chief Financial Officer

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Peninsula Corridor Joint Powers Board
California

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2020

Christopher P. Morrill

Executive Director/CEO

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Shamann Walton

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Glenn Hendricks

Cindy Chavez

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ACTING EXECUTIVE DIRECTOR

Michelle Bouchard

EXECUTIVE OFFICERS

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Derek Hansel – Chief Financial Officer

John Funghi – Chief Officer, CalMod Program (Retiring*)

April Chan – Chief Officer, Planning, Grants, and the Transportation Authority

David Olmeda – Chief Operating Officer, Bus

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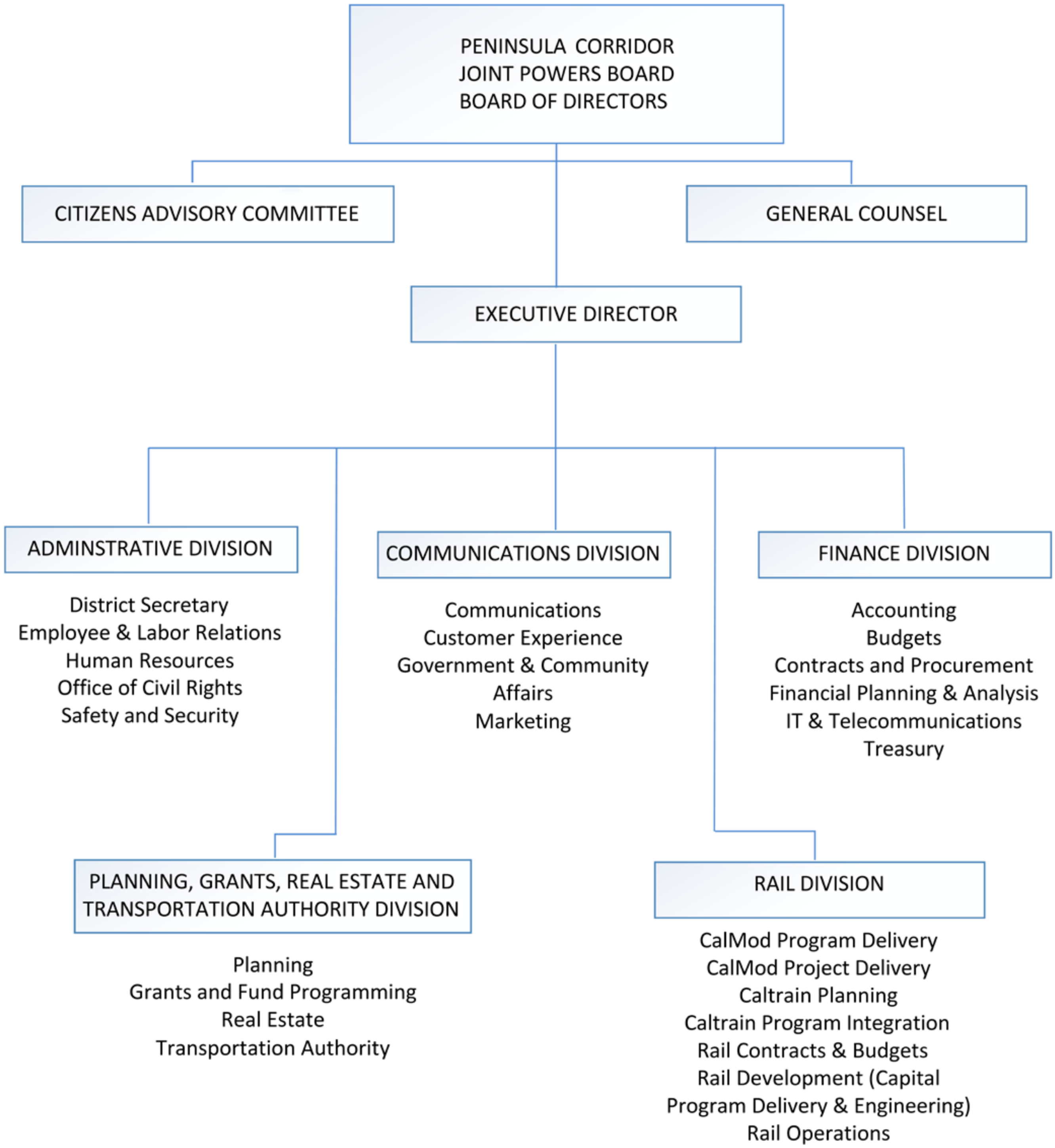
PENINSULA CORRIDOR JOINT POWERS BOARD

ORGANIZATION CHART



MAP


Pacific Ocean
San Francisco
AT&T Park
22nd St.
Bayshore
South San Francisco
San Bruno
San Bruno
Millbrae Transit Center
Broadway Weekend Only
Burlingame
San Mateo
Hayward Park
Hillsdale
Belmont
San Carlos
Redwood City
Atherton Weekend Only
Menlo Park
Palo Alto
Stanford Football Only
California Ave.
San Antonio
Mountain View
Sunnyvale
Lawrence
Santa Clara
College Park
San Jose Diridon
Tamien
Capitol
Blossom Hill
Morgan Hill
San Martin
Gilroy
SFO San Francisco International Airport
San Francisco Bay
Levi's® Stadium
SJC San Jose International Airport
Avaya Stadium
SAP Center
Distance between Blossom Hill and Gilroy not to scale
ZONE 1
ZONE 2
ZONE 3
ZONE 4
ZONE 5
ZONE 6
N

TABLE OF CREDITS

The following individuals contributed to the production of the fiscal year 2021 Annual Comprehensive Financial Report:

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Manager, Grants and Capital Accounting	Brian Lee

Audit Firm:

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Manager	Melissa L. Cabezzas, CPA

Section II

FINANCIAL

Independent Auditor's Report

Management's Discussion and Analysis

Basic Financial Statements:

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

Supplementary Information

- Supplementary Schedule of Revenues and Expenses – Comparison of Budget to Actual (Budgetary Basis)
- Notes to Supplementary Schedule

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Peninsula Corridor Joint Powers Board
San Carlos, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Peninsula Corridor Joint Powers Board (JPB) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the JPB'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.

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Opinion

In our opinion, the 2021 financial statements referred to above present fairly, in all material respects, the financial position of the JPB as of June 30, 2021, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements as of and for the year ended June 30, 2020, were audited by other auditors, who expressed an unmodified opinion in their report dated October 26, 2020.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the JPB's basic financial statements. The introductory section, supplementary schedule of revenues and expenses - comparison of budget to actual (budgetary basis), and the 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 schedule of revenues and expenses - comparison of budget to actual (budgetary basis) 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 schedule of revenues and expenses - comparison of budget to actual (budgetary basis), as listed in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
October 11, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of the Peninsula Corridor Joint Powers Board's (JPB) financial performance provides an overview of the JPB's activities for the fiscal year ended June 30, 2021, with comparisons to prior fiscal years ended June 30, 2019, and June 30, 2020. We encourage readers to consider the information presented here in conjunction with the transmittal letter contained in the Introductory Section and with the statements and related notes contained in the Financial Section.

FINANCIAL HIGHLIGHTS

- At June 30, 2021, the JPB's assets exceeded its liabilities and deferred inflows of resources by $2,723.3 million (net position). Of this amount, $71.1 million represents unrestricted net position, which may be used to meet the JPB's ongoing obligations. At June 30, 2020, the JPB's assets exceeded its liabilities by $2,355.7 million. Of this amount, $43.0 million represents unrestricted net position.
- The JPB's total net position increased by $367.6 million and $284.4 million in fiscal years 2021 and 2020, respectively, mainly because of capital contributions.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Section of this report presents the JPB's financial statements as two components: basic financial statements and notes to the financial statements. It also includes supplemental information.

Basic Financial Statements

The *Statement of Net Position* presents information on assets, liabilities, and deferred inflows of resources, with the difference between them reported as *net position*. Changes in net position over time may provide an indicator as to whether the financial position of the JPB is improving or deteriorating.

The S*tatement of Revenues, Expenses, and Changes in Net Position* reports how net position has changed during the year. It compares related operating revenues and operating expenses connected with the JPB's principal business of providing rail service. Operating expenses include the cost of direct services to passengers, administrative expenses, contracted services, and depreciation on capital assets. All other revenues and expenses are reported as nonoperating.

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

- *Cash flows from operating activities* include transactions and events reported as components of operating income in the statement of revenues, expenses, and changes in net position.
- *Cash flows from noncapital financing activitie*s include operating grant proceeds and operating subsidy payments from third parties as well as other nonoperating items.
- *Cash flows from capital and related financing activities* include the borrowing and repayment (principal and interest) of capital-related debt, the acquisition and construction of capital assets, and the proceeds of capital grants and contributions.
- *Cash flows from investing activities* include proceeds from the sale of investments, receipt of interest, and changes in the fair value of investments subject to reporting as cash equivalents. Outflows in this category include the purchase of investments.

Notes to the Financial Statements

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

Other Information

This report also presents certain *supplementary* information concerning compliance with the JPB's annual budget. This *supplementary* information, as well as associated notes can be found immediately following the *basic financial statements* and the accompanying notes.

Analysis of Basic Financial Statements

Total assets increased by $435.0 million or 16.8% to $3,029.7 million at June 30, 2021, compared to June 30, 2020, and increased by $316.8 million or 13.9% at June 30, 2020, compared to June 30, 2019. The increases for fiscal year 2021 and fiscal year 2020 were mainly due to activities in construction in progress and due from other governmental agencies. Current assets increased by $95.8 million or 42.2% to $322.7 million in fiscal year 2021. In fiscal year 2020, current assets increased by $25.0 million or 12.4% compared to fiscal year 2019. The increase for fiscal year 2021 was due to increases in due from other governmental agencies and other current assets. The increase for fiscal year 2020 was due to increases in cash and cash equivalents.

Total capital assets, net of accumulated depreciation and amortization increased by $339.2 million or 14.3% at June 30, 2021, to $2,707.1 million from $2,367.9 million on June 30, 2020, and increased by $291.9 million or 14.1% from $2,076.0 million in fiscal year 2020 compared to fiscal year 2019. Investments in capital assets, before depreciation and amortization, consist of acquisitions and improvements to the right-of-way ($1,425.7 million or 37.8%), rail vehicles ($337.0 million or 8.9%), facilities and equipment ($145.1 million or 3.8%), office equipment ($13.8 million or 0.4%), intangible asset – trackage rights ($8.0 million or 0.2%), and construction in progress ($1,840.8 million or 48.8%) in fiscal year 2021. In fiscal year 2020, investments in capital assets, before depreciation and amortization, consist of acquisitions and improvements to the right-of-way ($1,429.3 million or 42.3%), rail vehicles ($333.0 million or 9.9%), facilities and equipment ($145.1 million or 4.3%), office equipment ($13.4 million or 0.4%), intangible asset – trackage rights ($8.0 million or 0.2%), and construction in progress ($1,447.5 million or 42.9%).

Total liabilities increased by $66.0 million or 27.6% to $305.1 million at June 30, 2021, compared to June 30, 2020, and increased by $32.4 million or 15.7% to $239.1 million at June 30, 2020, compared to June 30, 2019. The fiscal year 2021 increase was mainly due to increases in accounts payable and accrued liabilities and revolving credit facility, partially offset by a decrease in unearned revenue. The fiscal year 2020 increase was mainly due to increases in unearned revenue and unearned member contributions, partially offset by decreases in accounts payable and accrued liabilities.

Total deferred inflows of resources increased by $1.3 million to $1.3 million at June 30, 2021. The fiscal year 2021 increase was mainly due to an unrealized gain related to fuel-hedge derivatives.

Total net position was $2,723.3 million at June 30, 2021, which represents an increase of $367.6 million or 15.6% from June 30, 2020, and $2,355.7 million at June 30, 2020, which represents an increase of $284.4 million or 13.7% from June 30, 2019. The increase was largely due to additional capital contributions received associated with the Caltrain electrification project. Net investment in capital assets was $2,652.2 million at June 30, 2021, representing 97.4% of the total net position; $2,312.7 million at June 30, 2020, representing 98.2% of total net position; and $2,030.3 million at June 30, 2019, representing 98.0% of total net position. The JPB's net investment in capital assets represents right-of-way improvements, rail vehicles, and facilities and equipment, less any related outstanding debt that was used to acquire those assets. The JPB uses these capital assets to provide a variety of services to its customers. Accordingly, these assets are not available for future spending. Although the JPB's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The remaining balances of $71.1 million, $43.0 million, and $41.0 million are unrestricted at June 30, 2021, 2020, and 2019, respectively, and may be used to meet the JPB's ongoing obligations to its citizens and creditors.

NET POSITION
(in thousands)

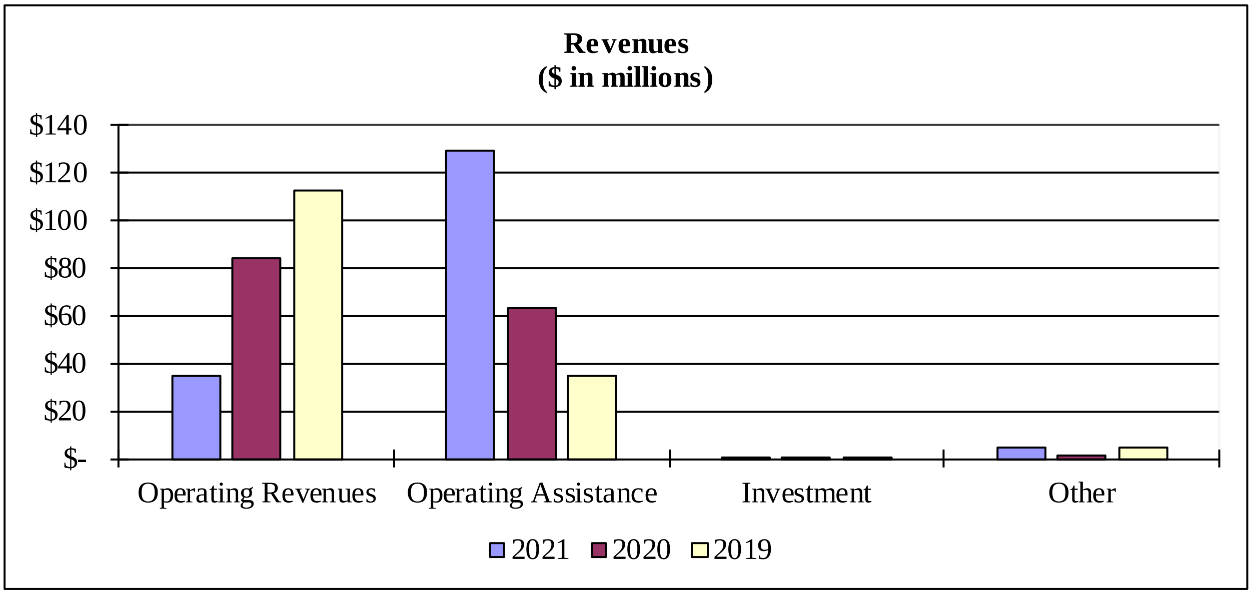
	2021	2020	2019
Assets:			
Current assets	$ 322,669	$ 226,903	$ 201,944
Capital assets, net of depreciation/amortization	2,707,058	2,367,857	2,075,976
Total assets	3,029,727	2,594,760	2,277,920
Liabilities:			
Current liabilities	249,232	183,403	150,498
Long-term liabilities	55,853	55,672	56,140
Total liabilities	305,085	239,075	206,638
Deferred inflows of resources	1,346	-	-
Net position:			
Net investment in capital assets	2,652,168	2,312,715	2,030,255
Unrestricted	71,128	42,970	41,027
Total net position	$ 2,723,296	$ 2,355,685	$ 2,071,282

Revenue Highlights

Operating revenues decreased to $35.2 million in fiscal year 2021, a $49.2 million or 58.3% decrease from fiscal year 2020 and decreased to $84.5 million in fiscal year 2020, a $28.3 million or 25.1% decrease from fiscal year 2019. The decrease in fiscal year 2021 was mostly due to a decrease in passenger fares and/or ridership as a result of the COVID-19 pandemic. The decrease in fiscal year 2020 was due to a decrease in passenger fares and/or ridership.

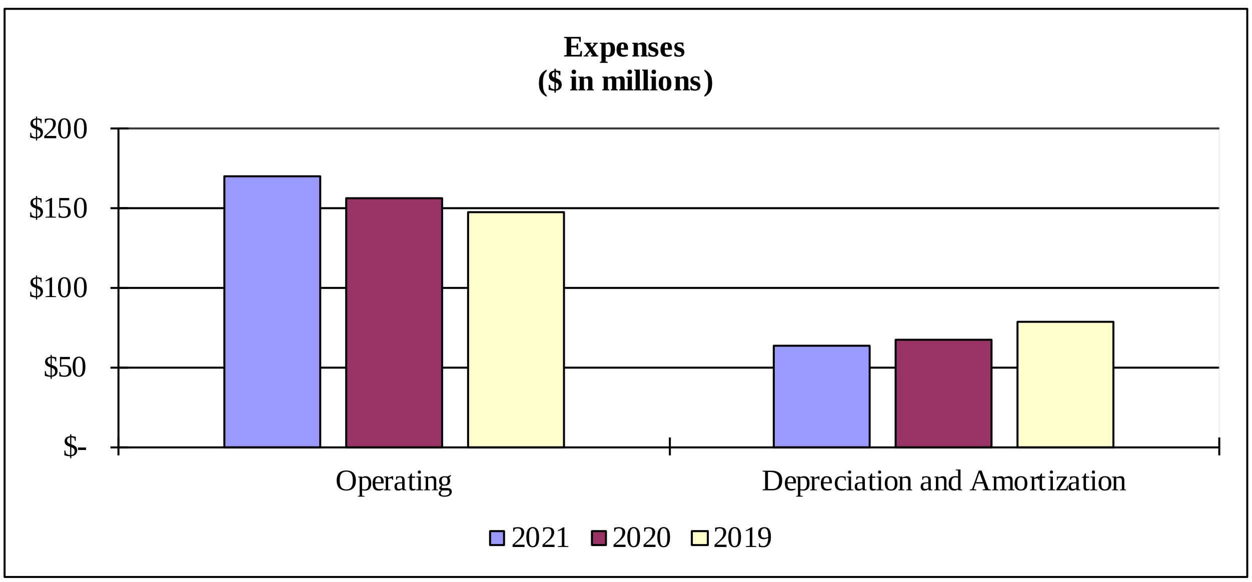
Nonoperating revenues increased by $69.9 million or 107.1% to $135.2 million at June 30, 2021, compared to June 30, 2020, and increased by $24.4 million or 59.6% in fiscal year 2020 compared to fiscal year 2019. The increase in fiscal year 2021 was mainly due to the federal Coronavirus Aid, Relief, and Economic Security Act (CARES Act) funding of $41.5 million and Coronavirus Response and Relief

Supplemental Appropriations Act (CRRSAA) funding of $46.7 million. The increase in fiscal year 2020 was mainly due to federal CARES Act funding of $23.1 million.



Expense Highlights

Total operating expenses of $170.8 million in fiscal year 2021 were $13.8 million or 8.8% higher than fiscal year 2020, and in fiscal year 2020, $9.7 million or 6.6% higher than fiscal year 2019. Total expense increase in fiscal year 2021 is mostly due to increases in contract services and professional services. Total expense increase in fiscal year 2020 is mostly due to increases in contract services and professional services. Depreciation and amortization for fiscal year 2021 was $63.6 million, a $3.4 million or 5.0% decrease over fiscal year 2020. In fiscal year 2020, depreciation and amortization was $67.0 million, an $11.9 million or 15.1% decrease over fiscal year 2019. The decrease in depreciation and amortization expenses in fiscal year 2021 was due to some assets which had been fully depreciated and/or disposed of.



CHANGES IN NET POSITION
(in thousands)

	2021	2020	2019
Operating revenues:			
Passenger fares	$ 32,440	$ 76,094	$ 102,668
Parking, shuttle, and pass revenues	1,547	6,045	7,894
Advertising	114	1,469	1,050
Other	1,108	849	1,165
Total operating revenues	35,209	84,457	112,777
Operating expenses:			
Contract services	122,030	107,037	99,541
Insurance	8,473	4,166	4,129
Fuel	7,088	9,311	11,184
Parking, shuttle, and pass revenues	3,211	5,591	5,280
Professional services	11,061	5,535	2,068
Wages and benefits	13,068	17,355	16,765
Utilities and supplies	2,083	2,059	2,189
Maintenance services	503	1,391	1,643
Temporary services, rent, and other	3,330	4,579	4,528
Total operating expenses	170,847	157,024	147,327
Operating loss before depreciation and amortization	(135,638)	(72,567)	(34,550)
Depreciation and amortization	(63,606)	(66,966)	(78,890)
Operating loss	(199,244)	(139,533)	(113,440)
Nonoperating revenues			
Federal, state, and local operating assistance	129,634	63,044	35,070
Rental income	1,125	534	1,901
Investment income (loss)	334	495	714
Other income	4,085	1,201	3,210
Total nonoperating revenues	135,178	65,274	40,895
Nonoperating expenses	(2,890)	(2,641)	(3,222)
Net loss before capital contributions	(66,956)	(76,900)	(75,767)
Capital contributions	434,567	361,303	405,162
Change in net position	367,611	284,403	329,393
Net position - beginning of year	2,355,685	2,071,282	1,741,889
Net position - end of year	$ 2,723,296	$ 2,355,685	$ 2,071,282

Capital Program

The JPB incurred capital expenses of $403.4 million and recognized related revenue in the form of capital contributions of $434.6 million in fiscal year 2021, which is a $73.2 million or 20.28% increase in capital contributions in fiscal year 2021 over fiscal year 2020. The fiscal year 2021 capital sources mainly consisted of federal grants ($179.0 million or 41.2%), state grants ($193.0 million or 44.4%), and local assistance including the three Member Agencies ($62.6 million or 14.4%).

The JPB incurred capital expenses of $359.8 million and recognized related revenue in the form of capital contributions of $361.3 million in fiscal year 2020, which is a $43.9 million or 10.8% decrease in capital contributions in fiscal year 2020 over fiscal year 2019. The JPB's capital contributions are comprised of federal grants, state grants, and local assistance including Member Agencies which are on a reimbursement basis and therefore tied to the related capital expenses. The reason for the increase in both fiscal years 2021 and 2020 is due to more activities on right-of-way improvement projects.

Following is a summary of the JPB's major capital expenses for fiscal year 2021:

- Caltrain modernization program ($323.6 million).
- Grade Separation and Grade Crossing ($47.9 million).
- Station improvements and repairs ($26.9 million).

Additional information about the JPB's capital activities appears in Note 6 – Capital Assets in the notes to the financial statements.

Debt

At the end of fiscal year 2021, the JPB had $54.9 million in outstanding farebox revenue bonds, including the unamortized premium, $0.3 million less than the bonds outstanding at the end of fiscal year 2020. During fiscal year 2008, the JPB issued $23.1 million of farebox revenue bonds (2007 Series A Farebox Revenue Bonds) to finance the purchase of eight new passenger railcars and refinance the outstanding balance of the JPB's 1999 Series A Farebox Revenue Bonds. Principal payments were not scheduled to begin on the 2007 Series A Farebox Revenue Bonds until October 1, 2018. On January 14, 2015, the JPB issued an additional series of Farebox Revenue Bonds (2015 Series A Farebox Revenue Bonds) to finance a portion of the costs of the acquisition and rehabilitation of sixteen passenger rail cars and related capital improvements. Principal payments were not scheduled to begin on the 2015 Series A Farebox Revenue Bonds until October 1, 2019. In February, 2019, the JPB issued $56,218,000 in 2019 Series A Farebox Revenue Bonds; this issuance used $24,087,000 of the proceeds to fully pay and legally defease the 2007 Series A Farebox Revenue Bonds and $11,363,000 used to fully payoff the 2015 Series A Farebox Revenue Bonds. In addition, $20,768,000 of the proceeds were used for building acquisitions. Principal on the 2019 Series A Farebox Revenue Bonds is payable on October 1, 2021, and annually thereafter on October 1 of each year through 2049. More information regarding the JPB's long-term debt activity can be found in Note 9 – Farebox Revenue Bonds Payable in the notes to the financial statements.

Economic Factors and Next Year's Budget

The JPB Board of Directors (Board) approved the Fiscal Year 2022 Operating Budgets on June 3, 2021. The Fiscal Year 2022 Operating Budgets continue to support a high level of service and reliability that the community has come to expect from Caltrain, as it makes every effort to control costs.

The Fiscal Year 2022 Operating Budget consists of $161.9 million and $176.7 million in revenues and expenditures, respectively. The major components of revenue include operating revenue of $40.6 million, primarily from farebox, and $121.3 million in contributed revenue, which includes Assembly Bill 434 and San Mateo County Transportation Authority shuttle funding, State Transit Assistance formula funds, Measure RR funds, and federal CRRSAA funds. Operating expenses are projected to be $165.6 million with the Rail Operator Contract, insurance costs, security service costs, facilities and equipment maintenance costs, and fuel costs making up a significant part of the budget. Administrative expenses are projected to be $28.8 million.

The Fiscal Year 2022 Capital Budget was also approved on June 3, 2021. The $39.2 million Capital Budget consists primarily of critical infrastructure and equipment state of good repair (SOGR), legal mandates, and operational improvements. The fiscal year 2022 Capital Budget will be funded by federal, State, regional, and local grants as well as funds provided by Measure RR.

Some of the highlights of the capital budget include:

- Guadalupe River Bridge Replacement and Extension.
- Track SOGR.
- Signal SOGR.
- Historic Stations SOGR.
- Rail Program Integration and Transition.
- Next Generation Clipper Validators Site Prep.
- Mountain View Transit Center Grade Separation and Access Project.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the JPB's finances and to demonstrate accountability for the funds it manages. Please direct any questions about this report or requests for additional information about the JPB's finances to: Peninsula Corridor Joint Powers Board, attn: Chief Financial Officer, 1250 San Carlos Avenue, San Carlos, California, 94070-1306.

BASIC FINANCIAL STATEMENTS

PENINSULA CORRIDOR JOINT POWERS BOARD

STATEMENTS OF NET POSITION (in thousands)
JUNE 30, 2021 AND 2020

	2021	2020
ASSETS:		
Current assets:		
Cash and cash equivalents (Note 3)	$ 85,015	$ 97,721
Restricted cash (Note 3)	11,057	9,316
Total cash and cash equivalents	96,072	107,037
Due from other governmental agencies	186,358	82,142
Receivables from member agencies (Note 15)	20,736	20,630
Accounts receivable - other, net of allowance	6,115	6,600
Inventory	8,110	7,962
Prepaid items	840	-
Commodity derivative contracts	2,155	249
Restricted investments with fiscal agents (Note 3)	2,283	2,283
Total current assets	322,669	226,903
Noncurrent assets:		
Capital assets (Note 6):		
Right-of-way improvements	1,188,736	1,192,985
Rail vehicles	337,025	333,025
Facilities and equipment	145,065	145,121
Office equipment	13,767	13,354
Capital assets, gross	1,684,593	1,684,485
Less accumulated depreciation and amortization	(1,063,334)	(1,008,480)
Construction in progress (Note 2L)	1,840,831	1,447,512
Right-of-way	236,968	236,340
Intangible assets - trackage rights (Note 6)	8,000	8,000
Total capital assets, net	2,707,058	2,367,857
Total noncurrent assets	2,707,058	2,367,857
Total assets	3,029,727	2,594,760

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

PENINSULA CORRIDOR JOINT POWERS BOARD

STATEMENTS OF NET POSITION (in thousands) (Continued)
JUNE 30, 2021 AND 2020

	2021	2020
LIABILITIES:		
Current liabilities:		
Accounts payable and accrued liabilities	130,143	68,892
Interest payable	1,000	1,000
Self-insurance claims liabilities (Note 10)	1,683	655
Unearned member contributions (Note 15)	36,277	34,756
Unearned revenue	18,389	52,947
Revolving credit facility (Note 16)	60,300	25,000
Farebox revenue bonds payable - short-term (Note 9)	1,384	-
Other	56	153
Total current liabilities	249,232	183,403
Noncurrent liabilities:		
Self-insurance claims liabilities - long-term (Note 10)	2,347	519
Farebox revenue bonds payable - long-term (Note 9)	53,506	55,153
Total noncurrent liabilities	55,853	55,672
Total liabilities	305,085	239,075
DEFERRED INFLOWS OF RESOURCES:		
Derivatives	1,346	-
Total deferred inflows of resources	1,346	-
NET POSITION:		
Net investment in capital assets	2,652,168	2,312,715
Unrestricted	71,128	42,970
Total net position	$ 2,723,296	$ 2,355,685

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

PENINSULA CORRIDOR JOINT POWERS BOARD

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
(in thousands)
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
OPERATING REVENUES:		
Passenger fares	$ 32,440	$ 76,094
Parking, shuttle, and pass revenues	1,547	6,045
Advertising	114	1,469
Other	1,108	849
Total operating revenues	35,209	84,457
OPERATING EXPENSES:		
Contract services (Note 13A)	122,030	107,037
Insurance	8,473	4,166
Fuel	7,088	9,311
Parking, shuttle, and pass expenses	3,211	5,591
Professional services	11,061	5,535
Wages and benefits	13,068	17,355
Utilities and supplies	2,083	2,059
Maintenance services	503	1,391
Temporary services, rent, and other	3,330	4,579
Total operating expenses before depreciation and amortization	170,847	157,024
Depreciation and amortization	63,606	66,966
Total operating expenses	234,453	223,990
Operating loss	(199,244)	(139,533)
NONOPERATING REVENUES (EXPENSES):		
Federal, state, and local operating assistance (Note 7)	129,634	63,044
Rental income	1,125	534
Investment income (loss)	334	495
Interest expense	(2,890)	(2,641)
Other income	4,085	1,201
Total nonoperating revenues, net	132,288	62,633
Loss before capital contributions	(66,956)	(76,900)
Capital contributions (Note 11)	434,567	361,303
Change in net position	367,611	284,403
NET POSITION:		
Beginning of year	2,355,685	2,071,282
End of year	$ 2,723,296	$ 2,355,685

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

PENINSULA CORRIDOR JOINT POWERS BOARD

STATEMENTS OF CASH FLOWS (in thousands)
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	$ 35,691	$ 82,500
Rent and other cash receipts	5,209	1,734
Payments to vendors for services	(155,726)	(140,948)
Payments to employees	(13,068)	(17,355)
Net cash used for operating activities	(127,894)	(74,069)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Operating grants received	129,634	63,045
Net cash provided by noncapital financing activities	129,634	63,045
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and construction of capital assets	(341,556)	(370,703)
Capital contributions from grants	297,210	417,721
Proceeds from (payments on) the revolving credit facility	35,300	-
Payment of capital debt	(264)	(55,479)
Proceeds from refunding of capital debt	-	55,747
Interest paid on capital debt	(2,889)	(3,420)
Net cash provided by (used for) capital and related financing activities	(12,199)	43,866
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales and maturities of investments	-	10,425
Purchase of investment	(840)	-
Investment income received	334	495
Net cash used for investing activities	(506)	10,920
Net increase (decrease) in cash and cash equivalents	(10,965)	43,762
Cash and cash equivalents, beginning of year	107,037	63,275
Cash and cash equivalents, end of year	$ 96,072	$ 107,037

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

STATEMENTS OF CASH FLOWS (in thousands) (Continued)
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
RECONCILIATION OF OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES:		
Operating loss	$ (199,244)	$ (139,533)
Adjustments to reconcile operating loss to net cash used for operating activities:		
Depreciation and amortization	63,606	66,966
Rent and other cash receipts	5,209	1,734
Effect of changes in:		
Receivables	485	(1,957)
Prepaid items	-	(241)
Inventory	(148)	-
Commodity derivative contracts	(561)	-
Accounts payable and accrued liabilities	-	-
Other liabilities	(97)	-
Claims liabilities	2,856	(437)
Net cash used for operating activities	$ (127,894)	$ (74,069)
NONCASH INVESTING AND CAPITAL ACTIVITIES:		
Change in fair value of investments	$ 1,346	$ 8
Noncash capital contributions	-	78,539
Net noncash investing and capital activities	$ 1,346	$ 78,547

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

INDEX TO THE NOTES ***Pages***

Notes are essential to present fairly the information contained in the overview level of the basic financial statements. Narrative explanations are intended to communicate information that is not readily apparent or cannot be included in the statements and schedules themselves, and to provide additional disclosures as required by the Governmental Accounting Standards Board.

NOTE 1 – ORGANIZATION

In 1987, representatives of the City and County of San Francisco (CCSF), the San Mateo County Transit District (District), and the Santa Clara Valley Transportation Authority (VTA) formed the Peninsula Corridor Joint Powers Board (JPB) to plan for the full transfer of administrative and financial responsibility for the Caltrain rail service from the State of California to the local level. In October 1991, a Joint Powers Agreement (Agreement) signed by the three parties (Member Agencies) stipulated the JPB membership and powers, specified financial commitments for each member, and detailed other administrative procedures, including designating the District as the Managing Agency.

The JPB acquired the rail corridor right-of-way between San Francisco and San Jose (Mainline) and perpetual trackage rights between San Jose and Gilroy (Gilroy Extension) from Southern Pacific Transportation Company in December 1991, with contributions provided by the District, the San Mateo County Transportation Authority, VTA for Gilroy trackage rights only, and the California Transportation Commission. The JPB holds title to the Mainline located in all three counties. Because the District advanced an initial contribution in the amount of $82 million on behalf of all of the member agencies to complete the funding package to acquire the right-of-way, the JPB and the District are tenants in common as to all right-of-way property located in San Mateo County.

On October 31, 2008, all three of the JPB Member Agencies, together with the Metropolitan Transportation Commission (MTC), signed an agreement to fully resolve all outstanding financial issues related to the acquisition of the right-of-way. Both CCSF and VTA have agreed to reimburse the District using gasoline tax “spillover” funds. Population based “spillover” funds are to be paid directly to the District from the MTC and the revenue based “spillover” funds are to be paid to the District from the San Francisco Municipal Transportation Agency (SFMTA) and VTA. The parties have agreed to make best efforts to allocate the funds in full within two to four years and, in no event, later than ten years. When all payments have been received by the District, the District will reconvey to the JPB all of its interests in the title to the right-of-way in San Mateo County. This October 31, 2008 Agreement also designates the District as the Managing Agency of the JPB and further states that the District “will serve in that capacity unless and until it no longer chooses to do so.”

The JPB assumed an expanded role in July 1992 as the State of California Department of Transportation (Caltrans) and the District coordinated the transfer of Caltrain operations and administration to the JPB. The JPB selected the National Railroad Passenger Corporation (Amtrak) as the contract operator, and Amtrak operated the rail service from July 1, 1992, through May 25, 2012. TransitAmerica Services, Inc., (TASI) assumed operations and maintenance of the service on May 26, 2012.

The JPB is governed by a nine-member Board of Directors (Board) representing the three Member Agencies. The base term of the Agreement establishing the JPB expired in 2001, but the Agreement provides that it continues on a year-to-year basis, with a Member Agency’s withdrawal requiring a minimum one-year advance written notice to the JPB and the other Member Agencies.

To enhance public involvement, the JPB established a Citizen Advisory Committee (CAC) comprised of three representatives from each of the JPB counties. The CAC’s principal function is to assist the JPB by articulating the interests and needs of transit users and potential customers.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The accompanying financial statements include the financial activities of the JPB only.

B. Implementation of Governmental Accounting Standards Board (GASB) Statements

Effective this Fiscal Year

GASB Statement No. 84 – In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this statement is to improve guidance related to fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this statement are effective for reporting periods beginning after December 15, 2019, or the fiscal year 2020/2021. There was no net effect to the financial statements.

GASB Statement No. 90 – In August 2018, GASB issued Statement No. 90, *Majority Equity Interests, an Amendment of GASB Statements No. 14 and No. 61*. The objective of this statement is to improve how a majority equity interest is reported. The statement specifies that a majority equity interest in a legally separate organization should be reported as an investment using the equity method if a government's holding of the equity interest meets the definition of an investment, and for all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit. The requirements of this statement are effective for reporting periods beginning after December 15, 2019, or fiscal year 2020/2021. There was no net effect to the financial statements.

Effective in Future Fiscal Years

GASB Statement No. 87 – In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right-to-use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The statement is effective for the reporting periods beginning after December 15, 2020, or fiscal year 2021/2022. The JPB is evaluating the impact of this statement on the financial statements.

GASB Statement No. 89 – In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this statement are to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for certain interest costs. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Implementation of Governmental Accounting Standards Board Statements (Continued)

Effective in Future Fiscal Years (Continued)

measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in the financial statements. The requirements of this statement are effective for reporting periods beginning after December 15, 2020, or fiscal year 2021/2022. The JPB is evaluating the impact of this statement on the financial statements.

GASB Statement No. 91 – In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with commitments extended by issuers, arrangements associated with conduit debt obligations, and related note disclosures by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this statement are effective for reporting periods beginning after December 15, 2021, or fiscal year 2022/2023. The JPB is evaluating the impact of this statement on the financial statements.

GASB Statement No. 92 – In January 2020, GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this statement are to establish accounting and financial reporting requirements for specific issues related to leases, intra-entity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance-related activities of public entity risk pools, fair value measurements, and derivative instruments. The requirements of this statement are effective for reporting periods beginning after June 15, 2021 or fiscal year 2021/2022, except for GASB Statement No. 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments, which are effective upon issuance. The JPB is evaluating the impact of this statement on the financial statements.

GASB Statement No. 93 – In May 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The objectives of this statement are to address those and other accounting and reporting implications resulting from the replacement of an IBOR by providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced and providing clarification to the hedge accounting termination provisions, removing LIBOR as a benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap, identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap and providing an exception to the lease modifications guidance in GASB Statement No. 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend. The requirements of this statement are effective for reporting periods beginning after June 15, 2021, or fiscal year 2021/2022, except the removal of LIBOR as a benchmark interest rate which is effective for periods beginning after December 31, 2022, or fiscal year 2022/2023. The JPB is evaluating the impact of this statement on the financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Implementation of Governmental Accounting Standards Board Statements (Continued)

Effective in Future Fiscal Years (Continued)

GASB Statement No. 94 – In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The objectives of this statement improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The requirements of this statement are effective for reporting periods beginning after June 15, 2022, or fiscal year 2022/2023. The JPB is evaluating the impact of this statement on the financial statements.

GASB Statement No. 96 – In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. The objective of this statement is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The requirements of this statement are effective for reporting periods beginning after June 15, 2022, or fiscal year 2022/2023. The JPB is evaluating the impact of this statement on the financial statements.

GASB Statement No. 97 – In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32.* The objectives of this statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements of this statement are effective for reporting periods beginning after June 15, 2021, or fiscal year 2021/2022. The JPB is evaluating the impact of this statement on the financial statements.

C. Basis of Accounting

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Cash and Cash Equivalents

For purpose of the statement of cash flows, the JPB considers all highly liquid investments with an initial maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents also include amounts invested in the Local Agency Investment Fund (LAIF) and the San Mateo County Pool (see Note 3).

E. Accounts Receivable – Other

During the course of normal operations, the JPB carries various receivable balances for services and rent. At June 30, 2021 and 2020, the allowances for doubtful accounts included in accounts receivable – other, were $187,189 and $413,499, respectively.

F. Inventories

Inventories consist principally of spare parts that are recorded when purchased and expensed when used. Inventories are stated at average cost which approximates market and are maintained by TASI as part of its contractual agreement.

G. Investments

Investment transactions are recorded on the trade date at fair value. Fair value is defined as the amount that the JPB could reasonably expect to receive for an investment in a current sale from a willing buyer and is based on current market prices.

H. Restricted Investments with Fiscal Agents

Provisions of the JPB's trust agreements related to its farebox revenue bonds require that certain restricted investments accounts be established. These accounts are held by the fiscal agent and include funds for payment of principal and interest on the farebox revenue bonds.

I. Restricted and Unrestricted Resources

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

J. Capital Assets

Capital assets are recorded at historical cost or appraised value. However, donated capital assets are recorded at estimated acquisition value at the date of donation plus ancillary charges, if any. The JPB defines capital assets as assets with a cost greater than $5,000 and an estimated useful life in excess of one year. Donated assets are recorded at acquisition value on the date donated. Major additions and replacements are capitalized. Maintenance repairs and additions of a minor nature are expensed as incurred.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Depreciation and Amortization

Depreciation and amortization are calculated using the straight-line method over the following estimated useful lives:

- Right-of-way improvements – 3 to 40 years
- Rail vehicles – 10 to 36 years
- Facilities and equipment – 4 to 35 years
- Office equipment – 3 to 5 years

L. Construction in Progress

(In thousands)	2021	2020
Caltrain Modernization program	$ 1,533,748	$ 1,210,803
Bridge improvements	5,712	3,702
Rolling stock - purchase/improvements	35,707	39,824
Grade crossing and separations	190,087	143,144
System-wide track improvements	3,295	2,218
Station improvements	68,323	43,793
Safety	3,703	3,731
Communications	256	297
Total Construction in Progress	$ 1,840,831	$ 1,447,512

Caltrain Modernization program includes purchases of new Electric Multiple Unit (EMU) trains.

M. Bond Issuance Costs

Bond issuance costs are expensed upon the issuance of related debt.

N. Unearned Member Contributions

Unearned member contributions are the result of advances from the Member Agencies. To the extent that these amounts exceed committed funds (see Note 15), they may be refunded to the Member Agencies or used to offset future required contributions.

O. Unearned Revenue

Unearned revenue represents fares, rents, and state assistance amounts received which have not yet been earned. Advance ticket sales are included as unearned revenue until earned.

P. Member Agency Assistance

Amounts received from Member Agencies for operations are recognized as revenues when operating and administrative expenses are incurred. Amounts received from Member Agencies for acquisition of assets or matching grants are recognized as capital contributions when capital expenses are incurred.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Q. Federal, State, and Local Operating Assistance

Federal, state, and local operating assistance are recorded as revenue when operating expenses are incurred.

R. Wages and Benefits

Personnel costs of the JPB represent the allocated costs of District employees addressing JPB functions in the District's capacity as Managing Agency. Participation in pension plans, compensated absences, and postretirement health care benefits for these employees are administered by the District.

S. Operating/Nonoperating Revenues and Expenses

The JPB distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from directly providing services in connection with the JPB's principal operations of commuter rail service. These revenues are primarily passenger fares, parking, shuttle, and pass revenues. Operating expenses include the cost of sales and services, administrative expenses, contracted services, and depreciation on capital assets. All other revenues and expenses (including member contributions) not meeting this definition are reported as nonoperating revenues and expenses.

T. Use of Estimates

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

U. Deferred Outflows and Deferred Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

V. Fair Value Measurements

Accounting principles generally accepted in the United States of America provide guidance for determining a fair value measurement for reporting purposes, applying fair value to investments, and disclosures related to a hierarchy established by accounting principles generally accepted in the United States of America. The fair value hierarchy, which has three levels, is based on the valuation

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

V. Fair Value Measurements (Continued)

inputs used to measure fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs include inputs that are directly observable for the investment including quoted price for similar investments and inputs that are not directly observable but are derived from observable market data through correlation; and Level 3 inputs are significant unobservable inputs.

W. Reclassifications

For the year ended June 30, 2021, certain classifications have been changed to improve financial statement presentation. For comparative purposes, prior year balances have been reclassified to conform with the fiscal year 2021 presentation.

X. Subsequent Events

Subsequent events have been evaluated through October 11, 2021, the date these financial statements were available to be issued.

NOTE 3 – CASH AND INVESTMENTS

The JPB's investments are carried at fair value, as required by accounting principles generally accepted in the United States of America. The JPB adjusts the carrying value of its investments to reflect their fair value at each fiscal year-end and includes the effects of these adjustments in income for that fiscal year.

The JPB is in compliance with the Board approved Investment Policy and California Government Code requirements.

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

	2021	2020
Cash and cash equivalents	$ 85,015	$ 97,721
Restricted cash	11,057	9,316
Restricted investments with fiscal agents	2,283	2,282
Total Cash and Investments	$ 98,355	$ 109,319

	2021	2020
Cash on hand	$ 4	$ 36
Deposits with financial institutions	70,421	106,404
Investments	27,930	2,879
Total Cash and Investments	$ 98,355	$ 109,319

NOTE 3 – CASH AND INVESTMENTS (Continued)

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

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

Authorized Investment Type	Minimum Credit Rating	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Obligations	None	15 years	100%	N/A
U.S. Agency Securities	None	15 years	100%	N/A
Banker's Acceptances	None	180 days	40%	30%
Commercial Paper ($500 Mil. Min. Assets)				
Local Agencies with Less Than $100 Million of Investment Assets Under Management May Invest No More Than 25% of the Agency's Money in Eligible Commercial Paper	A1/P1/F1	270 days	40%	10%
Negotiable Certificates of Deposit	None	5 years	30%	N/A
Repurchase Agreements	None	1 year	100%	N/A
Reverse Repurchase Agreements	None	92 days	20%	N/A
Medium-Term Notes	A	5 years	30%	10%
Shares of Beneficial Interest Issued by Diversified Management Companies	None	N/A	20%	10%
Local Government Investment Pools	None	N/A	100%	N/A
Asset-Backed and Mortgage-Backed Securities	AA	5 years	20%	N/A
Municipal Obligations	None	10 years	100%	N/A
Supranational Obligations	AA	5 years	30%	N/A
Local Agency Investment Fund (LAIF)	None	N/A	None	$75 million
San Mateo County Investment Pool	None	N/A	Up to the current state limit	N/A

Investments Authorized by Debt Agreements

Investments of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California government code or the JPB's investment policy. These provisions allow for the acquisition of investment agreements with maturities of up to 30 years and money market funds.

Disclosure Relating to Interest Rate Risk

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

NOTE 3 – CASH AND INVESTMENTS (Continued)

Disclosure Relating to Interest Rate Risk (Continued)

The JPB's weighted average maturity of its investment portfolio at June 30, 2021, was as follows (in thousands):

Investment Type	Amount	Weighted Average Maturity (in years)
Local Agency Investment Fund (LAIF)	$ 25,087	0.80
San Mateo County Investment Pool	560	1.81
Held by Bond Trustee:		
Money Market Mutual Fund	2,283	-
Total Investment Portfolio	$ 27,930	
Portfolio Weighted Average Maturity		0.75

The JPB's weighted average maturity of its investment portfolio at June 30, 2020, was as follows (in thousands):

Investment Type	Amount	Weighted Average Maturity (in years)
Local Agency Investment Fund (LAIF)	$ 37	0.52
San Mateo County Investment Pool	560	1.75
Held by Bond Trustee:		
Money Market Mutual Fund	2,282	-
Total Investment Portfolio	$ 2,879	
Portfolio Weighted Average Maturity		0.35

NOTE 3 – CASH AND INVESTMENTS (Continued)

Disclosures Relating to Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the JPB's investment policy, or debt agreements, and the actual rating as of fiscal years ended June 30, 2021 and 2020, for each investment type (in thousands):

		Rating as of June 30, 2021	
Investment Type	Amount	S&P Rating AAA	Not Rated
Local Agency Investment Fund (LAIF)	$ 25,087	$ -	$ 25,087
San Mateo County Pool	560	-	560
Held by Bond Trustee:			
Money Market Mutual Funds	2,283	2,283	-
Total	$ 27,930	$ 2,283	$ 25,647

		Rating as of June 30, 2020	
Investment Type	Amount	S&P Rating AAA	Not Rated
Local Agency Investment Fund (LAIF)	$ 37	$ -	$ 37
San Mateo County Pool	560	-	560
Held by Bond Trustee:			
Money Market Mutual Funds	2,282	2,282	-
Total	$ 2,879	$ 2,282	$ 597

Concentration of Credit Risk

The investment policy of the JPB contains limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. The JPB does not have any investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent five percent or more of the JPB's total investments at June 30, 2021, or June 30, 2020.

Fair Value Measurements

Fair value measurements are categorized based on the valuation inputs used to measure fair value: Level 1 inputs are quoted prices in active markets for identical asset assets; Level 2 inputs include inputs that are directly observable for the investment including quoted price for similar investments and inputs that are not directly observable but are derived from observable market data through correlation; and Level 3 inputs are significant unobservable inputs. Investments in LAIF and the San Mateo County Investment Pool are uncategorized as deposits and withdrawals are made on the basis of $1 and not fair value.

NOTE 3 – CASH AND INVESTMENTS (Continued)

Fair Value Measurements (Continued)

The following is the JPB's fair value hierarchy table as of June 30, 2021 (in thousands):

Investment Type	Total	Level 2 Inputs	Uncategorized
Local Agency Investment Fund (LAIF)	$ 25,087	$ -	$ 25,087
San Mateo County Pool	560	-	560
Money Market Mutual Funds	2,283	2,283	-
Total Investments by Fair Value Type	$ 27,930	$ 2,283	$ 25,647

The following is the JPB's fair value hierarchy table as of June 30, 2020 (in thousands):

Investment Type	Total	Level 2 Inputs	Uncategorized
Local Agency Investment Fund (LAIF)	$ 37	$ -	$ 37
San Mateo County Pool	560	-	560
Money Market Mutual Funds	2,282	2,282	-
Total Investments by Fair Value Type	$ 2,879	$ 2,282	$ 597

Custodial Credit Risk

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the JPB will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counter party (e.g., broker-dealer) to a transaction, the JPB will not be able to recover the value of its investment or collateral securities that are in possession of another party. California Government Code and the JPB's Investment Policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments. The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The fair value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure the JPB's deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits.

As of June 30, 2021 and 2020, the JPB had $98,770,116 and $110,799,573, respectively, of deposits with financial institutions. Additionally, the JPB is required to hold certain capital fund amounts in interest bearing accounts. These balances are in excess of the $250,000 FDIC limit; however due to California State Law, the excess balances are collateralized with pledged securities by the financial institutions holding the JPB's deposits.

NOTE 3 – CASH AND INVESTMENTS (Continued)

Investment in San Mateo County Investment Pool

The JPB is a voluntary participant that invested in the San Mateo County Treasurer's Investment Pool (County Pool) at June 30, 2021 and 2020, in the amount of $559,894 and $559,771, respectively.

The County Pool is a governmental investment pool managed and directed by the elected San Mateo County Treasurer. It is not registered with the Securities and Exchange Commission. The fair value of JPB's investment in this pool is reported in the accompanying financial statements at amounts based upon JPB's pro-rata share of the fair value provided by the County Pool 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 Pool, which are recorded on an amortized cost basis.

Investment in State Investment Pool

The JPB is a voluntary participant in LAIF which is regulated by the California Government Code under the oversight of the Treasurer of the State of California. LAIF is not registered with the Securities and Exchange Commission. The fair value of the JPB's investment in this pool is reported in the accompanying financial statements at amounts based upon the JPB's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

As of June 30, 2021, the JPB had a contractual withdrawal value of $25,087,225 in the pool. As of June 30, 2020, the JPB had a $36,932 contractual withdrawal value in the pool.

NOTE 4 – GILROY EXTENSION

The JPB holds trackage rights that extend south from the end of its property ownership in San Jose to Gilroy over a rail line owned by the Union Pacific Railroad. Those rights include the rights to operate five two-way train pairs. In addition, the Santa Clara Valley Transportation holds the rights to operate five additional train pairs to Gilroy.

NOTE 5 – CONTRIBUTED ASSETS FROM CALTRANS

In order to facilitate the purchase of the Mainline and the Gilroy Extension on a timely basis, and to provide for an orderly transition to local administration in a manner that would assure no service interruption, Caltrans and the JPB executed an agreement memorializing various commitments. Caltrans granted the JPB the right to use and control various real and personal property. These properties included: stations, locomotives, passenger cars ("rolling stock"), inventories, and other property associated with Caltrain service. The agreement required that Caltrans transfer all of its rights, titles, and interests in these properties to the JPB, in accordance with Public Utilities Code Section 99234.7.

NOTE 5 – CONTRIBUTED ASSETS FROM CALTRANS (Continued)

On April 4, 1996, the JPB's Board approved a resolution accepting transfer of rolling stock and station sites subject to certain terms and conditions outlined in the resolution. The transfer of rolling stock to the JPB was completed in December 1996, and the transfer of station sites was completed in May 1997. The rolling stock and station sites transferred were recorded at their appraised value as contributed capital in the amount of $106,710,000 and $60,432,365, respectively. Station sites consist principally of land and were capitalized as right-of-way.

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021, was as follows (in thousands):

	Balance June 30, 2020	Additions and Transfers	Deletions and Transfers	Balance June 30, 2021
Depreciable and amortized capital assets:				
Right-of-way improvements	$ 1,192,985	$ 731	$ (4,980)	$ 1,188,736
Rail vehicles	333,025	6,499	(2,499)	337,025
Facilities and equipment	145,121	1,020	(1,076)	145,065
Office equipment	13,354	606	(193)	13,767
Total depreciable and amortized capital assets	1,684,485	8,856	(8,748)	1,684,593
Accumulated depreciation for:				
Right-of-way improvements	666,115	49,478	(4,983)	710,610
Rail vehicles	258,607	9,031	(2,499)	265,139
Facilities and equipment	70,530	4,826	(1,077)	74,279
Office equipment	13,228	271	(193)	13,306
Total accumulated depreciation	1,008,480	63,606	(8,752)	1,063,334
Capital assets nondepreciable:				
Right-of-way	236,340	628	-	236,968
Construction in progress	1,447,512	402,803	(9,484)	1,840,831
Intangible asset - trackage rights	8,000	-	-	8,000
Total nondepreciable capital assets	1,691,852	403,431	(9,484)	2,085,799
Capital assets, net	$ 2,367,857	$ 348,681	$ (9,480)	$ 2,707,058

NOTE 6 – CAPITAL ASSETS (Continued)

Capital asset activity for the year ended June 30, 2020, was as follows (in thousands):

	Balance June 30, 2019	Additions and Transfers	Deletions and Transfers	Balance June 30, 2020
Depreciable and amortized capital assets:				
Right-of-way improvements	$ 1,183,600	$ 24,716	$ (15,331)	$ 1,192,985
Rail vehicles	333,787	402	(1,164)	333,025
Facilities and equipment	136,599	9,103	(581)	145,121
Office equipment	14,529	21	(1,196)	13,354
Total depreciable and amortized capital assets	1,668,515	34,242	(18,272)	1,684,485
Accumulated depreciation for:				
Right-of-way improvements	632,433	48,265	(14,585)	666,113
Rail vehicles	246,236	13,536	(1,164)	258,608
Facilities and equipment	66,271	4,840	(581)	70,530
Office equipment	13,928	326	(1,025)	13,229
Total accumulated depreciation	958,868	66,967	(17,355)	1,008,480
Capital assets nondepreciable:				
Right-of-way	233,711	2,629	-	236,340
Construction in progress	1,124,618	357,137	(34,243)	1,447,512
Intangible asset - trackage rights	8,000	-	-	8,000
Total nondepreciable capital assets	1,366,329	359,766	(34,243)	1,691,852
Capital assets, net	$ 2,075,976	$ 327,041	$ (35,160)	$ 2,367,857

NOTE 7 – OPERATING ASSISTANCE

Member Agencies provide funding to the JPB. Net operating and administrative costs are apportioned on the basis of mutually agreed contribution rates, updated on an annual basis. Funding allocations for the years ended June 30 were:

	2021	2020
District - Operating	31.10%	30.60%
VTA - Operating	41.45%	42.40%
CCSF - Operating	27.45%	27.00%

NOTE 7 – OPERATING ASSISTANCE (Continued)

Federal, state, and local operating assistance revenue amounts included in the statements of revenues, expenses, and changes in net position for the years ended June 30 were (in thousands):

	2021	2020
Member Agency local funds	$ 28,538	$ 28,035
Assembly Bill 434 operating assistance	167	608
Federal CARES Act	41,510	23,128
Federal CRRSAA Act	46,692	-
State transit assistance	10,425	11,004
Other	2,302	269
Total	$ 129,634	$ 63,044

NOTE 8 – CAPITAL ASSISTANCE

Capital expenses are primarily funded by federal and state grants, equal annual contributions from all three Member Agencies, and proceeds from Farebox Revenue Bonds (See Note 9 – Farebox Revenue Bonds Payable). Costs of capital replacement and enhancement projects that are not covered by outside funding sources are allocated to the Member Agencies based upon the terms of the Joint Powers Agreement.

A. Member Agencies

On an annual basis, the Board determines the amount to be contributed to a Capital Contingency Fund (CCF) to cover unanticipated necessary capital improvements. The total amount contributed to the CCF was $990,000 for each of the years ended June 30, 2021 and 2020.

In fiscal years 2021 and 2020, the JPB received capital reimbursements and capital advances from the Member Agencies totaling $107,891,352 and $62,536,053, respectively. The unexpended amounts at June 30, 2021 and 2020, are shown as Unearned Member Contributions. (See Note 15 – Related Parties.)

B. Federal and State Grants

At June 30, 2021, the JPB had federal, state, and local grants/allocations that provide funding for Caltrain capital projects. Capital additions for the years ended June 30, 2021 and 2020, applicable to these projects are $434,567,214 and $361,303,085, respectively. The related federal participation was $179,027,224 and $170,387,058 for fiscal years ended June 30, 2021 and 2020, respectively.

The JPB had receivables of $40,422,077 and $27,213,592 at June 30, 2021 and 2020, respectively, for qualifying capital project expenditures under Federal Transit Administration (FTA) grant contracts in excess of reimbursements, which is reported as due from other governmental agencies. In addition, the JPB has receivables of $117,954,855 and $39,709,705 at June 30, 2021 and 2020, respectively, for qualifying capital project expenditures under various state grants, which also is reported as due from other governmental agencies.

NOTE 8 – CAPITAL ASSISTANCE (Continued)

B. Federal and State Grants (Continued)

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

NOTE 9 – FAREBOX REVENUE BONDS PAYABLE

Composition and Changes

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

Long-term debt activity for the year ended June 30, 2021, is as follows (in thousands):

	Balance July 1, 2020	Additions	Retirements	Balance June 30, 2021	Current Portion
2019 Series A Farebox Revenue Bonds	$ 47,635	$ -	$ -	$ 47,635	$ 1,120
Add: Unamortized premium, net	7,518	-	263	7,255	264
Total long-term debt	$ 55,153	$ -	$ 263	$ 54,890	$ 1,384

Long-term debt activity for the year ended June 30, 2020, is as follows (in thousands):

	Balance July 1, 2019	Additions	Retirements	Balance June 30, 2020	Current Portion
2019 Series A Farebox Revenue Bonds	$ 47,635	$ -	$ -	$ 47,635	$ -
Add: Unamortized premium, net	7,782	-	264	7,518	-
Total long-term debt	$ 55,417	$ -	$ 264	$ 55,153	$ -

Description of the JPB's Long-Term Debt Issues

A. 2007 Series A Farebox Revenue Bonds

In October 2007, the JPB issued $23,140,000 in 2007 Series A Farebox Revenue Bonds with $2,117,000 used to fully pay and legally defease the 1999 Series A Farebox Revenue Bonds. The balance, net of cost of issuance, was used to finance the acquisition of eight new rail cars. The refinancing of the 1999 Series A Farebox Revenue Bonds extended the length of the existing debt service obligations by 12 years, from 2016 to 2028.

The 2007 Series A Farebox Revenue Bonds carry coupon rates ranging from 4.0 to 5.0 percent with interest due on April 1 and October 1 of each year through October 1, 2037. Principal on the 2007 Series A Farebox Revenue Bonds is payable on October 1, 2018, and annually thereafter on October 1 of each year through 2037.

NOTE 9 – FAREBOX REVENUE BONDS PAYABLE (Continued)

Description of the JPB's Long-Term Debt Issues (Continued)

A. <u>2007 Series A Farebox Revenue Bonds</u> (Continued)

The 2007 Series A Farebox Revenue Bonds are special obligations of the JPB payable from and secured by a pledge of farebox revenues, which also secures the 2015 Series A Farebox Revenue Bonds. For pledge purposes, the term "farebox revenues" means the amounts generated and collected in connection with the operation of Caltrain, including passenger fares, parking, shuttle, and pass revenues, and other revenues from operations. The term excludes grants from the state or the federal government or any Member Agency. The 2007 Series A Farebox Revenue Bonds were refunded by the 2019 Series A Farebox Revenue Bonds in February 2019.

B. <u>2015 Series A Farebox Revenue Bonds</u>

On January 14, 2015, the JPB issued $11,000,000 in 2015 Series A Farebox Revenue Bonds to finance a portion of the costs of the acquisition and rehabilitation of sixteen passenger railcars. The 2015 Series A Farebox Revenue Bonds were issued in a bank term rate which is subject to adjustment from time to time as provided in the trust agreement (Trust Agreement) pursuant to which the Series 2015 Series A Farebox Revenue Bonds were issued. Interest payments are due on April 1 and October 1 of each year. Annual principal payments commenced on October 1, 2019, and continue through the maturity date of October 1, 2033 (19 years repayment).

The 2015 Series A Farebox Revenue Bonds are special obligations of the JPB payable from and secured by a pledge of farebox revenues which also secures the 2007 Series A Farebox Revenue Bonds. For pledge purposes, the term "farebox revenues" means the amounts generated and collected in connection with the operation of Caltrain, including passenger fares, parking, shuttle, and pass revenues, and other revenues from operations. Farebox revenues does not include grants from the state or the federal government. The amount and terms of pledged revenue are the outstanding secured debt service as noted on the debt service requirement schedule in the following paragraph. The 2015 Series A Farebox Revenue Bonds were refunded by the 2019 Series A Farebox Revenue Bonds in February 2019.

C. <u>2019 Series A Farebox Revenue Bonds</u>

In February 2019, the JPB issued $47,635,000 in 2019 Series A Farebox Revenue Bonds along with a premium of $8,111,446 and other sources related to the defeasance of prior bond issuances netted proceeds of $56,217,759; $24,087,000 of the proceeds were used to fully pay and legally defease the 2007 Series A Farebox Revenue Bonds and $11,363,000 were used to fully payoff 2015 Series A Farebox Revenue Bonds. $20,768,000 of the proceeds are allocated for building acquisitions or to finance other improvements to Caltrain. The 2019 Series A Farebox Revenue Bonds carry a fixed coupon of 5.0 percent with interest due on April 1 and October 1 of each year through October 1, 2037. Principal on the 2019 Series A Farebox Revenue Bonds is payable on October 1, 2021, and annually thereafter on October 1 of each year through 2049.

NOTE 9 – FAREBOX REVENUE BONDS PAYABLE (Continued)

Description of the JPB's Long-Term Debt Issues (Continued)

C. 2019 Series A Farebox Revenue Bonds (Continued)

The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $84,342. The JPB completed the refunding to reduce its total debt service payments over the next 11.9 years (average life of the refunded 2007 Series A Farebox Revenue Bonds) by $3.4 million and to obtain an economic gain (difference between the present values of the old and new debt service payments) of $3.6 million (present value of prior debt and net present value savings).

The 2019 Series A Farebox Revenue Bonds are special obligations of the JPB payable from and secured by a pledge of farebox revenues. For pledge purposes, the term "farebox revenues" means the amounts generated and collected in connection with the operation of Caltrain, including passenger fares, parking, shuttle, and pass revenues, and other revenues from operations. Farebox revenues does not include grants from the state or the federal government. The amount and terms of pledged revenue are the outstanding secured debt service as noted on the debt service requirement schedule in the following paragraph.

D. Pledged Revenues and Annual Debt Service Payments

The amount of farebox pledged revenues recognized during the fiscal years ended June 30, 2021 and 2020, were $35,905,814 and $84,675,137, respectively. The total debt service requirement for the 2019 Series A Farebox Revenue Bonds for the fiscal years ended June 30, 2021 and 2020, was $2,381,750 and $2,639,773, respectively; the first payment on 2019 Series A Farebox Revenue Bonds debt was scheduled for October 1, 2019. Annual principal and interest payments for the 2019 Series A Farebox Revenue Bonds are as follows (in thousands):

Year Ending June 30:	Principal	Interest	Total
2022	$ 1,120	$ 2,354	$ 3,474
2023	1,175	2,296	3,471
2024	1,235	2,236	3,471
2025	1,300	2,173	3,473
2026	1,365	2,106	3,471
2027-2031	7,955	9,406	17,361
2032-2036	10,205	7,146	17,351
2037-2041	8,480	4,587	13,067
2042-2046	7,395	2,812	10,207
2047-2050	7,405	763	8,168
Total	$ 47,635	$ 35,879	$ 83,514

NOTE 10 – INSURANCE PROGRAMS

The JPB is exposed to various risks of loss including, but not limited to, those related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The JPB is self-insured for a portion of its public liability and damage to property. As of June 30, 2021 and 2020, coverage provided by self-insurance and excess coverage (purchased by or for the JPB) is generally summarized as follows:

Type of Coverage	Self-Insured Retention	Excess Insurance
Railroad Liability	$2,000,000 Self-Insured Retention	$300,000,000 Per Occurrence / Annual Aggregate $200,000,000 carried by the JPB and $100,000,000 carried by the Caltrain operator, TASI
Real and Personal Property	$100,000 Maximum Self-Insured Retention	$400,000,000
Public Official Liability	$75,000 Self-Insured Retention	$15,000,000 Aggregate
Special Events	$25,000 Self-Insured Retention Per Occurrence	$2,000,000 Per Occurrence / $4,000,000 Aggregate
Environmental Liability	$50,000 Self-Insured Retention	$10,000,000 2-Year Policy Aggregate (FY21-FY22)

All rolling stock is insured at full replacement value. Total insurable values (TIV) covering all rolling stock, real and personal property, tunnels, bridges, and stations exceeds $1 billion. The JPB carries a $400,000,000 loss limit per occurrence. Terrorism coverage is included. JPB owns four parcels of vacant property that do not require flood insurance. Earthquake coverage remains cost prohibitive; as such, it is not procured. To date, there have been no significant reductions in any of the JPB’s insurance coverage. Settlements have not exceeded coverages for each of the past three fiscal years.

The unpaid claims liabilities are based on the results of actuarial studies and include amounts for claims incurred but not reported. Claims liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts and other economic and social factors. Annual expense is charged using various allocation methods that include actual costs, trends in claims experience, and number of participants. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expense regardless of whether allocated to specific claims. It is the JPB’s practice to obtain full actuarial studies annually. Changes in the balances of self-insured claims liabilities for public liability and property damage for the years ended June 30, 2021 and 2020, are as follows (in thousands):

NOTE 10 – INSURANCE PROGRAMS (Continued)

	2021	2020
Self-insured claims liabilities, beginning of year	$ 1,174	$ 1,611
Incurred claims and changes in estimates	2,935	(359)
Claim payments and related costs	(79)	(78)
Total self-insured claims liabilities	4,030	1,174
Less current portion	1,683	655
Noncurrent portion	$ 2,347	$ 519

NOTE 11 – CAPITAL CONTRIBUTIONS

The JPB receives capital grants and contributions from the federal, state, and local governments for the acquisition and improvement of capital assets. Capital grants and contributions used for capital purposes are recorded as capital contributions and the cost of the related assets is included in capital assets.

Depreciation and amortization on assets acquired with capital contributions is included in the statement of revenues, expenses, and changes in net position. Capital contributions earned for the years ended June 30 are as follows (in thousands):

	2021	2020
Contributions from the federal government	$ 179,027	$ 170,386
Contributions from the state	192,977	148,421
Contributions from local governments	62,563	42,496
Total	$ 434,567	$ 361,303

NOTE 12 – HEDGE PROGRAM

In order to create more certain future diesel fuel costs and to manage the budget risk caused by uncertain future diesel fuel prices, the JPB established a diesel fuel hedging program. The hedging instruments used are New York Harbor Ultra Low Sulfur Diesel (NYHRBRULSD) futures contracts with a notional amount of 42,000 gallons each as listed on the NYMEX. As of June 30, 2021, the JPB had 82 futures contracts. As of June 30, 2021, the aggregate fuel hedge contracts covered a period from July 2021 through December 2022.

The JPB enters into futures contracts to hedge its price exposures to diesel fuel which is used in it vehicles to provide transportation. These contracts are derivative instruments. The effectiveness of the hedge is determined according to GASB Statement No. 53 (*Accounting and Financial Reporting for Derivative Instruments*) rules, which require a statistically strong relationship between the price of the futures contracts and the JPB's cost of diesel fuel from its supplier in order to insure that the futures

NOTE 12 – HEDGE PROGRAM (Continued)

contracts effectively hedge the expected cash flows associated with diesel fuel purchases/exposures. The JPB applies hedge accounting for derivatives that are deemed effective hedges. Under hedge accounting, the increase (decrease) in the fair value of a hedge is reported as a deferred cash flow on the statement of net position. For the reporting period, all of the JPB's derivatives meet the effectiveness tests. Net gains/losses from completed hedges become an element of diesel fuel cost.

For diesel fuel futures contracts, the fair values are determined according to exchange settlement prices and the prices at which the futures contracts were purchased where each contract has a volume of 42,000 gallons. The following is a summary of the fair values and notional amounts of derivative instruments (diesel futures contracts) outstanding as of June 30, 2021 (in thousands).

	2021 Change in Fair Value		Fair Value June 30, 2021		
	Classification	Amount	Classification	Amount	Notional
Effective Cash Flow Hedges					
Futures contracts	Deferred Inflow	$ 1,346	Derivative Instruments	$ 1,346	3,444 Gallons

Credit Risk

The JPB is exposed to credit risk in the amount of the derivative's fair value. When the fair value of any derivative has a positive market value, the risk is that the Counterparty will not fulfill its obligations. The counterparty for diesel futures contracts is the New York Mercantile Exchange Clearinghouse. Futures do not have credit risk because the clearing house guarantees against default risk by taking both sides of all transactions where positions are marked-to-market on a daily basis. Futures contracts are highly regulated by the Commodity Futures Trading Commission.

Basis Risk

The JPB is exposed to basis risk on its expected fuel hedge contracts because the future fuel purchases are based on a pricing point different from the pricing point at which the future contracts are expected to settle NYHRBRULSD.

Market Risk

The JPB is exposed to market risk arising from adverse changes in the market prices of the commodity.

NOTE 13 – COMMITMENT AND CONTINGENCIES

A. Operating Contract

The JPB Board awarded a contract to TASI of St. Joseph, MO, at the September 1, 2011 board meeting. TASI provides rail operations, maintenance, and support services for a base term of five years plus five months of mobilization, with five, one-year option terms. Mobilization efforts began on October 1, 2011, and TASI began its service on May 26, 2012. Amtrak continued to provide services through the mobilization period.

NOTE 13 – COMMITMENT AND CONTINGENCIES (Continued)

A. Operating Contract (Continued)

This is a Cost Plus Performance Fee based contract. All direct costs are reimbursable and TASI has the opportunity to earn up to $4.5 million per year as a performance fee. The first year budget plus mobilization costs were negotiated prior to contract award. A performance fee program and quantifiable metrics are discussed and agreed upon annually by the parties in key areas such as safety and on-time performance. These metrics are measured quarterly with the exception of adherence to the budget which will be measured annually. TASI's reported results are also independently verified and validated by a third party consultant. The expenses billed to the JPB by TASI for providing rail operation services for the years ended June 30, 2021 and 2020 are recorded as Contract Services in the statements of revenues, expenses, and changes in net position.

B. Litigation

As of June 30, 2021 and 2020, the JPB had accrued amounts that management believes are adequate to resolve claims and lawsuits which arose during the normal course of business. A few claims and lawsuits remain outstanding for which the JPB cannot determine the ultimate and resulting liability, if any. However, the JPB's management and its counsel believe the ultimate outcome of these claims and lawsuits will not materially impact the JPB's financial position.

C. Lawsuit between Peninsula Corridor Joint Powers Board v. Parsons Transportation Group, Inc., Zurich American Insurance Company, Federal Insurance Company, Fidelity, and Deposit Company America Maryland (collectively, Parsons)

The JPB and Parsons sued each other for breach of contract among other claims related to Parsons' provision of the JPB's Positive Train Control System. The lawsuits were consolidated in San Mateo County Superior Court. The JPB and Parsons entered into a settlement agreement, effective September 23, 2021, pursuant to which the parties agreed to dismiss their claims against the other with no payment to the other party.

D. PTMISEA Grants

The Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006, approved by the voters as Proposition 1B on November 7, 2006, includes a program of funding in the amount of $4 billion to be deposited in the Public Transportation Modernization, Improvement, and Service Enhancement Account (PTMISEA). Of this amount, $3.6 billion in the PTMISEA is available to project sponsors in California for allocation to eligible public transportation projects. The following table shows the changes in activity related to the PTMISEA grant funds during the fiscal years as well as the remaining commitment as of June 30, 2021 and 2020 (in thousands):

NOTE 13 – COMMITMENT AND CONTINGENCIES (Continued)

D. PTMISEA Grants

	PTMISEA South Terminal Project (Fund 3605)	PTMISEA Community Based Overlay Signal System (Fund 3607)	PTMISEA Rolling Stock State of Good Repair (Fund 3623)	PTMISEA Rolling Stock State of Good Repair (Fund 3634)
Total Allocations as of June 30, 2020	$ 959	$ 359	$ 807	$ 527
Adjustments	-	-	-	-
Net Expenditures	-	(14)	(37)	(63)
Unspent balance at June 30, 2021	$ 959	$ 345	$ 770	$ 464

	PTMISEA Electrification Improvements (Fund 3638)	PTMISEA Community Based Overlay Signal System (Fund 3647)	PTMISEA Interest Earned (Fund 3636)
Total Allocations as of June 30, 2020	$ 36	$ 2,216	$ 310
Adjustments	-	-	-
Interest Earned, Net of Bank Charges	-	-	3
Net Expenditures	-	(902)	-
Unspent balance at June 30, 2021	$ 36	$ 1,314	$ 313

	PTMISEA South Terminal Project (Fund 3605)	PTMISEA Community Based Overlay Signal System (Fund 3607)	PTMISEA Rolling Stock State of Good Repair (Fund 3623)	PTMISEA Rolling Stock State of Good Repair (Fund 3634)
Total Allocations as of June 30, 2019	$ 997	$ 478	$ 822	$ 871
Net Expenditures	(39)	(119)	(15)	(345)
	-	-	-	-
Unspent balance at June 30, 2020	$ 958	$ 359	$ 807	$ 526

	PTMISEA Electrification Improvements (Fund 3638)	PTMISEA Community Based Overlay Signal System (Fund 3647)	PTMISEA Interest Earned (Fund 3636)
Total Allocations as of June 30, 2019	$ 35	$ 3,957	$ 267
Adjustments	1	-	-
Interest Earned, Net of Bank Charges	-	-	44
Net Expenditures	-	(1,741)	-
	-	-	-
Unspent balance at June 30, 2020	$ 36	$ 2,216	$ 311

NOTE 14 – LEASING TRANSACTIONS

In February 2002, the JPB entered into a leasing transaction (the 2002 Lease Transaction) with respect to 38 Nippon Sharyo trailer cars, 14 Nippon Sharyo cab cars, and 13 GM F40PH-2 locomotives (collectively, the "Equipment"). The JPB leased the Equipment to a trust under a Head Lease and simultaneously leased back the Equipment under a Sublease. The leasing transaction terminated and restructured a portion of "a 1996 leasing transaction" (the "1996 Transaction") that had not been previously terminated. The JPB received net proceeds in the amount of $2,392,510, which represents the difference between the appraised value of the Equipment and termination costs associated with the remaining portion of the 1996 Transaction, and certain required deposits and expenses. The Equipment remains on the books of the JPB at its original cost and is being depreciated over the original useful life determined at the date of acquisition. The net proceeds have been recorded as Lease-Leaseback income for the year ended June 30, 2002. The JPB has an option to purchase the Equipment for an agreed upon purchase price in January 2026.

NOTE 15 – RELATED PARTIES

A. Operating Expenses Paid to the District

The District serves as the Managing Agency of the JPB, providing management and administrative personnel and facilities (see Note 1). The District is compensated based on actual costs incurred and administrative overhead. Total expenses billed to the JPB by the District, which are included as operating expenses in the accompanying statements of revenues, expenses, and changes in net position, are as follows (in thousands):

	2021	2020
Wages and fringe benefits	$ 10,993	$ 12,879
Overhead	2,075	4,476
Total	$ 13,068	$ 17,355

B. Receivables from Member Agencies

The JPB is owed amounts from Member Agencies for grants and prior obligations. The balances at June 30 are as follows (in thousands):

	2021	2020
District	$ 7,145	$ 9,647
VTA	6,783	5,145
CCSF	6,808	5,838
Total	$ 20,736	$ 20,630

C. Payables to the District

Amounts due to the District as Managing Agency at June 30, 2021 and 2020, total $3,588,288 and $7,089,280, respectively, and are included in accrued liabilities.

NOTE 15 – RELATED PARTIES (Continued)

D. <u>Unearned Member Contributions</u>

The JPB recognizes Member Agencies' advances as contributed capital when expenses are incurred or assets are purchased. Accordingly, some Member Agencies' payments are classified as Unearned Member Contributions. The balances at June 30 are as follows (in thousands):

	2021	2020
District	$ 21,295	$ 17,512
VTA	13,590	15,852
CCSF	1,392	1,392
Total	$ 36,277	$ 34,756
Committed for:		
Centralized traffic control system	$ 1	$ 1
Farebox capital	1	1
Capital contingency fund	2,602	1,991
Capital contribution, Member's local match	33,673	32,763
Total Committed	36,277	34,756
Uncommitted funds:		
District	-	-
VTA	-	-
CCSF	-	-
Total Uncommitted	-	-
Total	$ 36,277	$ 34,756

NOTE 16 – REVOLVING CREDIT FACILITY

Cash flow projections for the Peninsula Corridor Electrification Project (PCEP) forecast funding gaps between the time payments are due for work performed and the timing of receipts from the funding sources associated with such work, most of which are available on a reimbursement basis. At its highest point, the funding gap is currently projected to be approximately $120 million.

In December 2016, the JPB secured the 2016 Credit Facility to assist the JPB in meeting its cash flow needs in connection with the PCEP Project. The amount outstanding under the 2016 Credit Facility may not exceed $170 million at any one time. This Credit Facility commitment was reduced March 31, 2019 to a level not to exceed $120 million. Funds drawn will be applied to fund cash flow mismatch with respect to the PCEP Project and the 2018 TIRCP Grant Projects and/or to enable the JPB to access the 2018 TIRCP Grant awarded to the JPB to fund a portion of the 2018 TIRCP Grant Projects. Funds drawn by the JPB pursuant to the 2016 Credit Facility constitute loans made to the JPB by the provider of the

NOTE 16 – REVOLVING CREDIT FACILITY (Continued)

2016 Credit Facility. Such loans are secured by funds received by the JPB from funding sources identified in the 2017 Funding Plan and from the 2018 TIRCP Grant to reimburse the JPB for its prior payment of PCEP Project expenditures and 2018 TIRCP Grant Projects expenditures and by a pledge of farebox revenues subordinate to the pledge which will secure the 2019 Series A Bonds, any other Bonds issued pursuant to the Trust Agreement and any Parity Obligations.

In January 2019, the JPB secured the Additional Credit Facility to provide interim funding for a portion of the PTC Project, including cash flow mismatch, and to provide for working capital needs for the Caltrain system. The amount outstanding under the Additional Credit Facility may not exceed $30 million at any one time. Funds drawn by the JPB pursuant to the Additional Credit Facility constitute loans made to the JPB by the provider of the Additional Credit Facility. Such loans are secured by a pledge of farebox revenues on a parity with the pledge of farebox revenues which secures the 2016 Credit Facility and subordinate to the pledge which will secure the 2019 Series A Bonds, any other Bonds issued pursuant to the Trust Agreement and any Parity Obligations.

Any funds drawn by the JPB pursuant to the 2016 Credit Facility and/or the Additional Credit Facility are due and payable on December 31, 2022. In the event any funds drawn under the 2016 Credit Facility and/or the Additional Credit Facility have not been repaid prior to December 31, 2022, the JPB may issue additional Bonds or incur other debt in order to refinance any obligations incurred and outstanding under the 2016 Credit Facility and/or the Additional Credit Facility. At the present time, the JPB anticipates that the amount of debt, if any, to be issued to refinance any obligations incurred and outstanding under the 2016 Credit Facility and/or the Additional Credit Facility will not exceed $30 million.

Fees are set forth in the Fee and Pricing Agreement. The one-month LIBOR resets on a daily basis. The Fee and Pricing Agreement also specifies closing costs payable to the Lender and Lender’s Counsel. As of June 30, 2021 and 2020, $60,300,000 and $25,000,000 of the revolving credit facilities balance were outstanding, respectively.

Subsequent to fiscal year end, on August 16, 2021, the JPB replaced the existing Credit Facilities with two new Credit Facilities. The new Credit Facilities were issued in the amounts of $100 million each for PCEP project funding (PCEP Credit Facility) and Working Capital funding (Working Capital Facility). The terms on the new Credit Facilities is set forth in the Fee and Pricing Agreements for each credit line. There are two ongoing fees associated with the revolving credit facilities: an undrawn and a draw fee. For those amounts available to the JPB but undrawn and not used at a particular time, the Lender will charge a commitment fee equal to 0.23 percent times the undrawn amount. For those amounts drawn and used under the revolving credit facility, the Lender will charge a draw fee (i.e., and interest rate). The draw fee for Tax Exempt draws is equal to the following formula: 0.80 percent times one month London Interbank Offered Rate (LIBOR), plus an Applicable Tax Exempt Margin times the Margin Rate Factor. (At close of the Facilities, the Applicable Tax Exempt Margin was 0.29% and the Margin Rate Factor was 1.0. The draw fee for Taxable draws is equal to the Applicable Taxable Margin plus one month London Interbank Offered Rate (LIBOR). As of August 16, 2021, the outstanding (drawn) revolving credit line balances were $60.164 million for the PCEP Credit Facility and $35.552 million for the Working Capital Facility.

SUPPLEMENTARY INFORMATION

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PENINSULA CORRIDOR JOINT POWERS BOARD

SUPPLEMENTARY SCHEDULE OF REVENUES AND EXPENSES – COMPARISON OF BUDGET TO ACTUAL (BUDGETARY BASIS)
(in thousands)
FOR THE YEAR ENDED JUNE 30, 2021

	Budget (Unaudited)	Actual	Variance with Final Budget
OPERATING REVENUES:			
Passenger fares	$ 32,029	$ 32,440	$ 411
Parking, shuttle, and pass revenues	2,404	1,547	(857)
Advertising	970	114	(856)
Other	1,173	1,108	(68)
Total operating revenues	36,576	35,209	(1,370)
OPERATING EXPENSES:			
Contract services	99,752	122,030	(22,278)
Insurance	6,370	8,473	(2,103)
Fuel	5,969	7,088	(1,119)
Parking, shuttle, and pass expenses	5,281	3,211	2,070
Professional services	2,141	11,061	(8,920)
Wages and benefits	14,534	13,068	1,467
Utilities and supplies	2,163	2,083	80
Maintenance services	1,065	503	563
Temporary services, rent, and other	3,311	3,330	(18)
Total operating expenses	140,586	170,847	(30,258)
Operating loss	(104,010)	(135,638)	(31,628)
NONOPERATING REVENUES (EXPENSES):			
Federal, state, and local operating assistance	83,691	129,634	45,944
Rental income	1,112	1,125	13
Investment income	385	77	(307)
Interest expense	(3,902)	(2,890)	1,012
Other income	409	4,085	3,676
Total nonoperating revenues, net	81,695	132,031	50,338
Net income (loss)	(22,315)	(3,607)	18,710
CAPITAL OUTLAY:			
Capital assistance	112,560	434,567	322,007
Capital debt financing	-	(31,135)	(31,135)
Capital expenditures	(112,560)	(403,432)	(290,872)
Net capital outlay	-	-	-
Excess (Deficiency) of Revenues and Nonoperating Income over Expenses, Capital Outlay, and Debt Principal Payment	$ (22,315)	$ (3,607)	$ 18,710

NOTE 1 – BUDGETARY BASIS OF ACCOUNTING

The Peninsula Corridor Joint Powers Board (JPB) prepares its budget on a basis of accounting that differs from accounting principles generally accepted in the United States of America (GAAP). The actual results of operations are presented in the supplementary schedule on the budgetary basis to provide a meaningful comparison of actual results with budget. In addition, certain budget amounts have been reclassified to conform to the presentation of actual amounts in the supplementary schedule. Budgeted amounts presented are the final adopted budget. The primary difference between the budgetary basis of accounting and GAAP concerns capital assets. Depreciation and amortization expense per GAAP is not budgeted and budgeted capital expenses are not recorded as an expense per GAAP. In addition, unrealized gains and losses under Governmental Accounting Standards Board (GASB) Statement No. 31 are not recognized on a budgetary basis as well as some long-term expenses such as bond related payments. The capital expense budget does not include the carry-over budget from 2020.

NOTE 2 – RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS

Excess of operating revenues and nonoperating revenues over expenses and capital outlay		$ (3,607)
Reconciling Items		
Capital expenditures	$ 403,432	
Depreciation and amortization	(63,606)	
Capital debt financing	31,135	
GASB 31 unrealized gain/loss	(7)	
Bond premium amortization	264	
Subtotal reconciling items		371,218
Change in net position, GAAP basis		$ 367,611

Section III

STATISTICAL

Financial Trends

- Net Position and Changes in Net Position

Revenue Capacity

- Revenue Base and Revenue Rate
- Principal Revenue Payers

Debt Capacity

- Ratio of Outstanding Debt
- Bonded Debt
- Direct and Overlapping Debt
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STATISTICAL SECTION

The Statistical Section of the Peninsula Corridor Joint Powers Board (JPB) Annual Comprehensive Financial Report represents detailed information as a context for understanding the information in the financial statements, note disclosures, and supplementary information for assessing the JPB's economic condition.

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

PENINSULA CORRIDOR JOINT POWERS BOARD

FINANCIAL TRENDS – NET POSITION AND CHANGES IN NET POSITION
FISCAL YEARS 2012 THROUGH 2021 (in thousands)

	2021	2020	2019	2018
OPERATING REVENUES:				
Passenger fares	$ 32,440	$ 76,094	$ 102,668	$ 97,050
Parking, shuttle, and pass revenues	1,547	6,045	7,894	7,790
Advertising	114	1,469	1,050	1,016
Other	1,108	849	1,165	1,180
Total operating revenues	35,209	84,457	112,777	107,036
OPERATING EXPENSES:				
Contract services	122,030	107,037	99,541	92,899
Insurance	8,473	4,166	4,129	1,188
Fuel	7,088	9,311	11,184	10,322
Parking, shuttle, and pass expenses	3,211	5,591	5,280	5,916
Professional services	11,061	5,535	2,068	2,178
Wages and benefits	13,068	17,355	16,765	13,911
Utilities and supplies	2,083	2,059	2,189	2,063
Maintenance services	503	1,391	1,643	1,668
Temporary services, rent, and other	3,330	4,579	4,528	2,782
Total operating expenses	170,847	157,024	147,327	132,927
Operating loss before depreciation and amortization	(135,639)	(72,567)	(34,550)	(25,891)
Depreciation and amortization	(63,606)	(66,966)	(78,890)	(100,097)
Operating loss	(199,244)	(139,533)	(113,440)	(125,988)
NONOPERATING REVENUES:				
Federal, state, and local operating assistance	129,634	63,044	35,070	25,346
Rental income	1,125	534	1,901	2,070
Investment income (loss)	334	495	714	93
Other income	4,085	1,201	3,210	1,198
Total nonoperating revenues	135,178	65,274	40,895	28,707
NONOPERATING EXPENSES:				
Interest expense	(2,890)	(2,642)	(3,222)	(1,501)
Total nonoperating expenses	(2,890)	(2,642)	(3,222)	(1,501)
Net loss before capital contributions	(66,956)	(76,901)	(75,767)	(98,782)
Capital contributions	434,567	361,303	405,162	321,303
Change in net position	367,611	284,402	329,393	222,521
NET POSITION:				
Beginning of year	2,355,685	2,071,282	1,741,889	1,519,366
Prior period adjustment per GASB 65[1]	-	-	-	-
Beginning of year, as restated	2,355,685	2,071,282	1,741,889	1,519,366
End of year	$ 2,723,296	$ 2,355,685	$ 2,071,282	$ 1,741,889
COMPONENTS OF NET POSITION:				
Net investment in capital assets	$ 2,652,168	$ 2,312,715	$ 2,030,255	$ 1,707,243
Restricted	-	-	-	-
Unrestricted	71,128	42,970	41,027	34,646
Net position, end of year	$ 2,723,296	$ 2,355,685	$ 2,071,282	$ 1,741,889

[1] Per Governmental Accounting Standards Board (GASB) Statement No. 65 effective as of fiscal year 2012, certain items, deferred outflows/inflows of resources, were reclassified from assets and liabilities. Deferred bond issuance costs previously recognized were restated to reflect the change.
Source: Current and prior years' Annual Comprehensive Financial Reports.
This table presents revenues and expenses, contributions, depreciation and amortization, and net position components.

2017	2016	2015	2014	2013	2012
$ 92,429	$ 86,959	$ 83,351	$ 74,846	$ 68,767	$ 59,891
7,911	7,226	5,990	5,859	5,275	4,411
370	190	227	86	308	176
1,321	1,057	1,194	1,354	1,196	206
102,031	95,432	90,762	82,145	75,546	64,684
89,639	82,942	78,240	75,238	65,485	65,882
7,105	35	6,593	3,874	5,186	4,783
8,613	8,312	12,118	14,797	15,350	15,288
5,629	6,104	5,316	5,476	5,756	4,183
1,514	1,618	1,255	1,322	1,098	885
13,561	12,943	11,501	10,668	9,322	5,731
2,179	2,172	2,068	1,524	1,726	1,520
1,508	1,054	1,039	1,007	1,011	1,070
2,886	2,664	1,981	1,854	2,117	1,833
132,634	117,844	120,110	115,760	107,051	101,175
(30,603)	(22,412)	(29,348)	(33,616)	(31,506)	(36,490)
(83,922)	(93,540)	(75,300)	(73,452)	(59,968)	(62,724)
(114,525)	(115,952)	(104,648)	(107,068)	(91,474)	(99,214)
25,489	25,078	27,578	29,522	39,165	35,282
1,861	1,781	1,764	1,728	1,783	1,760
28	111	242	206	128	193
2,413	613	1,007	4,044	2,137	2,555
29,791	27,583	30,590	35,500	43,213	39,790
(1,302)	(1,301)	(1,192)	(1,120)	(1,120)	(1,123)
(1,302)	(1,301)	(1,192)	(1,120)	(1,120)	(1,123)
(86,036)	(89,670)	(75,250)	(72,688)	(49,383)	(60,549)
246,767	131,329	115,225	111,349	87,385	81,375
160,731	41,659	39,975	38,661	38,002	20,827
1,358,635	1,316,975	1,277,001	1,238,339	1,200,336	1,180,185
-	-	-	-	-	(676)
1,358,635	1,316,975	1,277,001	1,238,339	1,200,336	1,179,509
$ 1,519,366	$ 1,358,635	$ 1,316,975	$ 1,277,001	$ 1,238,339	$ 1,200,336
$ 1,484,730	$ 1,323,485	$ 1,282,932	$ 1,246,218	$ 1,208,591	$ 1,181,995
-	-	-	-	-	-
34,636	35,150	34,043	30,783	29,748	18,341
$ 1,519,366	$ 1,358,635	$ 1,316,975	$ 1,277,001	$ 1,238,339	$ 1,200,336

PENINSULA CORRIDOR JOINT POWERS BOARD

REVENUE CAPACITY – REVENUE BASE AND REVENUE RATE
FISCAL YEARS 2012 THROUGH 2021

	2021	2020	2019	2018
Passenger fares (in thousands)	$ 32,440	$ 76,094	$ 102,668	$ 97,050
Revenue Base				
Number of passengers (in thousands)	1,296	13,684	17,797	18,944
Source: National Transit Database (NTD)				
Four-zone fare structure				
Full adult fare:				
One-way	$ 10.50	$ 10.50	$ 10.50	$ 10.50
Day pass	21.00	21.00	21.00	21.00
8-ride [1]	-	-	-	-
Monthly pass	298.50	298.50	298.50	278.60
Eligible discount fare:				
One-way	$ 4.75	$ 4.75	$ 4.75	$ 4.75
Day pass	10.50	10.50	10.50	10.50
8-ride [1]	-	-	-	-
Monthly pass	138.00	138.00	138.00	128.80

[1] 8-ride tickets replaced 10-ride tickets effective on March 2, 2009. 8-ride tickets were discontinued on October 1, 2017.

Source: Annual Comprehensive Financial Reports, Caltrain codified tariff, and Caltrain board reports on passenger counts; National Transit Database.

This table presents passenger fares, number of passengers, and four-zone revenue fare structure.

2017	2016	2015	2014	2013	2012
$ 92,429	$ 86,959	$ 83,351	$ 74,846	$ 68,767	$ 59,891
18,743	19,233	18,567	17,029	15,596	14,134
$ 9.75	$ 9.75	$ 9.25	$ 9.25	$ 8.75	$ 8.75
19.50	19.50	18.50	18.50	17.50	17.50
68.10	68.10	64.75	64.75	59.50	59.50
243.80	243.80	232.00	232.00	232.00	232.00
$ 4.75	$ 4.75	$ 4.50	$ 4.50	$ 4.25	$ 4.25
9.75	9.75	9.25	9.25	8.75	8.75
34.05	34.05	32.25	32.25	29.75	29.75
121.90	121.90	116.00	116.00	116.00	116.00

REVENUE CAPACITY – PRINCIPAL REVENUE PAYERS
FISCAL YEAR ENDED JUNE 30, 2021

The JPB does not have major revenue payers as most of the operating revenues are derived from passenger fares.

DEBT CAPACITY – RATIO OF OUTSTANDING DEBT
FISCAL YEARS 2012 THROUGH 2021 (in thousands)

Fiscal Year	Farebox Revenue Bonds for JPB (in thousands)[1]	Personal Income for San Mateo County[2]	As a Percent of Personal Income
2021	$ 54,890	$ 95,598,314	0.057%
2020	55,153	92,813,897	0.059%
2019	55,417	102,803,127	0.054%
2018	34,496	98,568,258	0.035%
2017	34,514	90,766,229	0.038%
2016	34,532	82,680,553	0.042%
2015	34,551	78,524,600	0.044%
2014	23,564	71,027,331	0.033%
2013	23,569	65,680,513	0.036%
2012	23,140	65,112,565	0.036%

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

[2] U.S. Department of Commerce, Bureau of Economic Analysis, and calendar year figures. Personal Income data for 2020 and 2021 are based on an estimated three percent annual increase over 2019.

This table presents the capacity of the JPB to issue Farebox Revenue Bonds based on the total personal income for San Mateo County.

DEBT CAPACITY – BONDED DEBT
FISCAL YEARS 2012 THROUGH 2021 (in thousands)

Fiscal Year	Farebox Revenue Bonds	Member Agency Operating Contributions	As a Percent of Member Agency's Contributions
2021	$ 54,890	$ 28,538	192.3%
2020	55,153	28,035	196.7%
2019	55,417	25,448	217.8%
2018	34,496	20,448	168.7%
2017	34,514	20,448	168.8%
2016	34,532	19,727	175.0%
2015	34,551	19,829	174.2%
2014	23,564	17,236	136.7%
2013	23,569	33,500	70.4%
2012	23,140	25,030	92.4%

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

This table presents the capacity of the JPB to issue Farebox Revenue Bonds based on the total member contributions from the District, VTA, and CCSF.

DEBT CAPACITY – DIRECT AND OVERLAPPING DEBT
FISCAL YEAR ENDED JUNE 30, 2021

The JPB does not have overlapping debt with other governmental agencies.

DEBT CAPACITY – DEBT LIMITATIONS
FISCAL YEAR ENDED JUNE 30, 2021

The JPB does not have a legal debt limit.

PENINSULA CORRIDOR JOINT POWERS BOARD

DEBT CAPACITY – PLEDGED REVENUE COVERAGE
FISCAL YEARS 2012 THROUGH 2021 (in thousands)

		Debt Service			
Fiscal Year	**Pledged Revenue**	**Principal**	**Interest**	**Total**	**Debt Coverage**
2021	$ 35,906	$ -	$ 2,382	$ 2,382	15
2020	84,458	-	2,283	2,283	37
2019	112,777	-	1,451	1,451	78
2018	107,036	-	1,282	1,282	83
2017	102,031	-	1,292	1,292	79
2016	95,433	-	1,282	1,282	74
2015	90,763	-	1,148	1,148	79
2014	82,145	-	1,103	1,103	74
2013	75,546	-	1,103	1,103	68
2012	64,684	-	1,103	1,103	59

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

This table presents the relationship between total farebox revenue and total principal and interest payments, as well as the JPB's ability to meet its debt obligations.

DEMOGRAPHICS AND ECONOMIC INFORMATION – POPULATION, INCOME, AND UNEMPLOYMENT RATES – COUNTY OF SAN MATEO
FISCAL YEARS 2012 THROUGH 2021

Fiscal Year	Population [1]	Total Personal Income (in millions) [2]	Per Capita Personal Income [2]	Average Unemployment Rates [3]
2021	776,337 *	$ 109,064 *	$ 142,274 *	5.0%
2020	773,244	105,887 *	138,130 *	10.8%
2019	774,485	102,803	134,107	2.2%
2018	772,372	98,568	128,230	2.5%
2017	770,256	90,766	118,047	2.9%
2016	765,895	82,046	107,670	3.3%
2015	759,155	78,607	102,639	3.3%
2014	758,581	71,111	93,802	4.2%
2013	750,489	65,656	87,501	5.7%
2012	740,738	64,765	87,523	7.0%

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

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

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

*2021 Population growth is based on 0.4% growth from 2020.

*Personal Income and Per Capita Personal Income data for 2020 and 2021 is based on an estimated three percent annual increase over 2019. Source data for table is fiscal year 2020 San Mateo County Annual Comprehensive Financial Report.

Source: County of San Mateo fiscal year 2020 Annual Comprehensive Financial Report.

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

PENINSULA CORRIDOR JOINT POWERS BOARD

DEMOGRAPHICS AND ECONOMIC INFORMATION – POPULATION, INCOME, AND UNEMPLOYMENT RATES – CITY AND COUNTY OF SAN FRANCISCO
FISCAL YEARS 2012 THROUGH 2021

Fiscal Year	Population [1]	Total Personal Income (in millions) [2]	Per Capita Personal Income [2]	Average Unemployment Rates [3]
2021	886,615 *	$ 127,789 *	$ 144,131 *	5.4%
2020	883,083	124,067	140,493	4.8%
2019	881,549	120,945	137,196	2.3%
2018	880,696	115,445	131,083	2.6%
2017	879,166	106,007	120,576	3.1%
2016	876,103	96,161	109,760	3.4%
2015	862,004	89,533	103,867	4.0%
2014	852,469	77,233	90,600	5.2%
2013	841,138	72,858	86,619	6.5%
2012	825,863	70,574	85,455	8.1%

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

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

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

*2021 Population growth is based on 0.4% growth from 2020.

*Personal Income and Per Capita Personal Income data for 2021 is based on an estimated three percent annual increase over 2020. Source data for table is fiscal year 2020 San Francisco County Annual Comprehensive Financial Report.

This table highlights the City and County of San Francisco’s total population, total personal and per capita income, and percentage of unemployed residents.

DEMOGRAPHICS AND ECONOMIC INFORMATION – POPULATION, INCOME, AND UNEMPLOYMENT RATES – COUNTY OF SANTA CLARA
FISCAL YEARS 2012 THROUGH 2021

Fiscal Year	Total Personal Income (in millions) [1, 2]	Per Capita Personal Income [2]	Average Unemployment Rates [3]
2021	$ 215,353	$ 111,146	5.1%
2020	213,221	110,046	10.7%
2019	211,110	108,956	2.7%
2018	209,020	107,877	2.9%
2017	190,002	98,032	3.5%
2016	170,673	88,920	4.0%
2015	158,729	82,756	3.9%
2014	141,874	74,883	5.2%
2013	130,624	70,151	6.8%
2012	122,259	66,535	8.7%

[1] Bureau of Economic Analysis U.S. Department of Commerce.

[2] Actual data is available through 2018. Years 2019, 2020, and 2021 data are preliminary and assume a 1% increase over prior year.

[3] California Employment Development Department. Not seasonally adjusted.

This table highlights Santa Clara County’s total personal and per capita income, and percentage of employed residents.

DEMOGRAPHICS AND ECONOMIC INFORMATION – PRINCIPAL EMPLOYERS – COUNTY OF SAN MATEO
FISCAL YEARS 2019 AND 2011

		2019*			2011		
Employers in San Mateo County	Business Type	Number of Employees	Rank	Percent of Total County Employment	Number of Employees	Rank	Percent of Total County Employment
Facebook Inc.	Social Network	15,407	1	3.91%	2,000	10	0.57%
Genentech Inc.	Biotechnology	10,023	2	2.54%	8,600	1	2.43%
Oracle Corp.	Hardware and Software	7,656	3	1.94%	7,000	3	1.98%
County of San Mateo	Government	5,640	4	1.43%	5,979	2	1.69%
Gilead Sciences Inc	Biotechnology	4,000	5	1.02%			
YouTube	Online Video-Streaming Platform	2,384	6	0.61%			
Sony Interactive Entertainment	Interactive Entertainment	1,650	7	0.42%			
Robert Half International Inc.	Personnel Services	1,642	8	0.42%			
Electronic Arts Inc.	Interactive Entertainment	1,478	9	0.38%	2,000	9	0.57%
SRI International	Nonprofit Research Institute	1,418	10	0.36%			
Kaiser Permanente	Health Care				3,855	4	1.09%
Visa Inc	Global Payments Technology				3,100	5	0.88%
Mills-Peninsula Health Services	Health Care				2,500	6	0.71%
San Mateo Community College District	Public Education				2,115	7	0.60%
Safeway Inc	Retail Grocer				2,075	8	0.59%
Total		51,298		13.03%	39,224		11.11%

* The latest information available for principal employers in San Mateo County.

Source: San Francisco Business Times - 2020 Book of Lists; California Employment Development Department (provided by San Mateo County Controller’s office) from the fiscal year 2020 County of San Mateo Annual Comprehensive Financial Report.

This table presents the top 10 principal employers in San Mateo County for 2019 and 2011.

PENINSULA CORRIDOR JOINT POWERS BOARD

DEMOGRAPHICS AND ECONOMIC INFORMATION – PRINCIPAL EMPLOYERS – CITY AND COUNTY OF SAN FRANCISCO
FISCAL YEARS 2019 AND 2010

Employers in San Francisco City and County	2019* Number of Employees	2019* Rank	2019* Percent of Total City Employment	2010 Number of Employees	2010 Rank	2010 Percent of Total City Employment
City and County of San Francisco	36,910	1	6.68%	25,488	1	5.59%
University of California, San Francisco	34,690	2	6.28%	11,639	2	2.55%
San Francisco Unified School District	10,257	3	1.86%			0.00%
Salesforce	9,100	4	1.65%			0.00%
Wells Fargo & Co	7,296	5	1.32%	9,089	3	1.99%
Kaiser Permanente	6,659	6	1.20%	3,490	9	0.77%
United	6,153	7	1.11%			0.00%
Sutter Health	6,134	8	1.11%			0.00%
Uber Technologies Inc.	5,500	9	1.00%			0.00%
Gap, Inc.	4,500	10	0.81%	3,783	8	0.83%
California Pacific Medical Center				6,600	4	1.45%
State of California				5,465	5	1.20%
United States Postal Service				4,369 8	6	0.96%
PG&E Corporation				4,080	7	0.90%
San Francisco State University				3,243	10	0.71%
Total	127,199		23.02%	77,246		16.95%
Total City and County Employment	552,650		455,683			

* The latest information available for principal employers in San Francisco County.

Source: Fiscal year 2020 County of San Francisco Annual Comprehensive Financial Report. Total City and County of San Francisco employee count is obtained from the State of California Employee Development Department. City and County of San Francisco data provided by Office of the Controller's Payroll and Personnel Services. All other data is obtained from the San Francisco Business Times Book of Lists.

This table presents the top 10 principal employers in San Francisco County for 2019 and 2010.

PENINSULA CORRIDOR JOINT POWERS BOARD

DEMOGRAPHICS AND ECONOMIC INFORMATION – PRINCIPAL EMPLOYERS – COUNTY OF SANTA CLARA
FISCAL YEARS 2020 AND 2011

		2020		2011	
Employers in Santa Clara County	**Nature of Operatins**	**Estimated Number of Employees**	**Rank**	**Estimated Number of Employees**	**Rank**
Apple Inc.	Computer Electronics	25,000	1	10,000	5
Alphabet Inc./Google Inc.	Search, Advertising and Web Software	23,000	2	7,700	7
County of Santa Clara	County Government	18,570	3	15,481	2
Stanford University	Research University	15,576	4	11,569	4
Facebook Inc.	Online Social Networking Service	15,407	5		
Tesla Motors Inc.	Electric Vehicle Designer & Manufacturer	15,000	6		
Stanford Health Care	Health System	14,143	7	5,775	11
Cisco Systems Inc.	Computer Network Equipment Manufacturer	13,683	8	17,335	1
Kaiser Permanente	Integrated Healthcare Delivery Plan	12,500	9	13,500	3
University of California Santa Cruz	Public University	8,915	10	4,252	16
Safeway	Supermarket Chain	8,509	11		
Gilead Sciences Inc.	Biotechnology Company	8,268	12		
Intel Corporation	Semiconductor	7,975	13	5,241	13
City of San Jose	City Government	7,728	14	5,910	10
Applied Materials Inc	Semiconductor Equipment Manufacturer	6,200	15		
Nvidia Corp	Graphics and Digital Media Processors	6,000	16		
Target Corp	Merchandise Retailer	5,500	17		
Juniper Networks Inc	Computer Network Equipment Manufacturer	5,130	18	3,040	25
San Mateo County	County Government	5,103	19	5,495	12
Stanford Children's Health	Specializes in the Care of Babies, Children, Adolescents, and Expectant Mothers	5,005	20	3,500	24
Lockheed Martin Space Systems Co.	Aerospace	4,300	21	7,600	8
Pajaro Valley Unified School District	Public School District	4,108	22		
Department of Veterans Affairs, Palo Alto Health Care System	Veterans Hospital	3,900	23	3,587	23
San Jose State University	Public University	3,727	24		
SAP	Cloud Business Software Company	3,500	25		
Total		246,747		119,985	
Total County Employment		1,024,900		780,100	

Source: Silicon Valley/San Jose Business Journal July 2020 from the fiscal year 2020 County of Santa Clara Annual Comprehensive Financial Report.

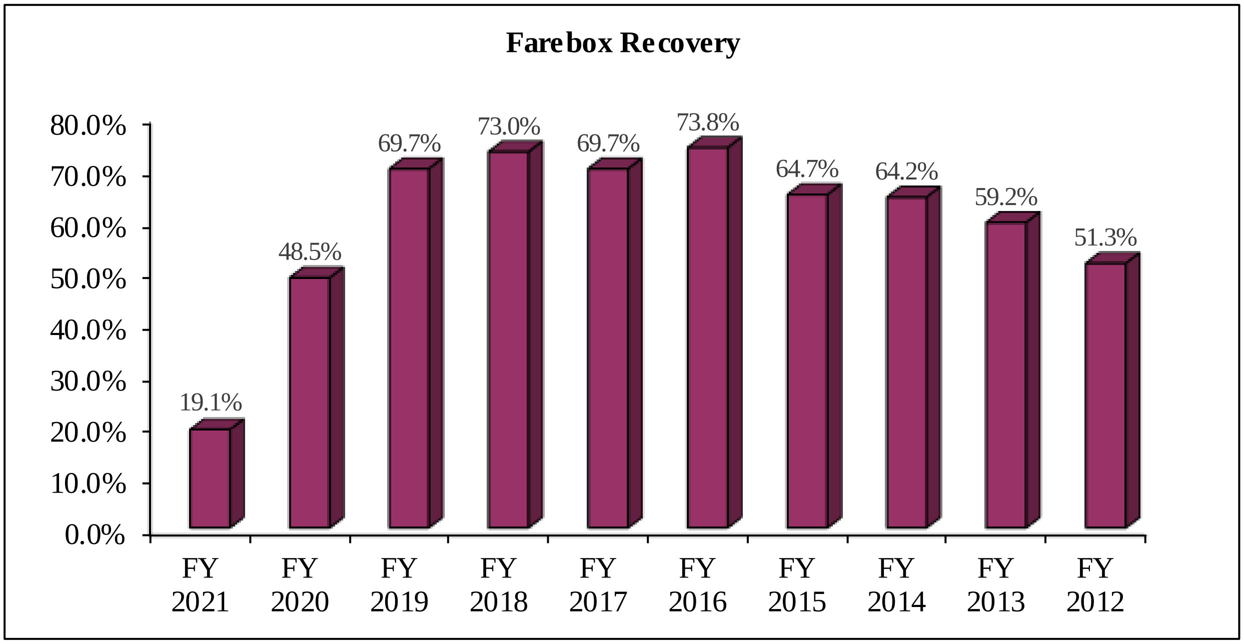
This table lists the largest employers in the Silicon Valley, which encompass Santa Clara County and the surrounding areas.

PENINSULA CORRIDOR JOINT POWERS BOARD

OPERATING INFORMATION – FAREBOX RECOVERY AND PASSENGER MILES
FISCAL YEARS 2012 THROUGH 2021

FAREBOX RECOVERY

Farebox recovery table shows the relationship between total passenger fares and operating expenses. The Board of Directors (Board) adopted a farebox recovery rate goal minimum of 65 percent effective December 2018.

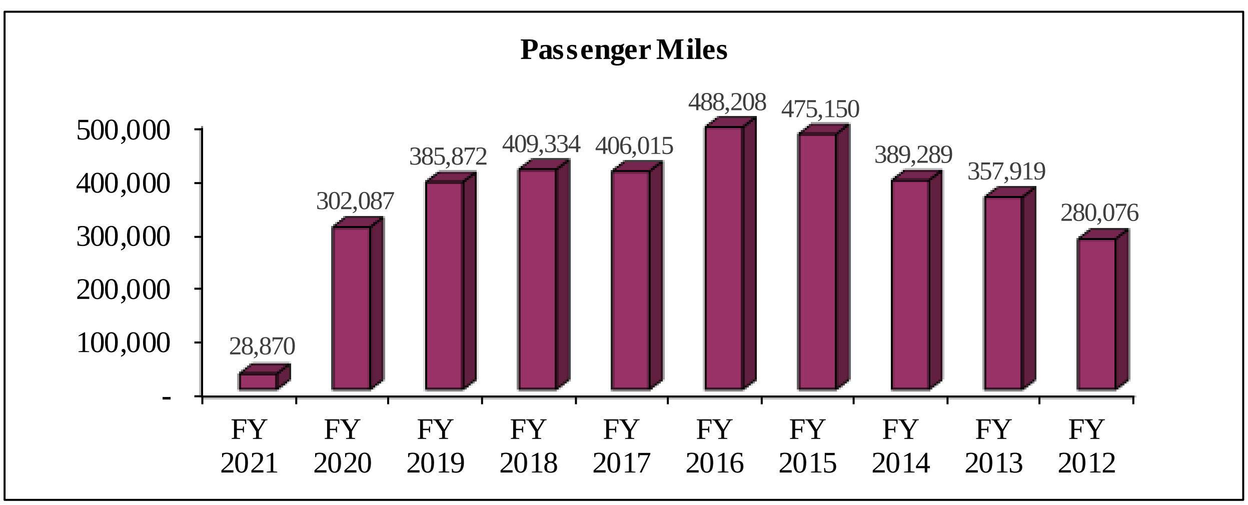


PASSENGER MILES

(in thousands)

Total passenger miles (weekday and weekend)

The number of weekday trains was increased from 86 to 92 on October 1, 2012. In response to the COVID-19 pandemic and shelter in place orders in March of 2020, train service reduced from 92 weekday trains to 70 on March 17, 2020, reduced to 42 trains on March 30, 2020, and increased back to 70 trains on June 25, 2020. In fiscal year 2021, small adjustments were made to service, but essentially the 70 weekday trains schedule remained the same throughout the year.



Source: The JPB's National Transportation Database.

PENINSULA CORRIDOR JOINT POWERS BOARD

OPERATING INFORMATION – EMPLOYEES (FULL-TIME EQUIVALENTS)
FISCAL YEARS 2012 THROUGH 2021

	Full-Time Equivalents (FTEs)									
Division	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**
Executive	0.90	0.90	6.76	0.52	0.56	0.70	0.76	0.85	0.87	0.91
Public Affairs	-	-	-	-	-	5.35	4.80	4.80	4.00	4.46
Operations, Engineering, and Construction	95.19	79.13	74.44	62.60	42.88	51.64	49.64	47.81	43.35	46.75
Planning and Development	8.08	8.09	7.00	6.70	8.45	6.43	5.95	6.40	3.04	5.09
Finance and Administration	27.74	28.96	21.34	29.86	33.71	29.44	29.40	31.00	33.71	33.10
Caltrain Modernization Program	9.00	9.00	9.00	17.45	8.25	9.95	5.95	4.95	3.50	-
Customer Service and Marketing	18.41	17.34	15.09	16.79	24.01	11.27	11.14	14.61	12.56	11.40
Total FTEs	159.32	143.42	133.63	133.92	117.85	114.78	107.64	110.42	101.03	101.71

Note: The JPB went through a reorganization in fiscal year 2010; Caltrain Modernization Program division was added in fiscal year 2013 as a replacement for the Peninsula Rail department.

Source: The JPB's annual capital and operating budget.

This table presents the total full-time equivalents (FTEs) by division.

PENINSULA CORRIDOR JOINT POWERS BOARD

OPERATING INFORMATION – CAPITAL ASSETS (in thousands)
FISCAL YEARS 2012 THROUGH 2021

	2021	2020	2019	2018
Depreciable and amortized capital assets				
Right-of-way improvements	$ 1,188,736	$ 1,192,985	$ 1,183,600	$ 1,170,025
Rail vehicles	337,025	333,025	333,787	333,572
Facilities and equipment	145,065	145,121	136,599	130,231
Office equipment	13,767	13,354	14,529	18,129
Total depreciable and amortized capital assets	1,684,593	1,684,485	1,668,515	1,651,957
Accumulated depreciation and amortization				
Right-of-way improvements	(710,610)	(666,113)	(632,433)	(579,398)
Rail vehicles	(265,140)	(258,608)	(246,236)	(230,537)
Facilities and equipment	(74,279)	(70,530)	(66,271)	(61,357)
Office equipment	(13,305)	(13,229)	(13,927)	(9,105)
Total accumulated depreciation and amortization	(1,063,334)	(1,008,480)	(958,867)	(880,397)
Nondepreciable capital assets				
Right-of-way	236,968	236,340	233,711	226,973
Construction in progress	1,840,831	1,447,512	1,124,618	735,025
Intangible asset - Trackage Rights*	8,000	8,000	8,000	8,000
Total nondepreciable capital assets	2,085,799	1,691,852	1,366,329	969,998
Capital assets, net	$ 2,707,058	$ 2,367,857	$ 2,075,977	$ 1,741,558

*Per GASB Statement No. 51 effective as of fiscal year 2009, Trackage Rights are a nondepreciable capital asset. The activity for fiscal year 2009 has been restated to reflect the change.

Source: Annual Comprehensive Financial Reports.

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

2017	2016	2015	2014	2013	2012
$ 1,131,890	$ 1,033,142	$ 972,866	$ 804,003	$ 739,383	$ 719,324
312,738	300,680	284,023	284,128	285,040	285,125
130,942	128,365	128,584	127,653	127,568	128,428
2,669	1,085	1,084	869	860	875
1,578,239	1,463,272	1,386,557	1,216,653	1,152,851	1,133,752
(515,275)	(452,151)	(399,280)	(341,424)	(293,985)	(264,091)
(206,161)	(190,840)	(161,494)	(149,882)	(137,309)	(126,011)
(57,522)	(52,459)	(48,396)	(43,790)	(39,743)	(34,820)
(1,342)	(928)	(854)	(648)	(672)	(751)
(780,300)	(696,378)	(610,024)	(535,744)	(471,709)	(425,673)
226,972	226,972	226,972	226,893	226,893	226,893
486,333	356,152	305,977	354,256	316,125	261,771
8,000	8,000	8,000	8,000	8,000	8,000
721,305	591,124	540,949	589,149	551,018	496,664
$ 1,519,244	$ 1,358,017	$ 1,317,482	$ 1,270,058	$ 1,232,160	$ 1,204,743

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