

February 11, 2026

## Overview of Developments in the Financial Markets, Quarterly Finance Report as of December 31, 2025

### Overview

Staff provides quarterly briefings on the latest developments in the financial markets, economy, sales tax revenues, and the strategies being explored and implemented to minimize possible impacts to the TransNet Program; and a quarterly report on investments as required per [Board Policy No. 003](#).

#### Action: Information

Staff will provide an update on the latest developments in the financial markets, economy, sales tax revenues, and strategies being explored and implemented to minimize possible impacts to the TransNet Program.

### Key Considerations

- FY 2026 sales tax revenue through December is 3.25% higher than FY 2025 total collections, with TransNet revenue totaling \$218.5 million for the fiscal year so far.
- Senior lien maximum annual debt service coverage, using sales tax receipts of \$433.8 million for the 12 months ending December 31, 2025, is 4.07 times. Meaning, for every \$1 of senior lien debt service, SANDAG received \$4.07 of sales tax revenue providing ample coverage, supporting SANDAG senior lien triple-A ratings. The ratings were reviewed by both rating agencies most recently in January 2026 in connection with the proposed issuance of the 2026A refunding bonds which included an upgrade by S&P to AA+ for the subordinate lien rating.
- In spite of uncertainty and volatility through FY 2026, economic activity remains positive and resilient. Inflation remains a present concern, tracking higher than national average, in tandem with continued uncertainty; however, the regional economy is stable with a steady labor market. Following the rate cut from the Federal Reserve Board (Fed) in December, the Fed appears to be assuming a neutral policy stance with future cuts less likely, but dependent on deteriorating market conditions.

#### Fiscal Impact:

Senior lien debt service coverage remains strong at 4.07 times, providing ample coverage and supporting triple-A ratings.

#### Schedule/Scope Impact:

Economic conditions influencing sales tax revenue for the remainder of FY 2026 remain uncertain. SANDAG's economists continue to monitor how inflation, interest rates, and the labor market evolve and can impact TransNet revenue.

### **Dawn Vettese, Chief Financial Officer**

- Attachments:
1. Financial Market Review
  2. Local Economic Update and Sales Tax Revenues
  - 3a – e. Investment and Debt Portfolio