

Santa Clara Valley Transportation Authority

Comprehensive Annual Financial Report

Fiscal Year Ended
June 30, 2019

Santa Clara County, California



Solutions that move you



Berryessa BART Station and Parking Garage



Milpitas BART Station and Parking Garage



Groundbreaking event – Mathilda Avenue Improvements Project



Groundbreaking event – US 101 Express Lanes in Santa Clara and San Mateo Counties

**SANTA CLARA VALLEY
TRANSPORTATION AUTHORITY**

SAN JOSE, CALIFORNIA

Comprehensive Annual Financial Report (CAFR)
For Fiscal Year Ended June 30, 2019

Prepared by:
Finance and Administration

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SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Comprehensive Annual Financial Report

For the Year Ended June 30, 2019

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Government Finance Officers Association

**Certificate of
Achievement
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Presented to

**Santa Clara Valley
Transportation Authority
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2018

Christopher P. Morill

Executive Director/CEO

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INTRODUCTORY SECTION

LETTER OF TRANSMITTAL

BOARD OF DIRECTORS

ORGANIZATIONAL CHART

PRINCIPAL OFFICIALS

SERVICE AREA MAP

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LETTER OF TRANSMITTAL

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October 28, 2019

Board of Directors
Santa Clara Valley Transportation Authority

Subject: Comprehensive Annual Financial Report

In accordance with state law and Santa Clara Valley Transportation Authority (VTA) Administrative Code, it is a pleasure to submit to you the Comprehensive Annual Financial Report (CAFR) of the VTA for the year ended June 30, 2019. The CAFR was prepared in accordance with the guidelines recommended by the Government Finance Officers Association of the United States and Canada (GFOA). VTA Management assumes responsibility for the accuracy and completeness of the data and the clarity of the presentation, including all disclosures. To the best of our knowledge, the enclosed report is presented in conformity with Generally Accepted Accounting Principles (GAAP), and is complete and reliable in all material respects.

Eide Bailly LLP, a firm of licensed Certified Public Accountants, has audited the financial statements. The goal of the audit is to obtain a reasonable assurance that the financial statements are free of material misstatements. Eide Bailly LLP concluded, based on the audit, that there was a reasonable basis for rendering an unmodified opinion on the financial statements for the fiscal year ended June 30, 2019, and that the financial statements are fairly stated, in all material respects, in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

In addition, Eide Bailly LLP also conducts the federally mandated "Single Audit" designed to meet requirements of federal grantor agencies. The standards governing the Single Audit require the independent auditor to report on the agency's internal controls over compliance and certain federal compliance requirements.

Generally Accepted Accounting Principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the Independent Auditor's Report.

PROFILE OF THE GOVERNMENT

VTA is an independent special district and political subdivision of the State of California. VTA was created in 1972 and was known as the Santa Clara County Transit District (District). The District served Santa Clara County (County) which is situated in the southern portion of the San Francisco Bay Area and is bordered by the counties of Alameda, San Mateo, Santa Cruz, San Benito, Merced, and Stanislaus. In 1976, Santa Clara County voters approved a half-cent Measure A sales tax proposal to fund the District. In 1995, the District merged with the County's congestion management agency and operated under the governance of its own Board of Directors. On January 1, 2000, VTA's name was officially changed to the Santa Clara Valley Transportation Authority.

Today, VTA provides bus, light rail, and paratransit services, as well as participates as a funding partner in regional rail service including Caltrain, Capitol Corridor, and the Altamont Corridor Express. As the County's congestion management agency, VTA is responsible for countywide transportation planning, including congestion management, design and construction of specific highway, pedestrian, and bicycle improvement projects, as well as promotion of transit-oriented development. VTA continually builds partnerships to deliver transportation solutions that meet the evolving mobility needs of Santa Clara County.

VTA is governed by a 12-member Board of Directors (the Board or the Board of Directors) consisting of elected officials appointed by the jurisdictions they represent. Five members of the Board and one alternate are appointed by the San Jose City Council. One member of the Board and one alternate are appointed from among the city councils of the cities of Los Altos, Mountain View, Palo Alto, and the Town of Los Altos Hills. One Board member and one alternate are appointed from among the city councils of the cities of Campbell, Cupertino, Monte Sereno, Saratoga, and the Town of Los Gatos. One Board member and one alternate are also appointed from among the city councils of the cities of Gilroy and Morgan Hill. Two members of the Board and one alternate are appointed from among the city councils of the cities of Milpitas, Santa Clara, and Sunnyvale. The final two seats on the Board and one alternate are appointed by the Santa Clara County Board of Supervisors. The allocation of Board representation is generally based on population. A chart depicting the current membership of the Board and the jurisdictions they represent is located on page 1-10 of this report.

ECONOMIC ENVIRONMENT

The economic conditions largely affect the manner in which a government entity operates. It is highly encouraged that information presented in the financial statements is analyzed and interpreted with a broader perspective of these economic conditions.

The County of Santa Clara is located at the southern end of the San Francisco Bay and encompasses an area of approximately 1,300 square miles. The County's population of nearly 1.9 million is the sixth largest in the state.¹ The northwest portion of the County, known as Silicon Valley, is home to many leading computer and electronic companies such as Google, Apple, Cisco, Hewlett-Packard, Yahoo, eBay, Facebook, and Intel, among others. It is reported that in 2019, several Fortune 500 companies were headquartered in Santa Clara County.² With the existence of multi-cultural residents and varied businesses, Santa Clara County has enjoyed diverse employment and revenue base.

Consistent with previous years, the industry breakdown showed technology as the leader for Santa Clara County's job growth, according to the data compiled by Beacon Economics.³ The technology sector remains to be the strong driver for the employment gains in the Bay Area. This includes professional scientific and technical services; information services and products, and computer and electronic manufacturing. In addition, the county continues to benefit from other large industry groups such as education, health care, and construction as well as leisure and hospitality.⁴

In June 2019, the County's unemployment rate fell to a record low of 2.7% from 2.9% the prior year. Santa Clara County's employment growth outperformed the pace of employment expansion in the nation.⁵ There are continuous expansions, leases, and land acquisitions by tech companies in Santa Clara County and the Bay Area.⁶ These expansion activities are anticipated to face challenges of housing shortages, lack of affordability, and increasing traffic delays. Higher density housing units near transit hubs continue to be constructed with the aim of easing the region's housing crunch and road congestion. It is believed that transit investment on effective network of rail and buses is key in making Santa Clara County more appealing. Despite the expected mid-scale dense living due to growth and expansion, the county will reasonably be more accessible to the San Francisco City core through public transportation.

¹United States Census Bureau. July 2018.

²Fortune 500. March 2019.

³George Avalos, "Bay Area Powers to Big Job Gains". San Jose Mercury News. March 2019.

⁴Bay Area News Group. "Bay Area job market extends winning streak, climbs to record highs". June 2019.

⁵Ibid.

⁶Bay Area News. "California Jobless Rate Hits Record Low". January 2018.

According to the US Department of Labor report, in June 2019, the national unemployment rate dropped to 3.7% and the number of unemployed persons was 6.1 million, compared to prior year's statistics during the same period, when unemployment rate was 4.0% and the number of unemployed persons was 6.6 million. The national unemployment rate is at a historically low level. It is reported that the last time the unemployment rate remained below 4% for a sustained period was in the late 1960s.⁷ Economists expect that low unemployment will lead to higher payroll for workers as the job market becomes more competitive.

California's seasonally adjusted unemployment rate held steady at a low of 4.2% in June 2019.⁸ This is the lowest on record in a data series stretching back to 1976 when the state started tracking data consistently.⁹ Although the State has addressed long-standing problems, such as restoring fiscal health to its retirement benefit plans and making capital improvements, it has built a strong fiscal foundation by paying down liabilities and maintaining reserves that will help manage the effect of an economic downturn. With growing uncertainties related to the global political and economic climate, federal policies, rising costs, and the length of the current economic expansion, the State understands that it requires prudence and constant vigilance to maintain structural balance in each budget year over the forecast period.¹⁰

Higher consumer and business spending could be attributed to increases in wage income and continuous job growth in 2019. The tight labor market caused a rise in wages as the economy continued to experience low unemployment levels. This led to an increase in VTA's revenue base affecting its largest revenue sources for operations and capital activities. The 1976 Half-Cent, 2000 Measure A, 2016 Measure B, and BART Operating sales taxes amounted to \$237.9 million, \$237.9 million, \$236.7 million, and \$58.0 million, respectively, during FY 2019. 2016 Measure B sales tax collections of \$256.1 million dating back to April 2017 were also recognized as revenues in the current year as the court resolved, in VTA's favor, the legal challenge on the Measure in January 2019.

With the State's financial condition remaining in good shape, the Transportation Development Act (TDA) revenue increased by \$6.0 million. The State Transportation Assistance (STA) revenue also rose by \$23.9 million in FY 2019. The STA increase was a result of receipt of State of Good Repair funds and the passage of Senate Bill 1, augmenting funding through an increase of the diesel sales tax rate. Both revenues are state programs that provide funds to operate bus and rail systems in California.

⁷ Kitroeff, Natalie. The New York Times. "Unemployment Rate Hits a Rare Low". May 2018.

⁸ State of California EDD. Labor Market Info. July 2019.

⁹ Bureau of Labor Statistics Data, July 2019.

¹⁰ 2019-20 Revised California Budget. May 2019.

ENTERPRISE NET POSITION OVERVIEW

Total FY 2019 Net Position is provided below (in thousands):

Net Investment in Capital Assets		\$	5,058,104
Restricted:			
Debt service	\$	4,571	
1996 Measure B projects		1,432	6,003
Unrestricted:			
Local share of capital projects	\$	111,529	
Debt reduction		84,701	
Operating reserve		75,814	
Sales tax stabilization		35,000	
Inventory and prepaid items		36,408	
Express Lane		(13,744)	
BART Operating		361,300	
Joint Development		21,432	
Net OPEB Asset (GASB 75) ^a		66,818	
Net Pension Liability (GASB 68) ^b		(254,850)	524,408
Total Net Position			<u>\$ 5,588,515</u>

^aBased on the actuarial report which provides that total Net OPEB Asset (less deferrals) was \$66.8 million.

^bThis is a decrease of the Unrestricted Net Position to set aside amount for Net Pension Liability to comply with GASB 68 requirements. The breakdown consists of \$99.2 million and \$155.7 million for CalPERS and ATU, respectively.

SIGNIFICANT FINANCIAL POLICIES

Long-Range Planning

VTA, in its role as the Congestion Management Agency (CMA) for Santa Clara County, is responsible for preparing and updating the Valley Transportation Plan (VTP). This document identifies long-term programs, projects, and policies that VTA plans to pursue over the next 25 years. It considers all travel modes and addresses the links between transportation and land use planning, air quality, energy use, and community livability. VTA annually updates and incorporates the VTA Financial Forecasting Model as part of its long-range planning process. As a transit operator, VTA generally prepares the Short Range Transit Plan (SRTP) every two years. The SRTP is used as documentation to support projects included in the Regional Transportation Plan prepared by Metropolitan Transportation Commission (MTC) and activities contained in the county's long-range transportation plan.

Biennial Budget and Budgetary Controls

The State of California and the VTA Administrative Code require that VTA management recommend and Board of Directors adopt an operating budget at the fund level and a capital budget on a project basis. The General Manager may reallocate appropriations between budget types and budget units within each fund up

to the limits of each fund’s annual appropriation. Any net increase in authorized appropriations to any fund (including any allocation from reserves) requires an affirmative vote of at least eight Directors. Capital appropriations, which are not expended during the fiscal year, are carried over to successive fiscal years until the projects are completed or otherwise terminated. Funds with appropriated budget are categorized, for financial reporting purposes, as follows:

Proprietary Funds	Governmental Funds
<ul style="list-style-type: none"> ● VTA Transit ● BART Operating ● Joint Development ● Express Lanes 	<ul style="list-style-type: none"> ● Congestion Management Program ● 2016 Measure B Program ● 2000 Measure A Program ● Congestion Management and Highway Program

Internal Control

VTA management is responsible for establishing and maintaining an internal control system designed to ensure that its assets are protected from loss, theft, or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP). The internal control system is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the costs of control should not exceed benefits likely to be derived from its implementation. The valuation of costs and benefits requires estimates and judgments by management. VTA’s management believes its internal controls are adequate.

Reserves

The following is a summary of VTA Transit Reserves established by the Board of Directors. The Net Pension Liability (inclusive of the related deferrals) may reduce any or all of these reserves.

Reserve	Balance as of June 30, 2019 (in millions)	Remarks
Operating Reserve	\$ 75.814	The Operating Reserve goal is 15% of the subsequent year’s final operating budget in the VTA Transit Enterprise Fund. These funds are to remain unappropriated for any operating or capital use except to meet emergency needs that cannot be funded from any other source. The purpose of this reserve is to ensure that sufficient funds are always available in the event of either unanticipated shortfalls or unavoidable expenditure needs. The FY 2019 Operating Reserve met the goal. Detailed information on the Operating Reserve is shown in Table 7 of the Statistical Section.
Sales Tax Stabilization	\$ 35.000	This reserve mitigates the impact of sales tax receipt volatility on service levels and the operating budget. VTA Transit Sales Tax Stabilization reserve is at its current ceiling.
Debt Reduction	\$ 84.701	This reserve may be used to reduce long-term liabilities or provide funding for approved transit-related capital improvements and replacement of capital assets. This reserve is used to fund the local portion of the VTA Transit capital program in order to keep assets in a state of good repair.

Financial Stability Policy

The following activities serve as guidance in the prioritization of VTA operating expenses. This is necessary when there are budget reductions to keep spending consistent with available revenues and when increases in operating revenues permit VTA to add resources to its transit related activities.

1. Preservation of the level of fixed route transit service and paratransit service provided to VTA riders to the extent possible. This includes developing a service plan that is in accordance with VTA's Transit Sustainability Policy and service design guidelines and in the best interest of the public.
2. Direct support for the provision of transit service, i.e., only those core operating, management and administrative functions that are necessary and essential to providing the existing level of transit service, both in terms of the types of functions required and level of resources needed to support service. This is measured against industry standards and best practices with consideration of efficiencies achieved by reducing layers of management.
3. Support for Regional Partnerships (e.g., Caltrain, ACE, Dumbarton Express, etc.) provided by VTA in consideration of other partners' contributions.
4. Activities that clearly contribute to increasing and diversifying VTA's operating funding (e.g., fare programs, joint development, advertising, and other opportunities for earned income).
5. Activities that provide information to riders, employees, stakeholders, and the public (e.g., VTA Ambassador Program).
6. Activities that would prudently and strategically expand VTA transit service, when sustainable revenues are available to support the service growth (e.g., VTA's recent expansion of bus and light rail service to Levi's Stadium).

MAJOR INITIATIVE

VTA's BART Silicon Valley Project

The VTA's BART Silicon Valley Project is a 16-mile extension of the existing BART system to San Jose, Milpitas, and Santa Clara, which will be delivered through a phased approach. The first phase, the Silicon Valley Berryessa Extension (SVBX), is a 10-mile, two-station extension, beginning in Fremont south of the BART Warm Springs Station and proceeding on the former Union Pacific Railroad right-of-way through Milpitas, the location of the first station, and then to the Berryessa area of north San Jose, at the second station.

The cost of the SVBX Project is approximately \$2.4 billion, which includes \$900 million in federal assistance as provided for in the Full Funding Grant Agreement (FFGA), \$388.2 million in state and other local funding, and \$1.1 billion from 2000 Measure A sales tax. Execution of the FFGA allowed the commencement of construction of the 10-mile, two-station BART extension. As of June 30, 2019, \$758.8 million of the total \$900 million grant award, has been expended and received.

The project scope included BART vehicles, VTA feeder buses, double-track grade-separated guideway, traction power substations, high voltage substations, a communication system, passenger drop-off facilities, surface and structured parking facilities, bus transit centers, a pedestrian bridge, real estate acquisition, drainage improvements, environmental mitigation, financing, startup and revenue testing, and other elements necessary for project delivery. The project also included facility additions to the existing BART Hayward Yard to provide fleet management operations for the revenue vehicles procured by BART for the extension, as well as the purchase of 40 BART vehicles. In June 2019, VTA handed over jurisdictional control over the extension to BART.

The second phase, the Silicon Valley Santa Clara Extension (SVSX), will extend BART service six miles from the Berryessa Transit Center to Downtown San Jose terminating at Santa Clara, near the Caltrain Station. This includes four stations, with a five-mile-long subway tunnel through downtown San Jose and ends at grade in Santa Clara near the Caltrain Station. The project also includes the construction of a maintenance facility at the current Newhall Yard, the Newhall Maintenance Facility, as well as the purchase of 48 BART vehicles. In June 2018, the Federal Transit Administration (FTA) notified VTA that a Record of Decision (ROD) was issued for the Phase II project. Receiving the ROD is a required next step for projects seeking federal funding. It signifies that the VTA satisfied the requirements of the National Environmental Policy Act (NEPA) for the project. In January 2019, the VTA Board approved a contract for General Engineering Consultant services to complete project engineering for award of construction contracts and integration of final contracting plans. Completion of project engineering will also provide the necessary cost and schedule estimates needed to request an FFGA from the Federal Transit Administrations (FTA).

The most recent estimate of the cost of the Santa Clara Extension, which includes the construction of Newhall Maintenance Facility and purchase of 48 BART vehicles, was approximately \$5.8 billion. The project will be paid by 2000 Measure A and 2016 Measure B sales tax funding along with FTA Expedited Project Delivery Pilot Program and state funds. Revenue service for Phase 2 is anticipated to occur in late 2026.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to VTA for its FY 2018 Comprehensive Annual Financial Report. This is the 23rd consecutive year that VTA achieved this prestigious award.

In order to receive the award, a government agency must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

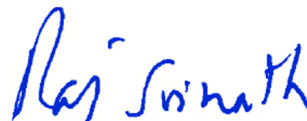
A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this CAFR required a concerted team effort throughout VTA, including staff from Accounting, Disbursements, Revenue Services, Contracts and Purchasing, Risk Management, Budget and Analysis, Debt and Investment Services, Operations, and Retirement Services departments. The Copy Center, Creative Services, Office of the Board Secretary, and Marketing departments also made significant contributions to the form, content, and production of the report. The team members demonstrated a commendable degree of personal dedication and determination in producing this document.

In addition, recognition is given to Eide Bailly LLP for their contribution, as well as all other VTA staff for responding positively and promptly to the request for information that occurs with each annual audit.



Nuria I. Fernandez
General Manager/CEO



Raj Srinath
Deputy General Manager/CFO

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2019 VTA BOARD OF DIRECTORS

VTA is an independent special district governed by its own Board of Directors. The VTA Board of Directors consists of elected governing board officials from the cities within Santa Clara County as well as the County of Santa Clara. Board members are appointed by the jurisdictions they represent, and all jurisdictions within the county have representation on the Board. The Board consists of 12 voting members, 6 alternates, and 3 ex-officio members, and membership is roughly based on population as follows:

Group 1 (San Jose)	5 Members, 1 Alternate
Group 2 (Northwest)	1 Member, 1 Alternate from the Cities of Los Altos, Mountain View, Palo Alto, and the Town of Los Altos Hills
Group 3 (West Valley)	1 Member, 1 Alternate from the Cities of Campbell, Cupertino, Monte Sereno, Saratoga, and the Town of Los Gatos
Group 4 (South County)	1 Member, 1 Alternate from the Cities of Gilroy and Morgan Hill
Group 5 (Northeast)	2 Members, 1 Alternate from the Cities of Milpitas, Santa Clara, and Sunnyvale
Group 6 (County of Santa Clara)	2 Members, 1 Alternate from the Santa Clara County Board of Supervisors
Ex-Officio	Santa Clara County's 3 representatives to the Metropolitan Transportation Commission (MTC): 1 Member representing the County of Santa Clara, 1 Member representing the Cities of Santa Clara County, and 1 Member representing the City of San Jose. (Note: MTC commissioners serve as an Ex-Officio Member only when not serving as a regular or alternate member of the VTA Board of Directors.)

The Board of Directors generally meets on the first Thursday of each month.

BOARD OF DIRECTORS June 2019 Teresa O'Neill, Chairperson Cindy Chavez, Vice Chairperson			
GROUP 1 (San Jose) City of San José		Magdalena Carrasco Charles "Chappie" Jones Lan Diep Sam Liccardo* Raul Peralez Devora "Dev" Davis, Alternate	GROUP 4 (South County) City of Gilroy City of Morgan Hill
			Marie Blankley, Alternate Larry Carr
GROUP 2 (North West) City of Los Altos Town of Los Altos Hills City of Mountain View City of Palo Alto		John McAlister Adrian Fine, Alternate	GROUP 5 (North East) City of Santa Clara City of Sunnyvale City of Milpitas
			Teresa O'Neill Glenn Hendricks, Alternate Rich Tran
GROUP 3 (West Valley) City of Campbell City of Cupertino Town of Los Gatos City of Monte Sereno City of Saratoga		Rob Rennie Howard Miller, Alternate	GROUP 6 (Santa Clara County) County of Santa Clara
			Cindy Chavez Dave Cortese Susan Ellenberg, Alternate
			Ex-Officio* Metropolitan Transportation Commission (MTC) Commissioners representing Santa Clara County, Cities of Santa Clara County, and City of San Jose
			Jeannie Bruins

*These individuals also serve on the MTC.

VTA BOARD OF DIRECTORS' STANDING COMMITTEES

1. **Administration and Finance Committee (A & F)** reviews and recommends policies pertaining to the general administration and financial management of VTA, including administrative policies and procedures, legislative affairs, human resources, budget and financing, and fiscal issues.
2. **Governance & Audit Committee** reviews and recommends policy decisions required to fulfill the Board's oversight responsibilities for: (1) the integrity of VTA financial statements, (2) compliance with legal and regulatory requirements, and (3) assuring an effective system of internal management and financial controls. It reviews and recommends policy decisions pertaining to Board and organizational goal setting and prioritization, strategic initiative framework development, budget development, and Board and committee processes. It also oversees the activities of the auditor general, the internal audit function, and the public accounting firm that conducts VTA's financial audit.
3. **Congestion Management Program and Planning Committee (CMPP)** reviews and recommends policies related to the Congestion Management Agency and the countywide transportation plan, including the integration of transportation, land-use and air-quality planning.
4. **Safety, Security, and Transit Planning and Operations Committee (SSTPO)** reviews and recommends policies related to system safety and security planning, monitoring and reporting, transit planning, transit capital projects, transit operations, and marketing.
5. **Capital Program Committee (CPC)** reviews and recommends policies related to the activities and imminent issues of VTA capital projects with major resource, multi-jurisdictional coordination, public perception and/or community impact factors. The CPC provides focused oversight to promote the efficient delivery of quality major transportation projects safety, on time, within scope and budget, while minimizing community impact.

VTA BOARD OF DIRECTORS' ADVISORY COMMITTEES

1. **Committee for Transportation Mobility & Accessibility (CTMA)** provides advice to the VTA Board and staff on bus and rail system accessibility issues, as well as on paratransit service. Many of these issues are related to VTA's efforts to comply with the federal Americans with Disabilities Act (ADA). It consists of 17 voting members comprised of individuals from the disabled community and representatives from human services agencies, as well as two ex-officio, non-voting members, one each representing VTA's paratransit service provider and the VTA Board of Directors.
2. **Citizens Advisory Committee (CAC) / 2000 Measure A Citizens Watchdog Committee (CWC)** is a 13-voting member committee representing the residents of Santa Clara County. Members are appointed to represent stakeholder groups from two broad categories: a) Community & Societal Interests; and b) Business & Labor. The CAC advises the Board and VTA administration on issues impacting the communities and organizations they represent. It *also serves as the independent Citizens Watchdog Committee* for the 2000 Measure A Transit Improvement Program, and as the 2008 Measure D ballot-specified advisory body that reviews and comments on VTA's comprehensive transit program as part of the countywide transportation plan.
3. **Bicycle and Pedestrian Advisory Committee (BPAC)** consists of 16 voting members comprised of one member appointed by each of the 15 cities within Santa Clara County and one member appointed by the County of Santa Clara. In addition, the Silicon Valley Bicycle Coalition appoints one ex-officio, non-voting representative. The BPAC advises the VTA Board of Directors on planning and funding issues related to bicycle and pedestrian mobility and access. The BPAC also serves as the bicycle and pedestrian advisory committee for the County of Santa Clara.

4. **Technical Advisory Committee (TAC)** is a 16-voting member committee comprised of one staff member (usually a public works, planning, transportation or community development director) from each of the 15 cities within the county and the County of Santa Clara. In addition, the California Department of Transportation (Caltrans), Metropolitan Transportation Commission (MTC), and Santa Clara Valley Water District (SCVWD) may each appoint one ex-officio (non-voting representative) to the TAC. The TAC provides in-depth analysis, technical expertise and timely recommendations regarding transportation projects, programs, funding, and other policy matters, while giving voice to and reconciling local and regional perspectives.
5. **Policy Advisory Committee (PAC)** is a 16-voting member committee comprised of one city council member from each of the 15 cities within Santa Clara County and one member from the County of Santa Clara Board of Supervisors. The PAC ensures that all local jurisdictions have an opportunity to participate in the development of VTA's policies.

VTA BOARD OF DIRECTORS' POLICY ADVISORY BOARDS

These Policy Advisory Boards (PAB) ensure the local jurisdictions affected by major transportation improvement projects are involved in the planning, design, and construction. Membership for each PAB varies. There are currently five active PABs:

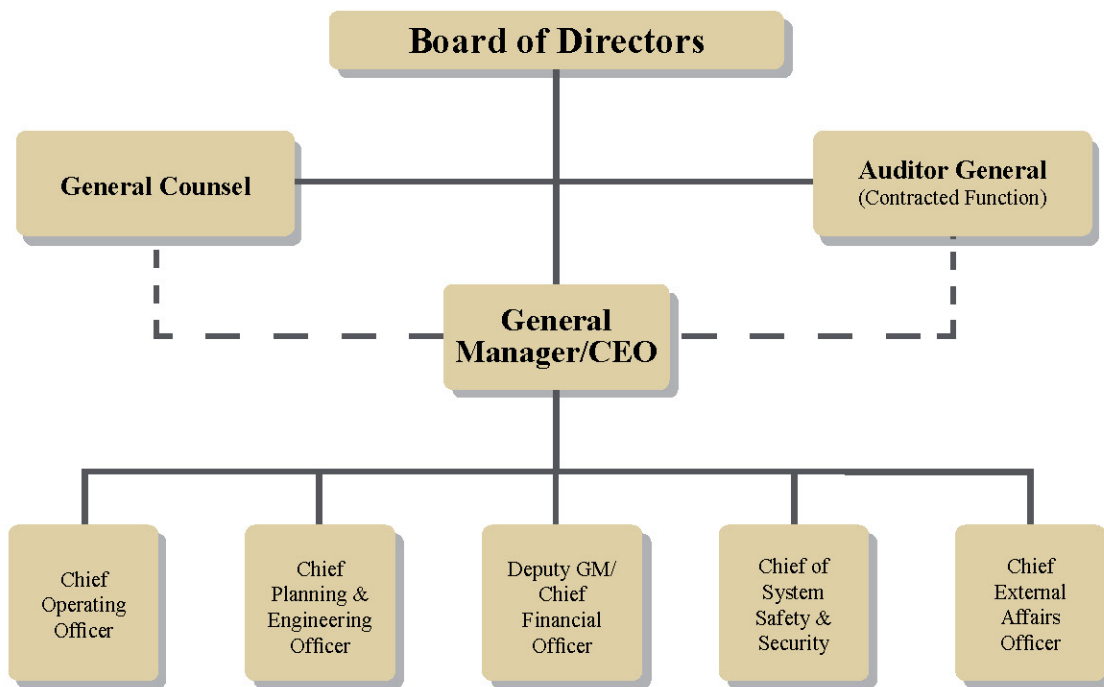
- **Diridon Station Joint Policy Advisory Board**
- **Eastridge to BART Regional Connector Policy Advisory Board**
- **Mobility Partnership**
- **Silicon Valley Rapid Transit Corridor and BART Warm Springs Extension Policy Advisory Board**
- **State Route (SR) 85 Corridor Policy Advisory Board**

VTA BOARD OF DIRECTORS' OVERSIGHT COMMITTEE

2016 Measure B Citizens' Oversight Committee (2016 MBCOC) - In accordance with the 2016 Measure B ballot, the 2016 MBCOC was established to perform the specific duties defined in the ballot. The 8-member committee is comprised of individuals with relevant expertise and experience necessary to assist the Committee in its task of evaluating 2016 Measure B revenues and project expenditures to determine compliance with the commitments made to the voters in the ballot.

Santa Clara Valley Transportation Authority

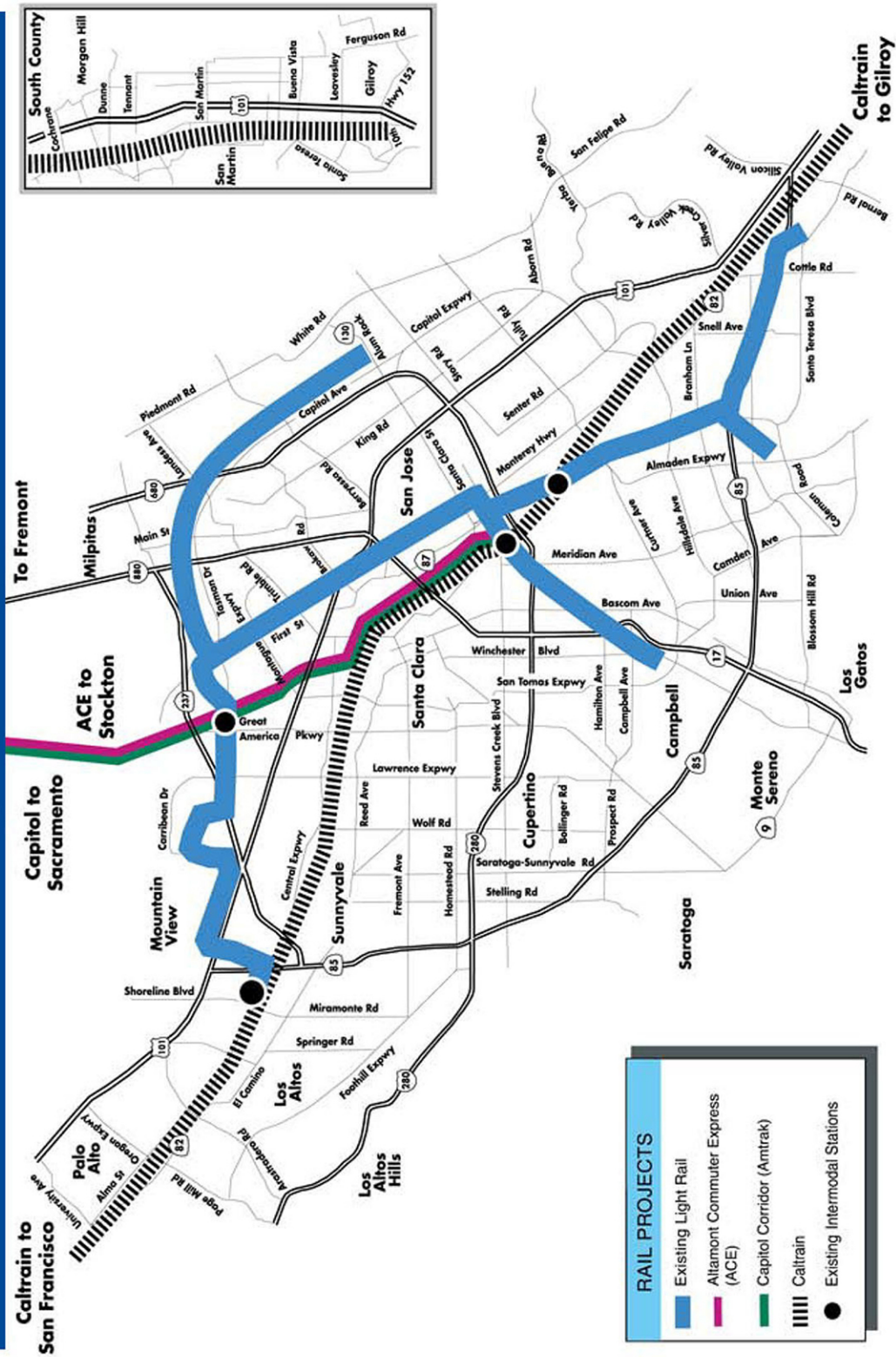
As of June 30, 2019



Principal Officials as of June 30, 2019

General Manager/CEO.....	Nuria I. Fernandez
General Counsel.....	Evelynn Tran
Auditor General (Contracted Function)	Corey Saunders
Chief Operating Officer.....	Inez Evans Benson
Chief Planning & Engineering Officer.....	Carolyn Gonot
Deputy GM/Chief Financial Officer	Raj Srinath
Chief of System Safety & Security.....	Angelique M. Gaeta
Chief External Affairs Officer	Jim Lawson

Santa Clara County Bus and Rail Transit Service Area



RAIL PROJECTS

- Existing Light Rail
- Altamont Commuter Express (ACE)
- Capitol Corridor (Amtrak)
- Caltrain
- Existing Intermodal Stations



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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Required Supplementary Information)

BASIC FINANCIAL STATEMENTS:

Government-wide Financial Statements:

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Statement of Activities

Fund Financial Statements:

Proprietary Funds:

Statement of Fund Net Position
Statement of Revenues, Expenses and Changes in Fund Net Position
Statement of Cash Flows

Governmental Funds:

Balance Sheet
Statement of Revenues, Expenses and Changes in Fund Balances

Fiduciary Funds:

Statement of Fiduciary Net Position
Statement of Changes in Fiduciary Net Position

NOTES TO THE BASIC FINANCIAL STATEMENTS

REQUIRED SUPPLEMENTARY INFORMATION (OTHER THAN MD&A):

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Schedule of Employer Contributions – ATU Pension Plan
Schedule of Changes in Net Pension Liability and Related Ratios – CalPERS Plan
Schedule of Employer Contributions – CalPERS Plan
Schedule of Changes in the Plan's Net OPEB Asset and Related Ratios – OPEB Trust
Schedule of Employer Contributions – OPEB Trust
Budgetary Comparison Schedule – 2000 Measure A Program Special Revenue Fund
Budgetary Comparison Schedule – 2016 Measure B Program Special Revenue Fund
Budgetary Comparison Schedule – Congestion Management Program Special Revenue Fund
Budgetary Comparison Schedule – Congestion Management & Highway Program Special Revenue Fund
Note to Required Supplementary Information – Budgetary Basis of Accounting

SUPPLEMENTARY INFORMATION – COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES:

Enterprise Funds:

Comparative Schedule of Fund Net Position
Comparative Schedule of Revenues, Expenses and Changes in Fund Net Position
Comparative Schedule of Cash Flows
Budgetary Comparison Schedule - VTA Transit Fund

Comparative Schedule of Revenues, Expenses, and Changes in Fund Balance – Special Revenue Fund

Fiduciary Funds:

Combining Statement of Fiduciary Net Position – ATU Pension, OPEB, and Medical Funds
Combining Statement of Changes in Fiduciary Net Position – ATU Pension, OPEB, and Medical Funds
Combining Statement of Fiduciary Assets and Liabilities – Agency Funds
Combining Statement of Changes in Assets and Liabilities – Agency Funds

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INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Santa Clara Valley Transportation Authority
San Jose, California

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, governmental activities, each major fund, and the aggregate remaining fund information of the Santa Clara Valley Transportation Authority (VTA), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise VTA'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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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, governmental activities, each major fund, and the aggregate remaining fund information of VTA, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules of changes in net pension liability and related ratios, pension schedules of employer contributions, schedule of changes in net other postemployment benefits liability and related ratios, schedule of other postemployment benefits contributions and the special revenue budgetary comparison information 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 VTA's basic financial statements. The enterprise, special revenues and fiduciary fund supplementary information, the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The enterprise, special revenues and fiduciary funds supplementary information as listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole for the year ended June 30, 2019.

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.

Report on Summarized Comparative Information

The financial statements of VTA as of and for the year ended June 30, 2018, were audited by Vavrinek, Trine, Day & Co., LLP, who joined Eide Bailly LLP on July 22, 2019, and whose report dated October 29, 2018, expressed unmodified opinions on the respective financial statements of the business-type activities, the governmental activities, each major fund, and the aggregate remaining fund information. In our opinion, the comparative enterprise funds and special revenue funds supplementary information as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2019, on our consideration of VTA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering VTA's internal control over financial reporting and compliance.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP". The signature is written in dark ink and is positioned above the typed name and date.

Palo Alto, California
October 28, 2019

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MANAGEMENT'S DISCUSSION AND ANALYSIS
(Required Supplementary Information)

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Management's Discussion and Analysis

Management's Discussion and Analysis (MD&A) provides a narrative overview and analysis of the financial activities of VTA for FY 2019. To obtain a complete understanding of VTA's financial condition, this document should be read in conjunction with the accompanying Transmittal Letter and Basic Financial Statements.

Financial Highlights

- As of June 30, 2019, VTA's net position, business-type and governmental activities, amounted to approximately \$5.7 billion. This includes primarily the net investment in capital assets which is associated with the capital programs of the VTA Transit, BART Operating, and Joint Development funds.
- The 1976 Sales Tax revenue increased \$30.3 million, or 14.6% from FY 2018 level to \$237.9 million in FY 2019. Aside from an improved economy in FY 2019, the increase in sales tax revenues was attributed to additional tax allocations pertaining to prior year which were received in subsequent months and formed part of the sales tax reporting in FY 2019. The California Department of Tax and Fee Administration was not able to process complete sales tax returns in FY 2018.
- The 2000 Measure A Sales Tax revenue increased \$30.0 million. This sales tax revenue's rise was partly due to the California Department of Tax and Fee Administration's inability to process complete sales tax returns in FY 2018. Thus, a portion of prior year's sales tax was reported in the current year.
- The 2016 Measure B Sales Tax revenue increased \$236.7 million for current year sales tax revenues. Prior years' sales tax collections were accounted for in a liability due to pending litigation on the Measure. In FY 2019, the court decision was upheld in VTA's favor and all tax collections from inception were recognized as revenues during the year.
- The three board-designated reserves; i.e., Transit Operating Reserve, Debt Reduction Reserve, and Sales Tax Stabilization Reserve were \$75.8 million, \$84.7 million, and \$35.0 million, respectively. Any of these reserves may be reduced by the amount of set aside for Net Pension Liability established in compliance with GASB 68 in the amount of \$254.9 million. Net Pension Liability represents the net amount owed by VTA to employees for benefits provided through a defined benefit pension plan that is attributed to employees' past period of service.
- Federal, state, and local operating grants, under the Enterprise Funds, were \$30.0 million higher, or 23.0%, in FY 2019. The increase was a result of an increase in State Transit Assistance of \$23.9 million in FY 2019 which was caused primarily by additional allocations pertaining to State of Good Repair and Senate Bill 1 augmentation funds. Transportation Development Act (TDA) revenue also increased by \$6.0 million in FY 2019.

Overview of the Financial Statements

VTA's basic financial statements have three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. In addition to the basic financial statements, this report also includes required and other supplementary information.

1. **Government-wide Financial Statements** The Government-wide Financial Statements provide a top-level view of VTA's financial picture in a format resembling that of a private-sector company.

The Statement of Net Position presents information on all of VTA's assets and liabilities including deferred inflows and outflows of resources, with the difference between the two reported as net position. Over time, an increase or decrease in net position may serve as an indicator of whether VTA's financial position is improving or deteriorating.

The Statement of Activities presents information reflecting changes in VTA's net position during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows only in future fiscal periods.

The government-wide statements distinguish functions of VTA that are principally supported by sales tax and intergovernmental revenues. The VTA business-type activity is transit, which includes bus/light rail operations, joint development, express lanes and BART operating. Although the transit operation's primary function is intended to recover its costs through charges for services (business-type activities), the recovery is not significant. The governmental activities of VTA consist of congestion management and highway programs, which include planning, programming, and construction of highway projects. Governmental activities also include the 2016 Measure B Program which focuses on enhancing transit, highways, expressways and active transportation (bicycles, pedestrians and complete streets); 2000 Measure A Program which focuses on a number of key capital transit projects, including the connection of rapid transit to San Jose, increased bus and light rail service, and providing for related operating expenses.

2. **Fund Financial Statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. VTA, like local and state governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All VTA funds are divided into three categories: governmental funds, proprietary funds (i.e., enterprise funds and internal service funds), and fiduciary funds.

Governmental funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

VTA maintains four major governmental funds to account for the financial activities of VTA's Congestion Management Program, 2000 Measure A Program, 2016 Measure B Program, and the Congestion Management and Highway Program.

Proprietary funds - VTA maintains two types of proprietary funds: enterprise funds and internal service funds. The enterprise funds are used to report the same function presented as "business-type activities" in the government-wide financial statements. The internal service funds are used to account for activities that provide services to other funds, departments or to other governments on a cost-reimbursement basis. General Liability, Workers' Compensation, and Compensated Absences are accounted for in the internal service funds. VTA uses the enterprise funds to account for its transit operation and capital activities, BART Operating, Joint Development Program, and Express Lanes Program.

The enterprise funds and the internal service fund provide the same type of information as the government-wide financial statements within the business-type activities, only in more detail.

Fiduciary funds - Fiduciary funds are used to account for resources held for the benefit of parties outside VTA. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support VTA's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The activities of the VTA Amalgamated Transit Union (ATU) Pension Plan, ATU Spousal Medical, and Retiree Vision/Dental Funds and the Retirees' Other Post Employment Benefits (OPEB) Trust are reported in the retiree trust funds. Pension trust funds are used to account for assets held by VTA as a trustee for individuals and other organizations, such as ATU.

Senate Bill 83 Vehicle Registration Fee (SB 83 VRF), and the Bay Area Air Quality Management District (BAAQMD) are accounted for in an agency fund, a fund that accounts for assets held solely in a custodial capacity.

3. **Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 2-30 through 2-89 of this report.

In addition to the basic financial statements and notes, *Required Supplementary Information* is presented as required by GASB. The required supplementary information shows Net Pension Liabilities/Net OPEB Asset and Employer Contributions pertaining to ATU, CalPERS and OPEB, as well as the Congestion Management Program, 2016 Measure B Program, 2000 Measure A Program, and Congestion Management and Highway Program Budgetary Schedules. Required supplementary information can be found on pages 2-90 through 2-100 of this report.

Other supplementary information, such as the combining statements and other individual schedules, are found immediately following the required supplementary information presenting individual fund statements and schedules for the Enterprise and Fiduciary Funds. Other supplementary information can be found on pages 2-101 through 2-112 of this report.

4. **Government-Wide Financial Analysis.** The Government-Wide change in net position was \$830.4 million. The Business-Type activities' net position increased by \$327.9 million and the Government-type activities' net position increased by \$502.5 million. The increase in the business-type net position was due primarily to sales tax receipts, operating grant, and capital grants related to Bus Procurement, Electric Bus Pilot, and Light Rail Vehicle CCTV Upgrades. The increase in the government-type net position was due primarily to the 2016 Measure B tax collections recognized as revenues in FY 2019. The 1976 sales tax, 2000 Measure A sales tax, 2016 Measure B sales tax, and BART operating sales tax collections for the fiscal year were \$237.9 million, \$237.9 million, \$236.7 million, and \$58.0 million, respectively. During FY 2019, VTA acquired or built total capital assets of approximately \$289.0 million (see Note 6). These capital assets were funded by a variety of sources such as federal and state grants, bond proceeds as well as sales tax revenues.

Santa Clara Valley Transportation Authority
Condensed Statement of Net Position
FY 2019 and FY 2018
(In thousands)

	Business -Type Activities		Governmental Activities		Total	
	2019	2018	2019	2018	2019	2018
Asset:						
Current and other assets	\$ 934,150	\$ 820,108	\$ 1,010,967	\$ 792,041	\$ 1,945,117	\$ 1,612,149
Capital assets, net	5,196,269	4,985,330	—	—	5,196,269	4,985,330
Total assets	6,130,419	5,805,438	1,010,967	792,041	7,141,386	6,597,479
Deferred outflows of resources	88,699	103,062	77,990	59,401	166,689	162,463
Liabilities:						
Current liabilities	59,542	89,094	98,732	350,202	158,274	439,296
Long-term liabilities outstanding	542,198	547,320	912,599	925,927	1,454,797	1,473,247
Total liabilities	601,740	636,414	1,011,331	1,276,129	1,613,071	1,912,543
Deferred inflows of resources	28,863	11,484	3,279	3,474	32,142	14,958
Net position:						
Net investment in capital assets	5,058,104	4,839,251	—	—	5,058,104	4,839,251
Restricted	6,003	9,910	597,807	56,746	603,810	66,656
Unrestricted	524,408	411,441	(523,460)	(484,907)	948	(73,466)
Total net position	\$ 5,588,515	\$ 5,260,602	\$ 74,347	\$ (428,161)	\$ 5,662,862	\$ 4,832,441

The largest portion of VTA’s net position (approximately 91%) reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment), less any related outstanding debt used to acquire those assets. VTA uses these capital assets to provide services to its customers. Consequently, these assets are not available for future spending. Although VTA’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot reasonably be used to liquidate these liabilities. The restricted net position represents mainly the funds set aside for the 1996 Measure B program, 2016 Measure B program, debt service collateral with the bond trustees, swap collateral, retention and congestion management program. The unrestricted categories include funds set aside by Board policies and for funding of local share of capital projects; BART operating; inventory and prepaid expenses; VTA transit operating reserve; debt reduction; express lanes and joint development program funds; sales tax stabilization; Net Pension Liability; and Net OPEB Asset. The unrestricted net position is generally available for appropriation with Board approval. The details of net position categories are shown in Note 2(j).

Generally accepted accounting principles require governments that participate in a defined benefit pension plan, administered as a trust or equivalent arrangement, to record the net pension liability, pension contributions, and deferred outflows/inflows of resources related to pensions in their financial statements. Net Pension Liability is the amount owed by VTA to its employees for benefits provided through a defined benefit pension plan. This liability consists of \$122.4 million for CalPERS and \$190.9 million for ATU.

In addition, generally accepted accounting principles require reporting of liability or asset in the financial statements of the governments whose employees are provided with Other Post Employment Benefit (OPEB). As of June 30, 2019, VTA showed a Net OPEB Asset for the excess of contributions to and earnings of the plan in relation to actual OPEB cost. VTA reported Net OPEB Asset net position in the amount of \$66.8 million as of June 30, 2019.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Condensed Statement of Activities

For the FY 2019 and FY 2018

(In thousands)

	Business-Type Activities		Governmental Activities		Total	
	2019	2018	2019	2018	2019	2018
Expenses:						
Labor, overhead, materials and professional services and other operations	\$ 487,725	\$ 495,785	\$ 8,122	\$ 8,159	\$ 495,847	\$ 503,944
Capital expense, on behalf of, and contribution to other agencies	23,809	7,344	53,663	68,188	77,472	75,532
Altamont Corridor Express and Caltrain subsidies	14,292	12,350	—	—	14,292	12,350
Other expenses	5,446	657	1,155	1,452	6,601	2,109
Claims and change in future claim estimates	15,359	17,437	—	—	15,359	17,437
Interest expense	13,060	6,972	7,833	8,068	20,893	15,040
Total expenses	559,691	540,545	70,773	85,867	630,464	626,412
Program revenues:						
Charges for services	44,720	42,434	2,814	2,664	47,534	45,098
Operating grants	160,967	130,919	112,348	107,957	273,315	238,876
Capital grants	53,855	58,259	—	—	53,855	58,259
Total program revenues	259,542	231,612	115,162	110,621	374,704	342,233
Net program revenues (expenses)	(300,149)	(308,933)	44,389	24,754	(255,760)	(284,179)
General revenues and transfers:						
Sales tax revenue	295,873	257,380	474,538	207,870	770,411	465,250
Investment earnings	27,033	3,222	24,782	2,813	51,815	6,035
Other general revenue	7,237	3,317	628	760	7,865	4,077
Total general revenues	330,143	263,919	499,948	211,443	830,091	475,362
Excess or deficiency of revenues over expenses	29,994	(45,014)	544,337	236,197	574,331	191,183
Transfers	297,919	250,769	(297,919)	(250,769)	—	—
Extraordinary item, Sales tax revenue recognition from favorable legal challenge	—	—	256,090	—	256,090	—
Change in net position	327,913	205,755	502,508	(14,572)	830,421	191,183
Net position, beginning of year	5,260,602	4,600,148	(428,161)	(1,052)	4,832,441	4,599,096
Adjustment due to GASB 75 implementation	—	42,162	—	—	—	42,162
Restatement due to change in accounting principles - 2000 Measure A Reclass to Governmental Fund	—	412,537	—	(412,537)	—	—
Net position, beginning of year as restated	5,260,602	5,054,847	(428,161)	(413,589)	4,832,441	4,641,258
Net position, end of year	\$5,588,515	\$5,260,602	\$ 74,347	\$ (428,161)	\$5,662,862	\$4,832,441

Business-Type Activities – The total net position is \$5.6 billion as of June 30, 2019. The increase is attributed to the year's change in net position of \$327.9 million. Major elements of changes in net position were as follows:

- The increase in operating grants of \$30.0 million was due to the increase in State Transit Assistance (STA) of \$23.9 million and Transportation Development Act (TDA) of \$6.0 million. The STA increase was a result of receipt of State of Good Repair funds and the passage of Senate Bill 1, augmenting funding through an increase of the diesel sales tax rate. The increase in TDA was consistent with the incremental change in sales tax.
- Sales Tax Revenue increased \$38.5 million. Aside from the improved economic conditions, the increase in FY 2019 is partly due to the distribution of sales tax allocations pertaining to previous year. In FY2018 VTA did not accrue any sales tax revenues in addition to the sales tax revenues it received for FY2018 despite California Department of Tax and Fee Administration's admission that incomplete sales tax returns were processed in FY 2018 due to lack of measurable supported data then.
- Investment Earnings increased \$23.8 million associated with interest income, unrealized gains/losses, and trading gains/losses. The increase was largely a result of mark-to-market gains on investments due to a decline in interest rates.
- The Transfers-in increase of \$47.2 million consisted primarily of \$29.0 million associated with 2016 Measure B operating assistance. FY 2019 is the first year of recognition of this operating assistance due to a favorable settlement of a legal challenge on the Measure. Transfers-in also includes fund capital acquisitions from the 2000 Measure A fund, 2000 Measure A Operating Assistance, and the 2000 Measure A Repayment Obligation.
- Increase in program expenses relate to capital contributions to other agencies, interest expense, and other charges. Capital contributions to other agencies increased by \$16.5 million mainly as a result of increased expenses incurred by the Express Lanes Fund for the Express Lanes project. Interest expense also recorded a one-time fee for the termination of the three swap agreements relating to the 2008 bonds secured by the 1976 Sales Tax . Other expenses represent loss on disposal of assets for transfer of vehicles to another transportation partner. Although there was an effort to actively manage vacancies during the year, labor cost reported an increase in fringe benefits due to the recognition of additional expenses to fully fund the compensated absences liability.

Governmental Activities – As of June 30, 2019, the net position of governmental activities is \$74.3 million. The increase is attributed to the year's change in net position of \$502.5 million. Major components of changes in net position were as follows:

- The 2000 Measure A Special Revenue Fund is used to account for the 2000 Measure A Transit Improvement Program (TIP). In an election, voters of County of Santa Clara approved funding through a half-cent sales tax requiring that sales tax revenues be expended on projects included in the scope of 2000 Measure A. The increase in the fund's net position was largely due to growth in sales tax revenue of \$30.0 million and investment income from mark-to-market gains.
- The 2016 Measure B Program Special Revenue Fund was created, upon approval of the Santa Clara County voters in November 2016, to record a 30-year half cent county-wide sales tax transactions in support of enhancing transit, highways, expressway and active transportation (bicycles, pedestrians and streets). The collection of the sales tax started in April 2017. The increase in net position was primarily attributable to recognition of sales tax revenue collected and related interest from inception to June 30, 2019.
- The Congestion Management Program (CMP) Special Revenue Fund relates to Congestion Management Agency functions performed by VTA for Santa Clara County. The change in net position relates to eligible activities funded by the Surface Transportation Program grant, member assessments, and various federal, state, and local grants. The change in fund balance was an increase of \$0.8 million.
- The Congestion Management and Highway Program (CMHP) experienced a growth of \$25.5 million in grant revenues and capital expenditures. This was a result of increased activities related to the SR 237 Express Lanes Extension project. New Senate Bill 1 (SB1) grant funding was obtained and increased contributions from the Express Lanes were received. The SB1 grant also funded the RT 237/RT 101 Mathilda Interchange during the year.

Financial Analysis of VTA's Funds – VTA uses funds to account for its various activities. This is to ensure and demonstrate compliance with finance-related legal requirements.

Enterprise Funds – VTA's enterprise funds report the activities of its transit operations, BART Operating, Express Lanes Program, and the Joint Development Program.

Comparison of Enterprise Funds Revenues
FY 2019 and FY 2018
(In thousands)

Enterprise Funds Revenue	2019	2018	Change	
			Favorable/(Unfavorable)	
			Amount	Percent
Charges for services	\$ 44,720	\$ 42,434	\$ 2,286	5.39 %
Operating grants	160,967	130,919	30,048	22.95 %
Capital grants	53,855	58,259	(4,404)	(7.56)%
1976 half-cent sales tax	237,869	207,589	30,280	14.59 %
BART Operating Sales Tax	58,004	49,791	8,213	16.49 %
Investment earnings	25,811	3,072	22,739	740.20 %
Other income	5,652	2,821	2,831	100.35 %
Transfers in	297,919	250,769	47,150	18.80 %
Total	\$ 884,797	\$ 745,654	\$ 139,143	18.66 %

Charges for Services – In the VTA Transit, Express Lanes, and Joint Development funds, charges for services, which were derived from bus farebox receipts, light rail ticket sales, sale of monthly passes (including SmartPass, tokens, and convention passes), paratransit fares, toll fees, advertising income, and joint development rent, were \$44.7 million in FY 2019. Charges for Services increased by \$2.3 million or 5.39% from FY 2018 primarily due to adult and youth transit fare increases in January 2019. Additionally, there was an increase in shelter advertising revenue as a result of a new contractual agreement with higher minimum annual guarantee.

Operating Grants – VTA Transit Operating grants include Transportation Development Act (TDA), State Transit Assistance (STA), Federal Section 5307 Urbanized Formula Program Grants, Federal Section 5311 Formula Grants for Other than Urbanized Areas, state vehicle license fees (AB434), Peninsula Family Services, and Job Access Reverse Commute (JARC). In FY 2019, total operating grants increased \$30.0 million or 23.0% from the FY 2018 level.

The State Transit Assistance (STA) funds are derived from state sales tax on diesel fuel. STA apportionments are made to regional transportation planning agencies (Metropolitan Transportation Commission in the San Francisco Bay Area Region) based on a formula that allocates 50% of the funds according to population and 50% according to the transit operator’s qualified revenues compared to all transit operators statewide from two years prior to the fiscal year of allocation. There was an increase in STA revenue of \$23.9 million, primarily a result of additional allocations pertaining to State of Good Repair and Senate Bill 1 augmentation funds.

The Transportation Development Act (TDA) funds are derived from a quarter-cent sales tax levied by the state on taxable transactions occurring in Santa Clara County. The Metropolitan Transportation Commission (MTC) retains a portion of these funds for administration and approximately 94% is returned to the source county (i.e., Santa Clara). There was an increase in the TDA revenue of \$6.0 million, which was consistent with the increase in sales tax revenues.

Capital Grants – Capital grants appear under VTA Transit and Joint Development Funds. In the VTA Transit Fund, capital grants include Federal Transit Administration (FTA) Federal Sections 5307, 5337, 5339 and Federal Security; other federal pass-throughs; Proposition 1B; Transportation for Clean Air, and various State transit-related capital grants; capital contributions from local agencies, and reimbursements received by VTA for capital expenses undertaken on behalf of other agencies. Total capital grants decreased \$4.4 million or 7.6% to \$54 million. This is largely due to reduced grant-funded activities relating to the paratransit fleet program.

1976 Half-Cent Sales Tax Revenues – The 1976 Sales Tax is VTA’s single largest source of revenue for operations under the VTA Transit Fund. The California Department of Tax and Fee Administration (CDTFA) collects the 1976 Sales Tax for VTA. The 1976 Sales Tax Revenues pay the operating expenses and capital expenditures, where state or federal capital assistance programs require that the recipient of assistance contribute locally-derived revenues. For FY 2019, total sales tax revenues were \$237.9 million, a \$30.3 million or 14.6% increase compared to the prior fiscal year’s sales tax revenue. Besides increased business and consumer spending resulting from a good economic outlook, the increase was a result of sales tax returns from prior year which were only completely processed by CDTFA in FY 2019. VTA opted not to record an accrual at the end of FY 2018 due to lack of measurable supported data.

BART Operating – In November 2008, county residents passed a 1/8-cent sales tax to fund the operating and maintenance costs of the BART Extension. Collection of the tax, which will be for a period not to exceed 30 years, took effect on July 1, 2012. In FY 2019, total sales tax revenue under the BART Operating Fund was \$58.0 million, a \$8.2 million or 16.5% increase compared to last year. The increase is partly due to distribution of FY 2018 tax revenue received in FY 2019.

Investment Earnings – The investment earnings are derived from three primary sources: short, mid, and long-term investment portfolios. Investment earnings were primarily recorded under the VTA Transit Fund. Pursuant to VTA’s adopted investment policy and California Government Code, 100% of surplus assets are invested in domestic fixed income investments. Investment income increased by \$22.7 million. This is primarily attributed to mark-to-market gains on investments due to a decline in interest rates.

Other income - Other income includes revenues from permit fees, property rentals, proceeds from the sale of fixed assets, parking citations, and other non-operating activities. Other income increased \$2.8 million when compared to FY 2018 primarily due to the FY19 receipts of proceeds associated with the insurance settlement for a light rail vehicle.

Transfers-in - FY 2019 reported a total transfer-in of \$297.9 million, an increase of \$47.2 million when compared to FY 2018. The increase consisted primarily of a transfer-in of \$12.0 million of capital acquisitions from the 2000 Measure A Program Fund to the VTA Transit Fund and the BART Operating Fund, as well as \$29.0 million in Operating Assistance from 2016 Measure B, and \$5.0 million in Operating Assistance from 2000 Measure A.

**Comparison of Enterprise Funds Expenses
FY 2019 and FY 2018
(In thousands)**

Enterprise Funds Expenses	2019	2018	Change	
			Positive/(Negative) Amount	Percent
Operations and support services	\$ 512,823	\$ 508,796	\$ (4,027)	(0.79)%
Caltrain and ACE subsidy	14,292	12,350	(1,942)	(15.72)%
Other expenses	42,315	14,973	(27,342)	(182.61)%
Total	<u>\$ 569,430</u>	<u>\$ 536,119</u>	<u>\$ (33,311)</u>	<u>(6.21)%</u>

Operations and Support Services – Operations and Support Services include labor and fringe, materials, support services, insurance, purchased transportation and other overhead costs incurred primarily for bus and light rail operations, services and support programs in VTA Transit, BART Operating, Express Lanes, and Joint Development funds. For FY 2019, operations and support services expense was \$4.0 million or 0.8% higher compared to that of FY 2018. The labor cost increase was attributed to the additional fringe relating to compensated absences for purposes of fully funding the liability. There was an also an increase in depreciation primarily from newly procured articulated buses placed in revenue service during the year.

Other Expenses - Other expense increased by \$27.3 million mainly due to \$6.1 million of interest expense and bond charges resulting from a one-time fee for termination swap agreements relating to the 2008 bonds secured by 1976 Sales Tax, \$4.7 million in other non-operating expenses for a transfer of vehicles to a transportation partner as well as a \$16.5 million increase in Capital Contributions to/ or Expenses on Behalf of Other Agencies. As part of its capital program, VTA makes capital contributions to or undertakes capital projects jointly with other agencies. As the ownership of these capital assets does not rest with VTA, these capital expenses are reported as non-operating expenses.

This includes primarily capital expenditures relating to SR237 Express Lanes Phase II and Radio System Upgrade projects.

Internal Service Funds – VTA maintains Internal Service Funds to account for the activities related to Workers’ Compensation, General Liability, and Compensated Absences programs. The costs of these activities are accounted for in these funds and then charged to VTA Transit Fund. These funds are fully funded as of June 30, 2019.

Governmental Funds – The focus of VTA’s governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing VTA’s financing requirements. VTA maintains one governmental fund type – *Special Revenue Fund*.

Special Revenue Fund – This fund accounts for the activities of the Congestion Management Program, the 2016 Measure B Program, the 2000 Measure A Program, and the Congestion Management and Highway Program.

The following table shows the details of changes in fund balance between the current and prior fiscal year:

**Comparison of Special Revenue Fund
FY 2019 and FY 2018**
(In thousands)

Special Revenue Fund	2019	2018	Change	
			Favorable/(Unfavorable)	Amount
Total revenues	\$ 615,110	\$ 322,064	\$ 293,046	90.99 %
Total expenditures	(103,260)	(117,436)	14,176	12.07 %
Transfers out	(297,919)	(250,769)	(47,150)	(18.80)%
Extraordinary item: Note 8	256,090	—	256,090	
Change in fund balances	470,021	(46,141)	516,162	
Fund balances, beginning of year	452,490	2,404,201	(1,951,711)	(81.18)%
Restatement due to change in accounting principles - 2000 Measure A Reclass to Governmental Fund	—	(1,905,570)	1,905,570	
Fund balances, beginning of year as restated	452,490	498,631	(46,141)	(9.25)%
Fund balances, end of year	<u>\$ 922,511</u>	<u>\$ 452,490</u>	<u>\$ 470,021</u>	103.87 %

CMP projects were funded from member assessments and various federal, state, and local grants. The 2000 Measure A Program Fund was created to report on the activities pertinent to the Measure A ballot approved in November 2000. A new sales tax measure revenue recognized in FY 2019 is the 2016 Measure B. The 2016 Measure B Program Fund was created in FY 2017, upon approval of the

Santa Clara County voters in November 2016, to record a 30-year half cent county-wide sales tax transactions in support of enhancing transit, highways, expressway and active transportation (bicycles, pedestrians and streets). For FY 2019, total sales tax revenues were \$474.5 million, a \$266.7 million or 128.29% increase compared to the prior fiscal year's sales tax revenue. The significant increase is primarily due to the recognition of sales tax revenues of 2016 Measure B. These were reported in a liability account from the time the tax was collected in April 2017 through the time the legal challenge on the Measure was resolved in January 2019. In FY 2019, the 2016 Measure B sales tax collections relating to prior years were reported as extraordinary item.

For FY 2019, total revenues for Congestion Management and Highway Program were \$42.1 million which represent the total amount expended on the projects and fully funded by other governmental agencies. The growth of \$25.5 million in grant revenues and capital expenditures was largely attributed to increased activities related to the SR 237 Express lanes projects. FY 2019 reported new Senate Bill 1 (SB1) grant which provided a source of funding for the SV Express Lanes US101/SR85 and the US101/SR25 Interchange Improvements projects during the year.

Total revenues under the Special Revenue Fund primarily include sales tax, grants, investment earnings, and member assessments. This was reported at \$615.1 million in FY 2019, an increase of \$293.0 million from the preceding year. This is largely a result of sales tax revenue recognized for the 2016 Measure B Program.

Total expenditures were \$103.3 million, a decrease of \$14.2 million from FY 2018. The decrease is primarily a result of reductions in contributions to other agencies of the 2000 Measure A Program and professional services of 2016 Measure B Program and Congestion Management Program (CMP). VTA contributes to capital projects which generate assets that would ultimately end up being owned by another entity. The decrease in capital contributions or expenses on behalf of other agencies was a result primarily of a decline in activities on these projects, which includes a Caltrain Electrification Investment program, Alum Rock/Santa Clara Bus Rapid Transit, and other bus stop improvement projects.

Capital Assets and Debt Administration

Capital assets – VTA's investment in capital assets is entirely in its business-type activity since VTA has no capital assets invested in the governmental activities. As of June 30, 2019, investment in capital assets net of accumulated depreciation, amounts to \$5.2 billion. This investment in capital assets includes Land and Right-of-Way, Buildings, Improvements, Equipment & Furniture, Vehicles, Caltrain Access, the Caltrain-Gilroy Extension, Light Rail Tracks/Electrification, Leasehold Improvements, and Other Operating Equipment. During FY 2019, VTA acquired and constructed \$289.0 million of capital assets.

Capital Assets
(Net of Accumulated Depreciation)
(In thousands)

	2019	2018
Land and Right-of-way	\$ 1,126,796	\$ 1,126,872
Construction in Progress	3,353,507	3,131,777
Caltrain Access	441	1,322
Buildings and improvements	216,766	226,742
Furniture and fixtures	23,594	25,360
Vehicles	347,492	329,483
Caltrain-Gilroy Extension	23,840	25,150
Light Rail Tracks/Electrification	96,822	110,567
Other Operating Equipment	2,448	3,052
Leasehold Improvements	4,563	5,005
Total	\$ 5,196,269	\$ 4,985,330

Additional information on VTA’s capital assets can be found in Note 6 – Capital Assets.

Long-term debt – At year end, VTA has \$998.7 million bonds outstanding. For FY 2019, the total principal debt payment made was approximately \$156.9 million while the total amortization of the bond premium was \$1.7 million.

Outstanding Debt
(In thousands)

	2019	2018
Business-type Activities:		
Sr. Lien Sales Tax Revenue Bonds (1976 Tax)	\$ 145,182	\$ 154,230
Secured by Toll Revenues	15,287	2,126
Governmental Activities:		
Sr. Lien Sales Tax Revenue Bonds (2000 Tax)	838,218	870,348
Total	\$ 998,687	\$ 1,026,704

More information on these transactions is included in Note 7g – Long-Term Debt and Liabilities.

The Senior Lien Sales Tax Revenue Bonds, secured by 1976 sales tax revenues, are rated “AAA” from Standard & Poor’s (S&P), “AA” rating from Fitch, and a “Aa2” rating from Moody’s.

The Senior Sales Tax Revenue Bonds, secured by 2000 Measure A sales tax revenues, are rated “Aa2” from Moody’s and “AA+” from S&P.

Additional information on VTA’s long-term debt can be found in Note 7 – Long-term Debt and Liabilities.

Requests for Information

Please address all questions or requests for additional information to the Finance and Budget Division, Attention: Deputy GM/Chief Financial Officer, Santa Clara Valley Transportation Authority, 3331 North First Street, Building C, Second Floor, San Jose, CA 95134-1927

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BASIC FINANCIAL STATEMENTS

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SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Statement of Net Position

June 30, 2019

(In thousands)

	Business-Type Activities	Governmental Activities	Total
ASSETS:			
Cash and investments	\$ 733,912	\$ 830,600	\$ 1,564,512
Receivables, net	8,707	41	8,748
Internal balances	610	(610)	—
Due from other agencies	77,501	123,598	201,099
Inventories	33,318	—	33,318
Other current assets	3,090	5	3,095
Restricted cash and investments	4,571	57,333	61,904
Net OPEB asset	72,441	—	72,441
Capital assets:			
Capital assets - nondepreciable	4,480,303	—	4,480,303
Capital assets - depreciable, net of accumulated depreciation	715,966	—	715,966
Total assets	6,130,419	1,010,967	7,141,386
DEFERRED OUTFLOWS OF RESOURCES:			
Hedging derivative instruments	—	74,381	74,381
Refunding amounts	7,017	3,609	10,626
Pension related	76,158	—	76,158
OPEB related	5,524	—	5,524
Total deferred outflows of resources	88,699	77,990	166,689
LIABILITIES:			
Accounts payable and accrued expenses	35,239	65,461	100,700
Deposits	444	—	444
Accrued payroll and related liabilities	6,280	—	6,280
Bond interest and other fees payable	510	10,276	10,786
Unearned revenues	4,940	80	5,020
Other accrued expenses	282	—	282
Due to other agencies	11,847	22,915	34,762
Long-term liabilities:			
Due within one year	30,024	32,080	62,104
Due in more than one year	198,882	806,138	1,005,020
Derivative instruments, due in more than one year	—	74,381	74,381
Net pension liability, due in more than one year	313,292	—	313,292
Total liabilities	601,740	1,011,331	1,613,071
DEFERRED INFLOWS OF RESOURCES:			
Pension related	17,716	—	17,716
OPEB related	11,147	—	11,147
Deferred amount on refunding	—	3,279	3,279
Total deferred inflows of resources	28,863	3,279	32,142
NET POSITION:			
Net investment in capital assets	5,058,104	—	5,058,104
Restricted:			
1996 Measure B projects	1,432	—	1,432
2016 Measure B program	—	464,093	464,093
Swap collateral	—	74,381	74,381
Retention	—	8,019	8,019
Debt service	4,571	49,314	53,885
Congestion management program	—	2,000	2,000
Unrestricted (Note 2j)	524,408	(523,460)	948
Total net position	\$ 5,588,515	\$ 74,347	\$ 5,662,862

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Statement of Activities

June 30, 2019

(In thousands)

	Business-Type Activities	Governmental Activities	
	Transit	Congestion Management	Total
EXPENSES:			
Labor, overhead, materials and professional services and other operations	\$ 487,725	\$ 8,122	\$ 495,847
Capital expenses on behalf of, and contribution to other agencies	23,809	53,663	77,472
Altamont Corridor Express and Caltrain subsidies	14,292	—	14,292
Other expenses	5,446	1,155	6,601
Claims and change in future claim estimates	15,359	—	15,359
Interest expense	13,060	7,833	20,893
Total expenses	559,691	70,773	630,464
PROGRAM REVENUES:			
Charges for services	44,720	2,814	47,534
Operating grants	160,967	112,348	273,315
Capital grants	53,855	—	53,855
Total program revenues	259,542	115,162	374,704
Net program revenues (expenses)	(300,149)	44,389	(255,760)
GENERAL REVENUES AND TRANSFERS:			
Sales tax revenue	295,873	474,538	770,411
Investment earnings	27,033	24,782	51,815
Other general revenues	7,237	628	7,865
Transfers	297,919	(297,919)	—
Total general revenues and transfers	628,062	202,029	830,091
Extraordinary item, Note 8c	—	256,090	256,090
Change in Net Position	327,913	502,508	830,421
NET POSITION, BEGINNING OF YEAR	5,260,602	(428,161)	4,832,441
Net Position, end of year	\$ 5,588,515	\$ 74,347	\$ 5,662,862

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Statement of Fund Net Position

Proprietary Funds

June 30, 2019

(In thousands)

	Business-Type Activities					
	VTA Transit	BART Operating	Express Lanes	Joint Development	Total Enterprise	Internal Service Fund
ASSETS:						
Current assets:						
Cash and cash equivalents	\$ 1,518	\$ 879	\$ 5	\$ 761	\$ 3,163	\$ 10,834
Investments	280,295	351,074	1,681	29,168	662,218	57,697
Receivables, net	8,683	—	24	—	8,707	—
Due from other funds	613	—	—	—	613	—
Due from other agencies	68,023	9,419	—	59	77,501	—
Inventories	33,318	—	—	—	33,318	—
Other current assets	3,090	—	—	—	3,090	—
Restricted cash and cash equivalents with fiscal agent	1,738	—	2,833	—	4,571	—
Total current assets	397,278	361,372	4,543	29,988	793,181	68,531
Noncurrent assets:						
Net OPEB asset	72,441	—	—	—	72,441	—
Capital assets - non-depreciable:						
Land and right of way	1,126,796	—	—	—	1,126,796	—
Construction in progress	616,047	2,735,964	—	1,496	3,353,507	—
Capital assets - depreciable:						
Intangible assets	2,203	—	—	—	2,203	—
Caltrain - Gilroy extension	43,072	—	—	—	43,072	—
Buildings and improvements	453,812	—	—	—	453,812	—
Furniture and fixtures	146,242	—	—	—	146,242	—
Vehicles	661,753	—	—	—	661,753	—
Light-rail tracks and electrification	418,194	—	—	—	418,194	—
Leasehold improvements	9,686	—	—	—	9,686	—
Others	50,035	—	—	—	50,035	—
Less accumulated depreciation	(1,069,031)	—	—	—	(1,069,031)	—
Net capital assets	2,458,809	2,735,964	—	1,496	5,196,269	—
Total noncurrent assets	2,531,250	2,735,964	—	1,496	5,268,710	—
Total assets	2,928,528	3,097,336	4,543	31,484	6,061,891	68,531
DEFERRED OUTFLOWS OF RESOURCES:						
Refunding amounts	7,017	—	—	—	7,017	—
Pension related	76,158	—	—	—	76,158	—
OPEB related	5,524	—	—	—	5,524	—
Total deferred outflows of resources	88,699	—	—	—	88,699	—

(continued on next page)

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Statement of Fund Net Position *(continued)*
Proprietary Funds
June 30, 2019
(In thousands)

	Business-Type Activities					
	VTA Transit	BART Operating	Express Lanes	Joint Development	Total Enterprise	Internal Service Fund
LIABILITIES:						
Current liabilities:						
Current portion of long-term debt	14,733	—	55	—	14,788	—
Accounts payable and accrued expenses	34,717	72	167	189	35,145	94
Deposits	294	—	—	150	444	—
Accrued payroll and related liabilities	6,280	—	—	—	6,280	—
Bond interest and other fees payable	510	—	—	—	510	—
Unearned revenues	4,914	—	—	26	4,940	—
Other accrued expenses	282	—	—	—	282	—
Due to other funds	—	—	—	3	3	—
Due to other agencies	11,847	—	—	—	11,847	—
Claims liability	—	—	—	—	—	4,283
Compensated absences	—	—	—	—	—	10,953
Total current liabilities	<u>73,577</u>	<u>72</u>	<u>222</u>	<u>368</u>	<u>74,239</u>	<u>15,330</u>
Non-current liabilities:						
Claims liability	—	—	—	—	—	28,670
Compensated absences	—	—	—	—	—	24,531
Long-term debt, excluding current portion	130,449	—	15,232	—	145,681	—
Net pension liability	313,292	—	—	—	313,292	—
Total non-current liabilities	<u>443,741</u>	<u>—</u>	<u>15,232</u>	<u>—</u>	<u>458,973</u>	<u>53,201</u>
Total liabilities	<u>517,318</u>	<u>72</u>	<u>15,454</u>	<u>368</u>	<u>533,212</u>	<u>68,531</u>
DEFERRED INFLOWS OF RESOURCES:						
Pension Related	17,716	—	—	—	17,716	—
OPEB Related	11,147	—	—	—	11,147	—
Total deferred inflows of resources	<u>28,863</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>28,863</u>	<u>—</u>
NET POSITION:						
Net Investment in Capital Assets	2,320,644	2,735,964	—	1,496	5,058,104	—
Restricted:						
1996 Measure B projects	1,432	—	—	—	1,432	—
Debt service	1,738	—	2,833	—	4,571	—
Unrestricted (Note 2j)	147,232	361,300	(13,744)	29,620	524,408	—
Total net position	<u>\$ 2,471,046</u>	<u>\$ 3,097,264</u>	<u>\$ (10,911)</u>	<u>\$ 31,116</u>	<u>\$ 5,588,515</u>	<u>\$ —</u>
Reconciliation of the Statement of Fund Net Position to the Statement of Net Position:						
Net Position of Enterprise Funds						\$ 5,588,515
Net Position of Internal Service Funds, which benefits Business-Type Activities						—
Net Position of Business-Type Activities (Page 2-19)						<u>\$ 5,588,515</u>

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the year ended June 30, 2019
(In thousands)

	Business-Type Activities					
	VTA Transit	BART Operating	Express Lanes	Joint Development	Total Enterprise	Internal Service Fund
OPERATING REVENUES:						
Fares - Transit	\$ 35,773	\$ —	\$ —	\$ —	\$ 35,773	\$ —
Fares - Paratransit	2,288	—	—	—	2,288	—
Toll revenues collected	—	—	1,300	—	1,300	—
Advertising and others	4,428	—	—	—	4,428	—
Charges for services	—	—	—	931	931	27,815
Total operating revenues	42,489	—	1,300	931	44,720	27,815
OPERATING EXPENSES:						
Labor cost	354,799	—	—	—	354,799	—
Materials and supplies	36,642	—	—	1	36,643	—
Services	37,753	296	883	1,282	40,214	—
Utilities	9,646	—	3	—	9,649	—
Casualty and liability	6,179	—	—	—	6,179	—
Purchased transportation	25,483	—	—	—	25,483	—
Leases and rentals	759	—	—	—	759	—
Miscellaneous	1,688	—	—	—	1,688	2,717
Depreciation expense	73,338	—	—	—	73,338	—
Costs allocated to capital and other programs	(35,942)	—	—	13	(35,929)	—
Claims and change in future claims estimates	—	—	—	—	—	15,359
Total operating expense	510,345	296	886	1,296	512,823	18,076
Operating income/(loss)	(467,856)	(296)	414	(365)	(468,103)	9,739
NON-OPERATING REVENUES (EXPENSES):						
Sales tax revenue	237,869	58,004	—	—	295,873	—
Federal operating assistance and other grants	4,402	—	—	—	4,402	—
State and local operating assistance grants	156,565	—	—	—	156,565	—
Caltrain subsidy	(10,790)	—	—	—	(10,790)	—
Capital expense on behalf of, and contribution to other agencies	(10,447)	—	(13,362)	—	(23,809)	—
Altamont Corridor Express subsidy	(3,502)	—	—	—	(3,502)	—
Investment earnings	9,571	14,739	128	1,373	25,811	1,222
Interest expense	(13,060)	—	—	—	(13,060)	—
Other income	5,652	—	—	—	5,652	1,585
Other expenses	(5,446)	—	—	—	(5,446)	—
Total non-operating revenue (expenses)	370,814	72,743	(13,234)	1,373	431,696	2,807
Income (loss) before capital contributions and transfers	(97,042)	72,447	(12,820)	1,008	(36,407)	12,546
Capital grants and contributions	53,713	—	—	142	53,855	—
Transfers in	102,507	194,370	—	1,042	297,919	—
Change in net position	59,178	266,817	(12,820)	2,192	315,367	12,546
Net position, beginning of year	2,411,868	2,830,447	1,909	28,924	5,273,148	(12,546)
Net position, end of year	\$2,471,046	\$ 3,097,264	\$(10,911)	\$ 31,116	\$ 5,588,515	\$ —

Reconciliation of the Statement of Revenues, Expenses & Changes in Fund Net Position to the Statement of Activities:

Change in net position of the Enterprise Funds	\$315,367
Change in net position of the Internal Service Fund, which benefits Business-Type Activities	12,546
Change in net position of Business-type Activities (Page 2-20)	<u>\$327,913</u>

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2019
(In thousands)

	Business-Type Activities					
	VTA Transit	BART Operating	Express Lanes	Joint Development	Total Enterprise	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES:						
Cash received from transit fares	\$ 35,815	\$ —	\$ —	\$ —	\$ 35,815	\$ —
Cash received from paratransit fares	2,288	—	—	—	2,288	—
Cash received from Tolls	—	—	1,300	—	1,300	—
Cash received from advertising	4,410	—	—	—	4,410	—
Cash paid for labor costs	(310,586)	—	—	(13)	(310,599)	—
Cash paid to suppliers	(87,240)	(290)	(877)	(1,337)	(89,744)	—
Cash paid for purchased transportation	(25,483)	—	—	—	(25,483)	—
Cash received from contributions	—	—	—	—	—	27,815
Payments made to beneficiaries	—	—	—	—	—	(12,323)
Payments made to third party contractors	—	—	—	—	—	(1,218)
Other receipts/(payments)	—	(1)	76	2,093	2,168	—
Net cash provided by/(used in) operating activities	(380,796)	(291)	499	743	(379,845)	14,274
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Operating grants received	157,155	—	—	—	157,155	—
Sales tax received	234,586	56,438	—	—	291,024	—
Caltrain subsidy	(10,790)	—	—	—	(10,790)	—
Altamont Corridor Express subsidy	(3,502)	—	—	—	(3,502)	—
Capital contributions to other agencies	24,697	—	(13,552)	—	11,145	—
Net cash provided by/(used in) non-capital financing activities	402,146	56,438	(13,552)	—	445,032	—
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Payment of long-term debt	(126,436)	—	—	—	(126,436)	—
Proceeds from issuance of long-term debt	117,501	—	13,161	—	130,662	—
Advance (to)/from other governments	(31,075)	—	—	—	(31,075)	—
Interest and other fees paid on long-term debt	(11,907)	—	—	—	(11,907)	—
Acquisition and construction of capital assets	(83,808)	—	—	(533)	(84,341)	—
Capital contribution from other entities	40,617	—	—	142	40,759	—
Transfer in	92,228	—	—	—	92,228	—
Net cash provided by/(used in) capital and related financing activities	(2,880)	—	13,161	(391)	9,890	—
CASH FLOWS FROM INVESTING ACTIVITIES:						
Proceeds from sale of investments	566,853	435,226	3,262	46,900	1,052,241	67,555
Purchase of investments	(614,031)	(497,568)	(2,981)	(47,307)	(1,161,887)	(78,838)
Interest income received	1,815	6,994	85	668	9,562	611
Net cash provided by/(used in) investment activities	(45,363)	(55,348)	366	261	(100,084)	(10,672)
Net increase/(decrease) in cash and cash equivalents	(26,893)	799	474	613	(25,007)	3,602
Cash and cash equivalents, beginning of year	30,149	80	2,364	148	32,741	7,232
Cash and cash equivalents, end of year	\$ 3,256	\$ 879	\$ 2,838	\$ 761	\$ 7,734	\$ 10,834

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Statement of Cash Flows
Proprietary Funds (continued)
For the year ended June 30, 2019
(In thousands)

	Business-Type Activities					
	VTA Transit	BART Operating	Express Lanes	Joint Development	Total Enterprise	Internal Service Fund
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY/ (USED IN) OPERATING ACTIVITIES						
Operating income/(loss)	\$(467,856)	\$ (296)	\$ 414	\$ (365)	\$(468,103)	\$ 9,739
Adjustments to reconcile operating income (loss) to net cash provided by/(used in) operating activities:						
Depreciation	73,338	—	—	—	73,338	—
Changes in operating assets and liabilities:						
Other current assets	(1,897)	—	—	—	(1,897)	—
Receivables	(428)	—	9	(55)	(474)	—
Inventories	2,154	—	—	—	2,154	—
Accounts Payable	5,730	5	76	—	5,811	—
Other accrued liabilities	(3,870)	—	—	—	(3,870)	4,535
Deposits from others	(790)	—	—	—	(790)	—
Unearned Revenue	452	—	—	121	573	—
Pension related	12,371	—	—	—	12,371	—
Deferred inflow of Resources: Pension related	—	—	—	1,042	1,042	—
Net cash provided by/(used in) operating activities	<u><u>\$ (380,796)</u></u>	<u><u>\$ (291)</u></u>	<u><u>\$ 499</u></u>	<u><u>\$ 743</u></u>	<u><u>\$ (379,845)</u></u>	<u><u>\$ 14,274</u></u>
Reconciliation of cash and cash equivalents to the Statement of Fund Net Position:						
Unrestricted:						
Cash and cash equivalents	\$ 1,518	\$ 879	\$ 5	\$ 761	\$ 3,163	\$ 10,834
Restricted:						
Cash and cash equivalents with fiscal agent	1,738	—	2,833	—	4,571	—
	<u><u>\$ 3,256</u></u>	<u><u>\$ 879</u></u>	<u><u>\$ 2,838</u></u>	<u><u>\$ 761</u></u>	<u><u>\$ 7,734</u></u>	<u><u>\$ 10,834</u></u>
NONCASH ACTIVITIES:						
Increase/(Decrease) in fair value of investments	\$ 9,159	\$ 7,745	\$ 43	\$ 705	\$ 17,652	\$ 611
Noncash capital contributions	(10,308)	—	—	—	(10,308)	—
Amortization expense of Caltrain Access Fee	(882)	—	—	—	(882)	—
Total non-cash activities	<u><u>\$ (2,031)</u></u>	<u><u>\$ 7,745</u></u>	<u><u>\$ 43</u></u>	<u><u>\$ 705</u></u>	<u><u>\$ 6,462</u></u>	<u><u>\$ 611</u></u>

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Balance Sheet
Governmental Funds
June 30, 2019
(In thousands)

	Special Revenue Funds				Total Governmental Funds
	2000 Measure A Program	2016 Measure B Program	Congestion Management Program	Congestion Management & Highway Program	
ASSETS:					
Cash and cash equivalents	\$ 16	\$ 157	\$ 941	\$ 1,948	\$ 3,062
Investments	399,105	426,739	—	1,694	827,538
Accounts receivables	40	—	1	—	41
Due from other agencies	64,475	38,962	1,212	18,949	123,598
Other assets	5	—	—	—	5
Restricted cash with fiscal agent	57,333	—	—	—	57,333
Total assets	<u>\$ 520,974</u>	<u>\$ 465,858</u>	<u>\$ 2,154</u>	<u>\$ 22,591</u>	<u>\$ 1,011,577</u>
LIABILITIES:					
Accounts payable	\$ 56,181	\$ 1,715	\$ 50	\$ 7,515	\$ 65,461
Unearned revenue	80	—	—	—	80
Due to other funds	419	50	—	141	610
Due to other agencies	7,876	—	104	14,935	22,915
Total liabilities	<u>64,556</u>	<u>1,765</u>	<u>154</u>	<u>22,591</u>	<u>89,066</u>
FUND BALANCES:					
Restricted	456,418	464,093	2,000	—	922,511
Total liabilities and fund balances	<u>\$ 520,974</u>	<u>\$ 465,858</u>	<u>\$ 2,154</u>	<u>\$ 22,591</u>	<u>\$ 1,011,577</u>

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position

Amounts reported for governmental activities in the statement of net position (page 2-19) are different because:

Total governmental fund balance (page 2-26)	\$ 922,511
Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore, are not reported in the fund:	
Long-term debt	(838,218)
Derivative instruments	(74,381)
Deferred inflows of resources related to refunding costs	(3,279)
Deferred outflows of resources related to derivative instruments	74,381
Deferred outflows of resources related to refunding costs	3,609
Interest payable on bonds outstanding is not due and payable in the current period, and therefore, is not reported in the funds	(10,276)
Net position of government activities (page 2-19)	<u>\$ 74,347</u>

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2019
(In thousands)

	Special Revenue Funds				Total Governmental Funds
	2000 Measure A Program	2016 Measure B Program	Congestion Management Program	Congestion Management & Highway Program	
REVENUES:					
Sales tax revenue	\$ 237,874	\$ 236,664	\$ —	\$ —	\$ 474,538
Assessment to member agencies	—	—	2,654	—	2,654
Administrative fees	—	—	160	—	160
Federal grant revenues	51,065	—	2,439	1,768	55,272
State and local grants	7,156	—	783	40,330	48,269
Federal subsidy for Build America Bonds	8,807	—	—	—	8,807
Investment earnings	19,808	4,970	4	—	24,782
Other revenues	376	—	252	—	628
Total revenues	325,086	241,634	6,292	42,098	615,110
EXPENDITURES:					
Congestion Management - Current					
Labor and overhead costs	—	2,798	4,689	—	7,487
Professional services	—	170	449	—	619
Materials and services	—	—	16	—	16
Contribution to agencies	11,260	—	305	—	11,565
Capital expenditures on behalf of other agencies	—	—	—	42,098	42,098
Other expenditures	1,155	—	—	—	1,155
Debt Service:					
Principal	30,575	—	—	—	30,575
Interest	9,745	—	—	—	9,745
Total expenditures	52,735	2,968	5,459	42,098	103,260
Excess (deficiency) of revenues over expenditures	272,351	238,666	833	—	511,850
OTHER FINANCING SOURCES & USES					
Transfers out	(268,919)	(29,000)	—	—	(297,919)
Extraordinary item, Note 8c	—	256,090	—	—	256,090
Net change in fund balances	3,432	465,756	833	—	470,021
Fund balances, beginning of year	452,986	(1,663)	1,167	—	452,490
Fund balances, end of year	\$ 456,418	\$ 464,093	\$ 2,000	\$ —	\$ 922,511

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities:

Amounts reported for governmental activities in the statement of activities (page 2-20) are different because:

Net change in fund balances - total governmental funds (page 2-27)	\$ 470,021
Repayment of debt service is an expenditure in the governmental funds, but reduces the long-term liabilities	30,575
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore, are not reported as expenditure in the governmental funds	
Amortization of bond premium	1,555
Amortization of gain on refunding debt	196
Amortization of loss on refunding debt	(212)
Change in accrued interest payable	373
Change in net position of governmental activities (page 2-20)	<u>\$ 502,508</u>

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2019
(In thousands)

	ATU Pension, ATU Medical & OPEB Trust Funds	Agency Funds
ASSETS:		
Cash and investments:		
Cash and cash equivalents	\$ 4,855	\$ 6,961
Corporate bonds	100,902	—
Municipal bonds	3,915	—
U.S. government agency bonds	70,118	—
U.S. treasury	12,704	—
Money market funds	6,499	—
Equity based	568,628	—
Real asset funds	93,707	29,785
Alternative investments	76,684	—
Receivables	1,432	—
Due from other agencies	11	—
Total assets	939,455	\$ 36,746
LIABILITIES:		
Accounts payable	809	\$ 310
Program payable	—	36,436
Total liabilities	809	\$ 36,746
NET POSITION:		
<i>Restricted for:</i>		
ATU pension benefits	575,665	
Retiree medical benefits	330,624	
ATU retiree spousal medical benefits	19,143	
ATU retiree dental and vision benefits	13,214	
Total net position	\$ 938,646	

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the year ended June 30, 2019
(In thousands)

	ATU Pension, ATU Medical & OPEB Trust Funds
ADDITIONS:	
Employee contributions	\$ 5,298
Employer contributions	41,369
Total contributions	<u>46,667</u>
Investment earnings:	
Investment income	19,145
Net change in the fair value of investments	29,011
Investment expense	(2,636)
Net investment earnings	<u>45,520</u>
Total additions	<u>92,187</u>
DEDUCTIONS:	
Benefit payments	59,312
Services	19
Administrative expenses	501
Total deductions	<u>59,832</u>
Change in net position	32,355
Net position, beginning of year	906,291
Net position, end of year	<u><u>\$ 938,646</u></u>

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**NOTES TO THE BASIC FINANCIAL
STATEMENTS**

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NOTE 1 – THE FINANCIAL REPORTING ENTITY

Santa Clara Valley Transportation Authority (VTA), which was established in 1972, develops, maintains, and operates a public mass transit system for the benefit of the residents of the County of Santa Clara (County), California (State). VTA's governing board consists of two members of the County Board of Supervisors, five City Council members from the City of San Jose, and five City Council members selected from among the remaining incorporated cities in the County.

The accompanying basic financial statements include the financial activities of the Santa Clara Valley Transportation Authority Amalgamated Transit Union (ATU) Pension Plan and the Other Post Employment Benefit Plan (the Plans) in the Trust Funds. The financial activities of the Plans are also included in the basic financial statements because they exclusively serve the employees of VTA. Due to the fact that the Plans are fiscally dependent on VTA, they are considered trust funds by VTA.

The Santa Clara Valley Transportation Authority Congestion Management Program (CMP) was created in 1990 in response to Proposition 111. The CMP is not legally separate from VTA. The CMP is responsible for the development and implementation of the Valley Transportation Plan (VTP), the long-range transportation and land use plan for the County, and for preparing and implementing the state-mandated CMP. It is also responsible for the programming and oversight of discretionary federal, state, and local funds, and for serving as the program manager for certain countywide grant funds, including the Transportation Fund for Clean Air (TFCA). Annual contributions from 17 member agencies are based on a formula adopted by the Board of Directors of VTA. The contribution formula considers each member agency's share of Proposition 111, state gas tax monies, as well as employment within the County. The CMP is included as a major governmental fund in the accompanying basic financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation

Government-wide Financial Statements - The Statement of Net Position and Statement of Activities display information about VTA as a whole. These statements include the financial activities of the overall government, except for activities reported in fiduciary funds. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *business-type* and *governmental activities* of VTA. Business-type activities, which normally rely on a significant extent on fees charged to external parties, are reported separately from governmental activities, which normally are supported by taxes and inter-governmental revenues.

The statement of activities presents a comparison between direct expenses and program revenues for the business-type and governmental activities. Direct expenses are those that are specifically associated with a program or function and; are, therefore, clearly identifiable to a particular function. Program revenues include: 1) charges paid by the recipients of goods or services offered by the programs and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements - The fund financial statements provide information about VTA's funds, including fiduciary funds. Separate statements for each fund category – *proprietary, governmental, and fiduciary* – are presented. The emphasis of fund financial statements is on the major governmental and the enterprise funds, each displayed in separate columns. All governmental and enterprise funds of VTA are presented as major funds.

The Proprietary Funds are used to account for activities for which a fee is charged to external or internal users for goods or services. VTA reports the following major Enterprise Funds:

- The VTA Transit Fund accounts for the transit operations of VTA. The primary sources of funding for transit operations are the TDA, one-half cent sales tax, farebox collections, and federal/state grants.
- The BART Operating Fund is used to account for the 1/8-cent sales tax approved in an election by voters of County of Santa Clara requiring that sales tax revenues be expended on operations, maintenance, improvement and future capital needs of the 16.1-mile VTA's BART Silicon Valley Extension.
- The Express Lanes Fund is used to account for operations of the 237/880 Express Lanes. The primary source of funding for the operations is toll revenues. The fund reports a long-term liability relating to a loan agreement primarily for funding construction costs of the Express Lanes Phase 2 project.
- The Joint Development Fund is used to set aside the proceeds generated from VTA's Joint Development Program, whose mission is to maximize the economic value of the agency's real estate assets through site-appropriate development. The aggregated funds may be appropriated for the continued operation and development of VTA through formal action by the VTA Board of Directors.

Additionally, VTA reports an Internal Service Fund that is used to account for compensated absences and risk management activities of VTA, which are managed through a combination of purchased insurance and self-insurance.

The Governmental Funds are used to account for VTA's governmental activities where the proceeds of specific revenue sources are legally restricted to expenditures for specific purposes and for the acquisition of capital assets or construction of major capital projects (other than those financed by the Enterprise Funds). VTA reports the following major special revenue funds:

- The 2016 Measure B Special Revenue Fund is used to account for the 2016 Measure B Program funded through a one-half cent sales tax approved in an election by voters of County of Santa Clara requiring that sales tax revenues be expended on enhancing transit, highways, expressways and active transportation (bicycles, pedestrians and complete streets).
- The 2000 Measure A Special Revenue Fund is used to account for the 2000 Measure A Transit Improvement Program funded through a one-half cent sales tax as approved in an election by voters of County of Santa Clara requiring that sales tax revenues be expended on projects included in the scope of 2000 Measure A.
- The Congestion Management Program Special Revenue Fund is used to account for the congestion management planning, programming, and development services for Santa Clara County. Major sources of revenue for this fund are member agency assessments and federal and state grants.
- The Congestion Management and Highway Program Capital Projects Fund (CMHP) is used to account for the acquisition of capital assets and construction of highway projects administered on behalf of State and other local governments.

The Fiduciary Funds are used to account for assets held by VTA as a trustee or as an agent for others and which assets cannot be used to support its own programs. This following are VTA's trust and agency funds:

- VTA's Trust Funds include retiree funds namely ATU Pension Plan, Other Post-Employment Benefits Trust (OPEB), ATU Spousal Medical, and Retiree Dental/Vision Plan.
- VTA's Agency Funds account for resources held by VTA in a custodial capacity on behalf of others and include:
 - Bay Area Air Quality Management District (BAAQMD) which accounts for the activities that relate to the Transportation Fund for Clean Air (TFCA) program.
 - Senate Bill (SB) 83 Vehicle Registration Fund (VRF) was established to administer the vehicle registration fee collected under SB 83 and approved by voters in 2010.

(b) *Basis of Accounting and Measurement Focus*

The government-wide, proprietary funds, and fiduciary trust funds financial statements are reported using the *accrual basis* of accounting and the *economic resources measurement focus*. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions in which VTA gives (or receives) value without directly receiving (or giving) equal value in exchange include sales tax and grants. Revenues from sales tax are recognized when the underlying transactions take place. Revenues from grants are recognized in the fiscal year in which all eligibility requirements have been satisfied. Fiduciary trust funds are also reported using accrual basis of accounting and the economic resources measurement focus. Agency funds have no measurement focus but utilize the accrual basis of accounting for reporting assets and liabilities.

Operating revenues are generated directly from transit operations and consist principally of passenger fares, tolls, and rental income. Operating expenses for the transit, toll and rental operations include all costs related to providing those services. These costs include labor, fringe benefits, materials, supplies, services, utilities, leases and rentals, purchased transportation, and depreciation on capital assets. All other revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, VTA considers revenues to be available if they are collected within 180 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to vacation, sick leave, claims and judgments are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financial sources.

Sales taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual; and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 180 days of year -end). Expenditure-driven grants are recognized as revenue source when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the

availability period for this revenue source (within 180 days of year end). All other revenue items are considered to be measurable and available only when cash is received by VTA.

(c) *Cash and Investments*

VTA contracts with money management firms to manage most of its investment portfolio. VTA's investment program manager has oversight responsibility for investments managed by these firms. The securities are held by a third-party custodial bank. Purchases and sales of securities are reflected on the trade date. The remaining cash balances in certain VTA funds are invested in the Local Agency Investment Fund (LAIF). Unless there are specific legal or contractual requirements for specific allocations, income earned or losses arising from investments are allocated on a monthly basis to the appropriate fund(s) based on their average daily balances.

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments, which are readily convertible to known amounts of cash. Restricted and unrestricted cash, and cash equivalents and cash and investments with fiscal agents are considered to be cash and cash equivalents for purposes of the accompanying statement of cash flows. Access to cash and investments with fiscal agents is similar to that of a demand deposit account and, therefore, investments are considered to be cash equivalents.

(d) *Inventories*

Inventories are valued at cost using the weighted average method, which approximates market. They are charged to expense at the time individual items are withdrawn from inventory (consumption method). Inventory consists primarily of parts and supplies relating to the maintenance of transportation vehicles and facilities.

(e) *Restricted Assets*

Restricted assets consist of monies and other resources, the use of which are legally restricted for capital projects and debt service.

(f) *Bond Discounts, Premiums, and Bond Refunding Gains/Losses*

Bond refunding gains/losses for the government-wide statement of net position and the proprietary funds are reported as deferred inflows/outflows of resources and amortized on a straight-line basis over a period equal to the term of the related bond. The discounts and premiums are amortized using the effective interest rate method. Bond discounts and premiums in the government-wide and proprietary funds are presented as a reduction and addition, respectively, of the face amount of bonds payable.

(g) Capital Assets

It is VTA’s policy that assets with a value of \$5,000 or more, and a useful life beyond one year are capitalized, included in the applicable proprietary fund financial statement and depreciated over their estimated useful lives. Property, facilities, and equipment are stated at historical cost. Normal maintenance and repair costs are charged to operations as incurred. Donated capital assets are stated at acquisition value. Improvements are capitalized and depreciated over the remaining useful lives of the related assets.

Depreciation is computed using the straight-line method over estimated useful lives as follows:

<u>Asset being Depreciated</u>	<u>Useful Life</u>
Buildings and improvements	25 to 50 years
Furniture and fixtures	5 to 10 years
Vehicles (excluding light-rail vehicles)	5 to 12 years
Light-rail tracks, electrification, and light-rail vehicles	25 to 30 years
Leasehold improvements	10 to 35 years
Other operating equipment	5 to 10 years

Governmental funds of VTA do not report capital outlays because these funds are used to fund capital projects related to the congestion program of the participating jurisdictions in the County or fund capital acquisition of the proprietary funds of VTA. Therefore, VTA's governmental activities do not report capital assets.

Interest is capitalized on construction in progress. Accordingly, interest that is capitalized is the total interest cost from the date of the borrowing until the specified asset is operational. In the current year, VTA capitalized total interest expense and other bond charges of \$40.5 million.

(h) Vacation and Sick Leave Benefits

It is the policy of VTA to permit employees to accumulate unused vacation and sick leave benefits up to the limit designated in the various collective bargaining agreements. As vacation and sick leave are used during the year, they are reported as expenses. Additionally, there is an amount charged each month to accrue the estimated increase in unused vacation and sick leave. The balance reflecting the year-end value of unused vacation and sick leave is reported in the Internal Service Fund.

(i) Self-Insurance

VTA retains \$3 million in self-insurance for general liability and completely self-insures workers’ compensation claims. Estimated losses on claims other than workers’ compensation

claims are charged to expense in the period the loss is determinable. Estimated losses for workers' compensation claims are charged to expense as a percentage of labor in each accounting period. The costs incurred for workers' compensation and general liability (including estimates for claims incurred but not yet reported) are reported in the Internal Service Fund based on an actuarial determination of the present value of estimated future cash payments (see Notes 15 and 16).

(j) Net Position

The government-wide and proprietary funds financial statements utilize a net position presentation. Net Position is categorized as net investment in capital assets, restricted, and unrestricted.

- Net Investment in Capital Assets - This category groups all capital assets, including infrastructure and intangibles, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce the balance of this category.

The Statement of Fund Net Position as of June 30, 2019, on pages 2-21 and 2-22, reports that enterprise fund net investment in capital assets (net of related debt) is \$5.1 billion.

- Restricted Net Position - This category consists of debt service, swap collateral, retention, amounts restricted for 1996 Measure B projects, 2000 Measure A program, 2016 Measure B program, and Congestion Management Program (CMP). When both restricted and unrestricted net positions are available, unrestricted resources are used only after the restricted resources are depleted.
- Unrestricted Net Position - The remaining unrestricted net position, although not legally restricted, has been earmarked for future capital and operating needs, as well as for other purposes in accordance with Board directives.

Unrestricted Net Position earmarks consist of the following (in thousands):

	Proprietary Funds				
	VTA Transit Fund	Bart Operating Fund	Express Lanes Fund	Joint Development Fund	Total Enterprise Funds
Local share of capital projects	\$ 103,341	\$ —	\$ —	\$ 8,188	\$ 111,529
Debt reduction	84,701	—	—	—	84,701
Express Lane	—	—	(13,744)	—	(13,744)
BART Operating	—	361,300	—	—	361,300
Joint Development	—	—	—	21,432	21,432
Sales tax stabilization	35,000	—	—	—	35,000
Operating reserve	75,814	—	—	—	75,814
Inventory and prepaid expenses	36,408	—	—	—	36,408
Net OPEB Asset (GASB 75)*	66,818	—	—	—	66,818
Net Pension Liability (GASB 68)*	(254,850)	—	—	—	(254,850)
Total	\$ 147,232	\$ 361,300	\$(13,744)	\$ 29,620	\$ 524,408

*Net of related pension and OPEB deferrals

The unrestricted net position of the governmental activities is reported at a deficit amount because debt and related transactions are included in that component. Debt is secured by future sales tax revenues which will offset these amounts once collected and the debt is paid off.

	Governmental Funds
	2000 Measure A Program
Governmental funds, June 30, 2019 (page 2-26)	\$ 456,418
Long-term liabilities, including bonds payable, are not due and payable in, the current period and therefore, are not reported in the fund:	
Long-term debt	(838,218)
Derivative instruments	(74,381)
Deferred Inflows	(3,279)
Deferred Outflows	3,609
Retention	(8,019)
Debt Service	(49,314)
Interest Payable on bonds outstanding is not due and payable in the current period, and therefore, is not reported in the funds	(10,276)
Total Net Position, Governmental Activities (page 2-19), June 30, 2019	\$ (523,460)

(k) *Cost Allocated to Capital and Other Programs*

On the Statement of Revenues, Expenses, and Changes in Fund Net Position, the VTA Transit Fund reports \$36 million as costs allocated to capital and other programs. This amount represents a credit for direct and indirect labor and associated fringe benefits, reproduction and mileage costs, and other costs that were capitalized as construction in progress.

(l) *Estimates*

Management has made a number of estimates and assumptions relating to certain reported amounts, and certain disclosures to prepare the basic financial statements in conformity with GAAP. Actual results could differ from those estimates.

(m) *Fund Balance - Governmental Funds*

The fund balances are classified as restricted. These are amounts that can be spent only for specific purposes because of enabling legislation or constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

(n) *Fund Balance Spending Order Policy*

When expenditures are incurred for purposes, for which both restricted and unrestricted resources are available, VTA considers restricted funds to have been spent first. VTA reported no committed, assigned, or unassigned fund balances.

(o) *New Accounting Pronouncements*

GASB Statement No. 83 - In November 2016, GASB issued Statement No. 83, Certain Asset Retirement Obligations (AROs). The objective of the Statement is to establish criteria for determining the timing and pattern of recognition and a corresponding deferred outflows of resources for AROs. The Statement requires ARO measurement to be based on best estimate of the current value of outlays expected to be incurred and updated annually for inflation/deflation and all relevant factors. In addition, a government is required to measure the deferred outflows of resources associated with the ARO at the amount of the corresponding liability upon initial measurement and expensed in a systematic and rational manner over the estimated useful life of the tangible capital asset. The Statement is effective for the reporting periods beginning after June 15, 2018, or the FY 2019. The statement did not have an impact on VTA's financial statement.

GASB Statement No. 84 - In January 2017, GASB issued Statement No. 84, Fiduciary Activities. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement also establishes criteria for identifying fiduciary activities of all state

and local governments. The Statement is effective for the reporting periods beginning after December 15, 2018, or the FY 2020. VTA is evaluating the impact of the statement.

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 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 deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The Statement is effective for reporting periods after December 15, 2019, or the FY 2021. VTA is evaluating the impact of the Statement.

GASB Statement No. 88 - In March 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. The Statement is effective for reporting periods after June 15, 2018, or the FY 2019. VTA implemented the provision of this statement effective June 30, 2019 financial reporting.

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 primary objective of this Statement is 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 interest cost incurred before the end of a construction period. 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 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 a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The Statement is effective for reporting periods after December 15, 2019, or the FY 2021. VTA is evaluating the impact of the Statement.

GASB Statement No. 90 - In August 2018, GASB issued Statement No. 90, *Majority Equity Interests- An Amendment of GASB No. 14 and No. 61*. Primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization, and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. The equity method should be used for measuring a majority equity interest that meets the definition of an investment, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. The Statement is effective for reporting periods after December 15, 2018, or the FY 2020. VTA is evaluating the impact of the Statement.

GASB Statement No. 91 - In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers, and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. Issuers are required to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period. The Statement is effective for reporting periods after December 15, 2020, or the FY 2022. VTA is evaluating the impact of the Statement.

NOTE 3 - CASH AND INVESTMENTS

Total cash and investments as of June 30, 2019, are reported in the accompanying basic financial statements as follows (in thousands):

	Enterprise Funds	Internal Service Fund	Governmental Funds	Retiree Benefits Trust Funds	Agency Funds	Total
Cash and Cash Equivalents	\$ 3,163	\$ 10,834	\$ 3,062	\$ 4,855	\$ 6,961	\$ 28,875
Restricted Cash and Cash Equivalents with Fiscal	4,571	—	57,333	—	—	61,904
Total cash equivalents	<u>7,734</u>	<u>10,834</u>	<u>60,395</u>	<u>4,855</u>	<u>6,961</u>	<u>90,779</u>
Investments	662,218	57,697	827,538	933,157	29,785	2,510,395
Total investments	<u>662,218</u>	<u>57,697</u>	<u>827,538</u>	<u>933,157</u>	<u>29,785</u>	<u>2,510,395</u>
Total Cash and Investments	<u><u>\$ 669,952</u></u>	<u><u>\$ 68,531</u></u>	<u><u>\$ 887,933</u></u>	<u><u>\$ 938,012</u></u>	<u><u>\$ 36,746</u></u>	<u><u>\$2,601,174</u></u>

As of June 30, 2019, total cash and investments reported in the accompanying financial statements consisted of the following (in thousands):

Cash & Cash Equivalents	\$ 28,875
Cash & Cash Equivalents with Fiscal Agents	61,904
Investments	2,510,395
Total	<u><u>\$ 2,601,174</u></u>

Cash and Cash Equivalents

VTA maintains several checking accounts related to its operations. These checking accounts earn interest based on the bank's sweep rate.

Investments policies

VTA's investments fall into two categories, i.e. investments related to: (1) operations pool, and (2) retiree benefits pool. The first includes investments reported by all of VTA's funds except for the ATU Pension, Spousal, Dental and OPEB funds (retiree benefits), which may be restricted or unrestricted depending on the source of the funds. The second includes retiree benefits investments that are held to pay retirement benefits of ATU, Local 265 Pension Plan, ATU Medical/Dental, and the Retirees' Other Post-Employment Benefits.

Investment within the operations pool

Government code requires that the primary objective is to safeguard the principal, secondarily meet the liquidity needs of the local government, and then achieve a reasonable return. Furthermore, the intent of the government code is to minimize risk of loss on held investments from:

1. Interest rate risk
2. Credit risk
3. Custodial / counterparty credit risk
4. Concentration of credit risk

VTA's investment policy covering the operations pool conforms to state statutes and provides written investment guidance regarding the types of investments that may be made and the amounts, which may be invested in any one financial institution or any one long-term instrument. VTA's permissible investments include U.S. treasury obligations, obligations of federal agencies and U.S. government sponsored enterprises, state of California obligations, local agency obligations, bankers' acceptances with 180 days or less in maturity and no more than 40% of the total operations pool, commercial papers with a rating of A-1/P-1 or higher with 270 days or less in maturity and no more than 25% of the total operations pool, repurchase and reverse repurchase agreements with one year or less in maturity and no more than 20% of the total operations pool, medium-term corporate notes, insured with no more than 30% of the total operations pool, collateralized savings/money market accounts with no more than 30% of the total operations pool, negotiable certificates of deposit with five years or less in maturity and no more than 30% of the total operations pool, mortgage and asset-backed obligations with a rating of Aa/AA or higher, invested in these permissible investments mentioned above.

VTA's policy also allows investments in the State Treasurer's Office Local Agency Investment Fund (LAIF). LAIF is commingled within the state of California Pooled Money Investment Account (PMIA). If the state's shares of PMIA is exhausted, then participation by the state in the PMIA is zero. There is no correlation between the state's share of that pool and VTA's. LAIF is not a Securities and Exchange Commission (SEC) registered pool and is unrated, but it is required to invest in accordance with the guidelines established by the California Government Code. The weighted average maturity of the investments in LAIF on June 30, 2019, was 180 days. Earnings are paid quarterly based on the average daily balance of the participants in the pool. The fair value of VTA's investment in the LAIF pool is reported in the accompanying financial statements at amounts based upon the VTA'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, which is different from the fair value of the VTA's position in the LAIF pool.

Interest Rate Risk – Interest rate risk is the risk that changes in market interest rates may adversely affect the fair value of an investment. The longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. VTA’s \$1.6 billion investment in the operations pool is in compliance with the maximum maturity provision of the VTA’s Investment Policy.

The following schedule indicates the maturity of investments at June 30, 2019 (in thousands):

OPERATIONS POOL	Maturity				Fair value
	1 Year or Less	2-5 Years	6-10 Years	Over 10 Years	
Corporate Bonds	\$ 138,609	\$ 408,188	\$ 3,698	\$ —	\$ 550,495
Municipal Bonds	36,027	49,760	17,422	—	103,209
Commercial Paper	6,876	—	—	—	6,876
US Government Agency Bonds	54,568	66,838	8,491	—	129,897
US Treasury	99,447	449,255	39,343	—	588,045
Money Market Funds	133,716	—	—	—	133,716
LAIF	65,000	—	—	—	65,000
Subtotal	<u>\$ 534,243</u>	<u>\$ 974,041</u>	<u>\$ 68,954</u>	<u>\$ —</u>	<u>1,577,238</u>
Cash with Fiscal Agents					61,904
Cash Deposits					24,020
Total cash and investments in the operations pool					<u>1,663,162</u>

RETIREE BENEFITS POOL	Maturity				Fair value
	1 Year or Less	2-5 Years	6-10 Years	Over 10 Years	
Corporate Bonds - Pension	\$ 2,083	\$ 16,048	\$ 20,479	\$ 26,553	\$ 65,163
Corporate Bonds - OPEB	734	10,362	10,970	13,673	35,739
Municipal Bonds - Pension	—	—	—	2,619	2,619
Municipal Bonds - OPEB	—	—	—	1,296	1,296
US Government Agency Bonds - Pension Plan	12	287	684	44,792	45,775
US Government Agency Bonds - OPEB Plan	—	1,992	313	22,038	24,343
US Treasury - Pension	—	—	8,391	—	8,391
US Treasury - OPEB	—	—	4,313	—	4,313
Money Market Funds - Pension	4,315	—	—	—	4,315
Money Market Funds - OPEB	2,184	—	—	—	2,184
Subtotal	<u>\$ 9,328</u>	<u>\$ 28,689</u>	<u>\$ 45,150</u>	<u>\$ 110,971</u>	<u>194,138</u>
Equity Based					568,628
Real Assets Funds					93,707
Alternative Investments					76,684
Cash Deposits					4,855
Total cash and investments in the retiree benefits pool					<u>938,012</u>
Total cash and investments					<u>\$2,601,174</u>

Credit Risk – Credit risk is the risk of non-payment by the issuer of a bond or other debt instrument. Even an increase in the perception of risk of non-payment can adversely affect the value of such an investment. For investment grade fixed income securities, credit strength is often gauged using credit ratings assigned by one or more nationally recognized statistical rating organization. VTA’s investment policy governing investment of the operations pool seeks to limit exposure to credit risk by following the California Government Code and specifying the permitted investments, minimum credit ratings, maximum maturities, and maximum concentrations.

Certain investments, such as obligations that are backed by the full faith and credit of the United States government are not subject to credit ratings criteria in VTA's Investment Policy.

A summary of the credit quality distribution for investments with credit exposure as rated by Standard and Poor's is provided in the next page:

	Rating as of June 30, 2019		
	Operations Pool	Retiree Benefits Pool	Total
Corporate bonds			
AAA	\$ 183,309	\$ 2,452	\$ 185,761
AA	37,753	11,691	49,444
A	252,587	13,548	266,135
A-1	15,708	—	15,708
A2	1,455	—	1,455
BBB	59,683	57,670	117,353
BB	—	15,541	15,541
Municipal bonds			
AAA	2,357	—	2,357
AA	67,475	1,854	69,329
A	20,089	903	20,992
A-1	8,368	—	8,368
A2	1,589	—	1,589
AA3	3,331	—	3,331
BBB	—	1,158	1,158
Commercial Paper			
A	1,791	—	1,791
A-1	3,786	—	3,786
AAA	1,299	—	1,299
US Government Agencies			
AA	129,897	68,178	198,075
AAA	—	1,940	1,940
US Treasury Notes			
AAA	28,551	11,854	40,405
AA	559,494	850	560,344
Unrated cash and investments			
Cash with Fiscal Agents	61,904	—	61,904
Real Assets Funds	—	93,707	93,707
Equity Based	—	568,628	568,628
Alternative Investments	—	76,684	76,684
LAIF	65,000	—	65,000
Money Market Funds	133,716	6,499	140,215
Deposits with Financial Institutions	24,020	4,855	28,875
TOTAL	<u>\$ 1,663,162</u>	<u>\$ 938,012</u>	<u>\$ 2,601,174</u>

Custodial Credit Risk – Deposits - For deposits, custodial credit risk is the risk that in the event of a bank failure, some or all of VTA’s deposits might not be returned. To mitigate this risk, State law requires all deposits to be either insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized with pledged securities held in the trust department of the financial institutions. VTA does not have a specific policy with respect to deposits’ custodial credit risk. VTA's deposits are not exposed to significant deposit risks because of the collateralization protection provided by the California Government Code.

Custodial Credit Risk – Investments – The custodial credit risk for investments is the risk that, in the event of a failure of the custodian (e.g. broker-dealer), VTA may not be able to recover the value of its investments or collateral securities that are in the possession of another party. VTA’s Investment Policy limits exposure to counterparty credit risk by requiring that all securities owned by VTA be held with “perfected interest” in the name of VTA by an independent custodian that is a bank trust department and is unrelated to any other involved counterparty. As of June 30, 2019, VTA believes its counterparty credit risk exposure is minimal.

Concentration of Credit Risk – Concentration of credit risk is the risk that the failure of any one issuer or type of investment would place an undue financial burden on VTA.

Other than investments in mutual funds, external investment pools or securities issued by U.S. Government, VTA did not hold investments in any one issuer that exceeded 5% or more of the total operations pool. As of June 30, 2019, the retiree benefits pool held investments in the UBS Core Real Estate Fund that exceeded 5% of the retiree benefits pool.

Fair Value Measurement – The following schedule indicates the fair value hierarchy and fair value amounts (in thousands) for both VTA’s operating fund investments and the trust investments at June 30, 2019:

Operations Pool	Fair Value Hierarchy			Fair Value
	Level 1	Level 2	Level 3	
Corporate Bonds	\$ —	\$ 550,495	\$ —	\$ 550,495
Municipal Bonds	—	103,209	—	103,209
US Government Agency Bonds	—	129,897	—	129,897
US Treasury	588,045	—	—	588,045
Subtotal	\$ 588,045	\$ 783,601	\$ —	1,371,646
Not subject to the fair value hierarchy				
Money Market Funds				133,716
Cash with Fiscal Agents				61,904
Commercial Paper				6,876
LAIF				65,000
Cash Deposits				24,020
Subtotal				291,516
Cash and investments in the operations pool				1,663,162

(Continued on next page)

Retiree Benefits Pool	Fair Value Hierarchy			Fair Value
	Level 1	Level 2	Level 3	
Corporate Bonds - Pension Plan	\$ —	\$ 65,163	\$ —	\$ 65,163
Corporate Bonds - OPEB Plan	—	35,739	—	35,739
Municipal Bonds - Pension Plan	—	2,619	—	2,619
Municipal Bonds - OPEB Plan	—	1,296	—	1,296
US Government Agency Bonds - Pension Plan	—	45,775	—	45,775
US Government Agency Bonds - OPEB Plan	—	24,343	—	24,343
US Treasury - Pension Plan	8,391	—	—	8,391
US Treasury - OPEB Plan	4,313	—	—	4,313
Equity Based	—	568,628	—	568,628
Subtotal	\$ 12,704	\$ 743,563	\$ —	756,267
Net Asset Value				
Real Assets Funds				93,707
Alternative Investments				76,684
Subtotal				170,391
Not subject to the fair value hierarchy				
Money Market Funds - Pension				4,315
Money Market Funds - OPEB				2,184
Cash Deposits				4,855
Subtotal				11,354
Cash and investments in the retiree benefits pool				938,012
Total cash and investments				\$ 2,601,174

VTA categorizes the fair value measurement of its investments based on hierarchy established by generally accepted accounting principles. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices that are directly observable in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority when pricing inputs are unobservable (Level 3 measurements). The three levels of the fair value hierarchy above are described as follows:

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

Level 2 – Inputs to the valuation methodology include:

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

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Unobservable inputs reflect VTA’s own assumptions about the inputs market participants would use in pricing the asset or liability (including assumptions

about risk). Unobservable inputs are developed based on best information in the circumstances and may include VTA's own data.

Net Asset Value (NAV) - Certain investments are priced at net asset value by the fund managers. NAV is the market value of all securities owned by a fund, minus its total liabilities, divided by the number of shares issued and outstanding. The fair value of the retiree benefits pool's investments in real asset funds and alternative investment funds is based on net asset values provided by the fund managers (partnerships). Such value generally represents the retiree benefits pool's proportionate share of the net assets of these partnerships. The partnership financial statements are audited annually, and the net asset value is adjusted by additional contributions to and distributions from the partnerships, the retiree benefit pool's share of net earnings and losses, and unrealized gains and losses resulting from changes in fair value, as determined by these partnerships. These investments may be redeemed once per quarter with 90-day notification. Because of the inherent uncertainty in the valuation of these types of investments, the fair value reported on the financial statements may differ from the values that would have been used if a ready market for such securities existed.

Deposits and withdrawals in governmental investment pools, such as LAIF are made on the basis of \$1 and not fair value. Accordingly, VTA's proportional share in these types of investments is an uncategorized input not defined as Level 1, Level 2, or Level 3 input.

Foreign Currency Risk

This is the risk that changes in the exchange rates will adversely affect the fair value of underlying investments. The following tables provide information as of June 30, 2019, concerning the fair value of investments that are subject to foreign currency risk which are only reported in the retiree benefits pool:

Currency Name	Global Equity (‘000)
Australian Dollar	\$ 2,459
British Pound Sterling	16,274
Brazilian Real	3,384
Canadian Dollar	1,826
Chilean Peso	419
Chinese Yuan	4,478
Colombian Peso	192
Czech Koruna	456
Danish Krone	1,169
Egyptian Pound	60
Euro	47,486
Hong Kong Dollar	8,155
Hungarian Forint	129
Indian Rupee	3,939
Indonesian Rupiah	5,869
Japanese Yen	11,428
Malaysian Ringgit	943
Mexican Peso	2,784
Pakistani Rupee	11
Philippine Peso	497
Poland Zloty	496
Qatari Rial	433
Saudi Riyal	609
Singapore Dollar	1,975
Russian Ruble	1,676
South African Rand	429
South Korean Won	6,606
Swiss Franc	19,745
Taiwan Dollar	4,735
Thai Baht	1,312
Turkish Lira	236
United Arab Emirates Dirham	310
Total	<u>\$ 150,520</u>

NOTE 4 – INTERFUND TRANSACTIONS

The composition of interfund balances as of June 30, 2019, is as follows (in thousands):

	Due from other funds	Due to other funds
Enterprise Funds		
VTA Transit	\$ 613 ¹	\$ —
Joint Development	—	3 ²
Total	613	3
Governmental Funds		
2000 Measure A Program	—	419 ³
2016 Measure B Program	—	50 ⁴
Congestion Management & Highway Program	—	141 ¹
Total	—	610
	\$ 613	\$ 613

¹Represents mainly labor transfers to Congestion Management & Highway Program

²Represents mainly expenses initially paid by Congestion Management & Highway Program

³Represents the increase of Measure A Operating Assistance from fourth quarter true-up of sales tax

⁴Represents mainly labor transfers to 2016 Measure B Program

The transfer to VTA Transit includes \$10.3 million of fund capital acquisitions from 2000 Measure A (consisting of parking garages, bus rapid transit, and bus stop improvements); \$49.4 million of operating assistance from 2000 Measure A, and \$14.9 million of Measure A Repayment Obligation. BART Operations received \$194.4 million fund capital acquisitions from 2000 Measure A (consisting of Silicon Valley Berryessa Extension and BART vehicle procurement projects). The transfer to Joint Development represents the proceeds from sale of land of \$1 million. A summary of the composition of transfers in/out for the year ended June 30, 2019, is as follows:

Transfer from	Transfer to	Purpose	Amount (in thousands)
2000 Measure A Fund	VTA Transit Fund	Fund capital acquisitions	\$ 10,279
		Operating Assistance	49,359
		Meas A Repayment Obligation	14,911
2016 Measure B Fund	VTA Transit Fund	Operating Assistance	29,000
VTA Transit Fund	Joint Development Fund	Proceeds from sale of land	(1,042)
			<u>102,507</u>
2000 Measure A Fund	BART Operations Fund	Fund capital acquisitions	194,370
VTA Transit Fund	Joint Development Fund	Proceeds from sale of land	1,042
			<u>\$ 297,919</u>

NOTE 5 – DUE FROM AND DUE TO OTHER AGENCIES

Due from other agencies as of June 30, 2019 consisted largely of sales tax receivables of \$127.1 million (\$48.8 million under enterprise funds, and \$78.3 million under governmental funds), State Transit Assistance of \$9.9 million, and \$6.8 million of Transportation Development Act grant. A summary is provided as follows (in thousands):

DUE FROM OTHER AGENCIES	Enterprise Funds	Fiduciary Funds	Governmental Funds
Federal Government	\$ 8,610	\$ —	\$ 22,913
State Government	67,097	—	89,698
Cities and other local agencies	1,794	11	10,987
Total	\$ 77,501	\$ 11	\$ 123,598

Due to other agencies as of June 30, 2019 consisted of advances for capital projects received from the entities as provided below (in thousands):

DUE TO OTHER AGENCIES	Enterprise Fund	Governmental Fund
State	\$ 11,797	\$ 922
Caltrain	50	—
County of Santa Clara	—	12,588
City of Milpitas	—	3,277
City of San Jose	—	5,421
City of Sunnyvale	—	32
City of Fremont	—	11
City of Cupertino	—	7
Santa Clara Valley Water District	—	254
Others	—	403
Total	\$ 11,847	\$ 22,915

NOTE 6 – CAPITAL ASSETS

Capital asset changes for VTA’s business-type activities for the year ended June 30, 2019, were as follows (in thousands):

	July 1, 2018	Additions	Retirements	Transfers	June 30, 2019
Capital assets, not being depreciated					
Land and right-of-way	\$ 1,126,872	\$ —	\$ (76)	\$ —	\$ 1,126,796
Construction in progress	3,131,777	288,876	—	(67,146)	3,353,507
Total capital assets, not being depreciated	4,258,649	288,876	(76)	(67,146)	4,480,303
Capital assets, being depreciated					
Caltrain Access	2,203	—	—	—	2,203
Caltrain - Gilroy extension	43,072	—	—	—	43,072
Buildings and improvements	453,012	—	(127)	927	453,812
Furniture and fixtures	139,232	78	—	6,932	146,242
Vehicles	618,806	—	(15,231)	58,178	661,753
Light rail tracks and electrification	418,194	—	—	—	418,194
Leasehold improvement	9,686	—	—	—	9,686
Others	48,890	36	—	1,109	50,035
Total capital assets, being depreciated	1,733,095	114	(15,358)	67,146	1,784,997
Accumulated Depreciation					
Caltrain Access	(881)	(881)	—	—	(1,762)
Caltrain - Gilroy extension	(17,922)	(1,310)	—	—	(19,232)
Buildings and improvements	(226,270)	(10,876)	100	—	(237,046)
Furniture and fixtures	(113,872)	(8,766)	—	—	(122,648)
Vehicles	(289,323)	(35,559)	10,621	—	(314,261)
Light rail tracks and electrification	(307,627)	(13,745)	—	—	(321,372)
Leasehold improvement	(4,681)	(442)	—	—	(5,123)
Others	(45,838)	(1,749)	—	—	(47,587)
Total accumulated depreciation	(1,006,414)	(73,328)	10,721	—	(1,069,031)
Total capital assets, being depreciated, net	726,681	(73,214)	(4,637)	67,146	715,966
Total capital assets, net	\$ 4,985,330	\$ 215,662	\$ (4,713)	\$ —	\$ 5,196,269

Construction in Progress (CIP) includes capitalized costs and right-of-way acquisitions associated with the following projects as of June 30, 2019, (in thousands):

Silicon Valley Rapid Transit	\$ 2,808,745
Light Rail Program	233,796
Bus Program	160,388
Operating Facilities & Equipment	26,365
Revenue Vehicles & Equipment	34,002
Information Systems Technology	28,979
Light Rail - Way, Power & Signal	42,783
Commuter Rail Program	10,690
Others	7,759
Total	<u><u>\$ 3,353,507</u></u>

NOTE 7 - LONG-TERM DEBT & LIABILITIES

Long-term debt as of June 30, 2019, consisted of the following (in thousands):

Enterprise Activities:

Secured by VTA's 1976 Measure A 1/2 Cent Sales Tax:

2017 Series A Refunding	\$ 5,150
2017 Series B Refunding (\$24,465 plus unamortized premium of \$4,954)	29,419
2018 Series A Refunding (\$96,440 plus unamortized premium of \$14,173)	110,613

Secured by Toll Revenues:

Silicon Valley Express Lanes State Route 237 Loan	15,287
Subtotal	<u>160,469</u>
Less: Current portion of long-term debt	<u>(14,788)</u>
Long term debt, excluding current portion	<u><u>\$ 145,681</u></u>

Governmental Activities:

Sales tax revenue bonds secured by VTA'S 2000 Measure A 1/2-cent sales tax:

2008 Series A-D Measure A Refunding	\$ 235,875
2010 Series A-B Refunding (\$498,575 plus unamortized premium of \$448)	499,023
2015 Series A-B Refunding (\$83,560 plus unamortized premium of \$19,760)	103,320
Subtotal	<u>838,218</u>
Less: Current portion of long-term debt	<u>(32,080)</u>
Long term debt, excluding current portion	<u><u>\$ 806,138</u></u>

(a) Sales Tax Revenue Bonds, secured by 1976 ½-cent sales tax revenues

- In March 2017, \$10.03 million of VTA 2017 Series A Sales Tax Revenue Refunding Bonds were issued to current refund \$12.05 million principal amount of the VTA 2007 Series A bonds maturing on June 1, 2017, or later. The refunding was done in order to take advantage of the lower interest cost of the refunding bonds. The refunding bonds were issued at an all-in true interest cost of 2.00%. The 2017 Series A Bonds were issued as traditional fixed rate bonds in a direct purchase by Bank of the West. The 2017 bonds were unrated, did not carry a CUSIP and were issued as a physical, non-book entry security.
- In December 2017, \$27.76 million of VTA 2017 Series B Sales Tax Revenue Refunding Bonds were issued to advance refund \$31.45 million principal amount of the VTA 2011 Series A bonds maturing on June 1, 2028. The refunding was done in order to take advantage of the lower interest cost of the refunding bonds. The refunding bonds were issued at an all-in true interest cost of 1.98%. The 2017 Series B Bonds were issued as a traditional fixed rate bond in a negotiated sale.
- In September 2018, \$103.22 million of VTA 2018 Series A Sales Tax Revenue Refunding Bonds were issued to current refund \$114.92 million principal amount of the VTA 2008 Series A, B and C Bonds (the “2008 Bonds”) maturing on June 1, 2026. As part of the refunding, VTA terminated the three fixed payor interest rate swaps associated with the 2008 Bonds. Unlike a traditional refunding for debt service savings, the purpose of the 2018 Bonds was to simplify VTA’s debt portfolio, and to eliminate future uncertainty related to variable rate 2008 Bonds and the related interest rate swaps. Nonetheless, the 2018 Series A Bonds also generated deferred outflows on refunding in the amount of \$6.5 million and a net present value savings in the amount of \$1.61 million. The refunding bonds were issued at an all-in true interest cost of 3.14%. The 2018 Series A Bonds were issued as a traditional fixed rate bond in a negotiated sale.

(b) Santa Clara Express Lanes Program State Route 237 - Phase 2 Project Financing, secured by Toll Revenues

In September 2017, VTA entered into a loan agreement with Western Alliance Bank to provide up to a \$24 million loan to fund construction costs of the SR237 Express Lanes Phase 2 project, pay capitalized interest, and fund issuance costs of the loan. The loan is a draw down type loan, with advances permitted through September 30, 2019. During the advances period a variable interest rate is calculated based on 1-month LIBOR plus a spread. Beginning October 1, 2019, the loan is subject to an annual interest rate of 5.15% and will be amortized over the remaining 18 years of the 20-year term. The loan is secured solely by toll revenues and any other related revenues received from the operation of the SR237 Express Lanes. As of June 30, 2019, VTA had \$8.7 million in unused line of credit in this financing.

(c) Sales Tax Revenue Bonds, secured by 2000 Measure A ½-cent sales tax revenues

- \$236.7 million of 2008 Series A-D Measure A Sales Tax Revenue Refunding Bonds (2008 Measure A Bonds) were issued to current refund Series A-D of the 2006 Measure A Sales Tax Revenue Bonds, none of which remain outstanding. The 2008 Measure A Bonds were issued as variable rate demand bonds and bear interest at a weekly rate, which is determined by the Remarketing Agent to be the rate necessary to remarket the 2008 Measure A Bonds at par value. The maturities of the 2008 Measure A Bonds extend to April 1, 2036, and are subject to optional and mandatory redemption and optional and mandatory tender for purchase before maturity. Concurrent with the issuance and sale of the 2008 Measure A Bonds, four interest rate swap agreements originally entered into concurrent with the issuance of the Series A-D of the 2006 Measure A Sales Tax Revenue Bonds, were reassigned to the 2008 Measure A Bonds.
- \$645.9 million of 2010 Measure A Bonds, Series A and B, were issued, at a true interest cost of 3.54%, to fund certain 2000 Measure A transit capital improvement projects, most notably the BART Extension to Berryessa. The bonds were issued as a combination of taxable, Build America Bonds (Series A), and traditional tax-exempt bonds (Series B). Related to the Series A Build America Bonds, VTA is entitled to receive a federal subsidy of 35% on its interest cost for the Build America Bonds. However, as a result of the Federal budget impasse and resulting sequestration of funding, the subsidy has been reduced by various amounts beginning in 2013 and has most recently provided a subsidy of about 32.8%. Both bond series are fixed interest rate bonds. The Series A Bonds have a final maturity date of April 1, 2032 and the Series B Bonds have a final maturity of April 1, 2020. The 2010 Measure A Bonds, Series A (taxable Build America Bonds) are subject to mandatory and optional redemption provisions prior to their stated maturity dates. The 2010 Measure A Bonds Series B (tax-exempt) are not subject to redemption prior to their maturity date.
- \$89.98 million of 2015 Measure A Series A and B were issued to current refund the 2007 Measure A Series A bonds maturing on April 1, 2018, and later. The refunding was done in order to take advantage of the lower interest cost of the refunding bonds. The refunding bonds were issued at an all-in true interest cost of 2.92%.

(d) Interest Rate Swaps

VTA has four interest rate swap agreements outstanding as of year-end. These swap agreements hedge the four swap agreements hedge the 2000 Measure A 2008 bonds (as shown in Governmental Activities table). The 2000 Measure A 2008 bond swap agreements require that VTA pay fixed interest rates and receive interest at 65% of three-month LIBOR.

Summary

The terms, fair values, and credit ratings of the outstanding swaps as of June 30, 2019, were as follows (dollars in thousands):

Governmental Activities:

Associated Bonds	Current Notional	Effective Date	Fixed Rate Paid	Variable Received	Fair Value*	Termination Date	Counterparty Credit Rating ^{CR}	Fair Value Hierarchy Level
MA 2008A	85,875	8/10/2006	3.765%	65% 3Mo LIBOR	(27,080)	4/1/2036	Aa3/A+/A+	2
MA 2008B	50,000	8/10/2006	3.765%	65% 3Mo LIBOR	(15,767)	4/1/2036	Aa2/A+/AA-	2
MA 2008C	50,000	8/10/2006	3.765%	65% 3Mo LIBOR	(15,767)	4/1/2036	Aa2/AA-/NR	2
MA 2008D	<u>50,000</u>	8/10/2006	3.765%	65% 3Mo LIBOR	<u>(15,767)</u>	4/1/2036	A3/BBB+/A	2
Total	<u>\$235,875</u>				<u>\$ (74,381)</u>			

^{CR}Moody's, Standard and Poor's and Fitch, respectively.

NR - No rating for Fitch

*This represents the fair value of the base amount without the accrued interest of \$1.9 million.

Objective of the Swaps: The objective of the swaps is to hedge VTA's exposure to variable interest rate risk by synthetically fixing its fixed rate interest costs at rates anticipated to be less than what VTA otherwise would have paid in 2006 to issue fixed rate debt in the tax-exempt municipal bond market.

Hedge Effectiveness and Fair Value Hierarchy: The swaps were tested using regression analysis to ensure a high degree of correlation and were determined to be effective hedging derivative instruments and therefore were recorded as deferred outflows of resources in the assets section and as a derivative instrument liability in the liability section of the statement of net position. The fair values of the interest rate swaps were estimated using the zero-coupon method. As of June 30, 2019, the swaps had a negative fair value of \$74.4 million. The fair values of the interest rate swaps were estimated using the zero-coupon method.

Hedging derivative instruments are classified as Level 2 and are valued using a discounted cash flow technique which calculates the future net settlement payment, assuming that current forward rates implied by the yield curve correctly anticipates future spot interest rates (LIBOR or SIFMA). The payments are then discounted using the spot rates (LIBOR or SIFMA) implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap.

Credit Risks: Credit risk is the risk of non-payment by the issuer of an obligation such as a bond, other debt instrument, or non-payment by the counterparty to an interest rate swap. Even an increase in the risk of non-payment can adversely affect the value of such an instrument. VTA’s Interest Rate Swap Policy seeks to limit credit exposure by requiring counterparties to initially have strong credit ratings of “AA” at the point the swap is entered into and also require collateral posting by the counterparty based on its credit ratings and market value of the swap. Currently the value of the swaps is negative, no counterparties are posting collateral, and VTA is posting collateral on one swap.

Although VTA’s counterparties have experienced declines in their ratings since inception of the swaps, their S&P and Moody’s ratings remain at investment grade levels. All payments due from counterparties continue to be made on time and are current as of June 30, 2019. When the swaps have a positive market value, VTA manages any credit risk associated with termination of swaps by requiring counterparties to post collateral based on the swap’s fair value, less a threshold amount that ranges from zero to \$25 million as determined based on the counterparty’s credit ratings. The following table lists the threshold amounts that would be applicable:

Governmental Activities:

Swap	Counterparty Credit Rating as of 6/30/19 ^{CR}	Collateral Threshold	Credit Rating for Threshold of Zero
MA 2008A	Aa3/A+	10,000,000	A3/A-
MA 2008B	Aa2/A+	10,000,000	A3/A-
MA 2008C	Aa2/AA-	15,000,000	Baa1/BBB+
MA 2008D	A3/BBB+	—	Baa1/BBB+

^{CR}Moody’s and Standard and Poor’s, respectively.

Collateral generally consists of cash, U.S. Government securities, and U.S. Agency securities, held by a third-party custodian. VTA has utilized four swap counterparties in order to limit the concentration of credit risk. Currently, VTA has interest rate swaps with four counterparties and no counterparty accounts for more than 36% of combined outstanding notional. VTA monitors counterparty credit risk on an ongoing basis.

Basis Risk: Is the risk that the variable rate payment received by VTA under the swaps does not closely match the variable interest rate paid by VTA to bondholders. The variable rate debt hedged by VTA's interest rate swaps are variable rate demand obligation (VRDO) bonds that are remarketed weekly for two of the Swaps and remarketed daily for the remaining two. VTA is exposed to basis risk because the variable rate receipts from the swaps are based on a rate or

index other than the interest rates VTA pays on the VRDO bonds. VTA is exposed to basis risk to the extent that variable interest rate payments paid to bondholders on the bonds are not precisely offset by the variable rate amounts received from the swap. On June 30, 2019, there was a slightly favorable basis variance of 0.4% for the swaps.

Interest Rate Risk: Interest rate risk is the risk that changes in market interest rates may adversely affect the fair value of an investment, or in this instance the fair value of the interest rate swaps. The longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. Changes in interest rates, up or down, will result in positive or negative changes, respectively, to the fair value of the interest rate swaps.

Rollover Risk: Rollover risk is the risk that a derivative instrument serving as a hedge has a shorter maturity than the underlying risk that is being hedged and therefore a portion of the term of the underlying risk may be unhedged or an additional hedge may need to be acquired at a future date, possibly under less favorable terms. As of June 30, 2019, VTA did not have any exposure to rollover risk.

Termination Risk: Is the risk that one or more interest rate swap agreements could be terminated unexpectedly. Under certain conditions, one or more swap agreements could be terminated and depending on current market interest rates, either VTA or the counterparty could be required to make a termination payment. VTA's swap agreements only permit the counterparty to terminate if an Event of Default or a Termination Event has occurred. Events of Default include non-payment, false or misleading representations, and the bankruptcy of VTA or the counterparty. Termination Events include, a downgrade of VTA's rating to below "BBB-minus," an event of taxability, or conversion of bonds to a fixed rate.

Tax Risk: Is the risk of increased interest cost to VTA from a reduction or loss of investors' ability to exclude bond interest from their Federal and possibly state income tax. Tax risk can result from either anticipated or actual changes to Federal or state income tax laws that would reduce or eliminate the current exemption of tax-exempt bond interest from taxable income.

Foreign Currency Risk: All of VTA's swaps are denominated in US Dollars and therefore VTA is not exposed to foreign currency risk.

Commitments: Each of the swap agreements contain provisions that require collateral posting by VTA when the negative swap fair value exceeds a specified threshold. The amount of collateral posted is based on the fair value of the swap, less a threshold amount. The threshold amount is determined based on the unenhanced credit ratings of the bond being hedged. Based on the

“AA/Aa2” or higher credit ratings assigned to the bonds the threshold for each swap is currently \$20 million. If VTA’s bond ratings were below “A or A2”, the threshold amount would be zero and VTA would be required to post collateral based on the fair market value with no threshold adjustment.

Collateral generally consists of cash, U.S. Government securities and U.S. Agency securities. As of June 30, 2019, VTA had \$6.8 million of cash collateral posted with Citibank.

Swap Payments and Associated Debt: The table below presents net swap payments using rates as of June 30, 2019, debt service requirements on VTA’s four interest rate swaps and swap-related variable rate debt. As rates vary, variable rate bond interest payments and net swap payments will vary (dollars in thousands).

Governmental Activities:

Year Ending June 30,	Principal Total	Remarketing Interest Total	Interest Rate Swap-Net Total	Debt Service Total
2020	\$ —	\$ 3,114	\$ 5,194	\$ 8,308
2021	—	3,114	5,194	8,308
2022	—	3,114	5,194	8,308
2023	—	3,114	5,194	8,308
2024	—	3,114	5,194	8,308
2025-2029	—	15,568	25,972	41,540
2030-2034	113,575	14,458	24,119	152,152
2035-2036	122,300	2,033	3,391	127,724
	<u>\$ 235,875</u>	<u>\$ 47,629</u>	<u>\$ 79,452</u>	<u>\$ 362,956</u>

(e) Long-Term Debt Obligation Summary

The table below presents all long-term debt. Interest Rates on all outstanding fixed-rate obligations range from 1.5% - 5.00%. Interest on the variable rate debt is reset daily or weekly, depending on market conditions. Projected principal and interest obligations as of June 30, 2019, are as follows (in thousands):

Business-type Activities:

	Principal	Interest	Total
Year ending June 30:			
2020	\$ 14,788	\$ 6,855	\$ 21,643
2021	15,345	6,203	21,548
2022	16,195	5,515	21,710
2023	16,955	4,701	21,656
2024	17,771	3,850	21,621
2025-2029	48,264	7,622	55,886
2030-2034	6,016	2,276	8,292
2035-2036	6,008	621	6,629
	<u>141,342</u>	<u>\$ 37,643</u>	<u>\$ 178,985</u>
Unamortized bond premium	19,127		
Total debt	160,469		
Less current portion	(14,788)		
Long-term portion of debt	<u>\$ 145,681</u>		

Governmental Activities:

	Principal	Interest	Total
Year ending June 30:			
2020	\$ 32,080	\$ 40,954	\$ 73,034
2021	33,680	39,356	73,036
2022	35,015	37,743	72,758
2023	36,460	35,944	72,404
2024	38,180	33,861	72,041
2025-2029	220,620	133,512	354,132
2030-2034	285,895	63,817	349,712
2035-2036	136,080	6,668	142,748
	<u>818,010</u>	<u>\$ 391,855</u>	<u>\$ 1,209,865</u>
Unamortized bond premium	20,208		
Total debt	838,218		
Less current portion	(32,080)		
Long-term portion of debt	<u>\$ 806,138</u>		

(f) Restrictions and Limitations

There are a number of restrictions and limitations contained in the various bond indentures. VTA's management believes that VTA has complied with all applicable restrictions and limitations.

(g) Long Term Liabilities

Business-type Activities:

The amount of pledged revenues recognized during fiscal year 2019 related to the principal and interest requirements for the debt secured by 1976 Half-Cent Sales Tax were \$237.9 million and \$24.5 million respectively. The debt service coverage ratio was 9.7 in FY 2019. Additional information can be found in Section 3 - Statistical Section - Table 14.

(Dollars in thousands)	July 1, 2018	Additions	Reductions	June 30, 2019	Amounts Due Within One Year
Sales Tax revenue Bonds					
Secured by 1976 1/2 Cent Sales Tax					
2008 Series A-C	\$ 114,920	\$ —	\$ 114,920	\$ —	\$ —
2017 Series A	7,623	—	2,473	5,150	2,538
2017 Series B	26,620	—	2,155	24,465	2,250
2018 Series A	—	103,215	6,775	96,440	9,945
Secured by Silicon Valley Express Lanes State Route 237 tolls					
Silicon Valley Express Lanes State Route 237 Loan	2,126	13,161	—	15,287	55
Plus (less) premium/discounts	5,067	14,173	113	19,127	—
Outstanding Debt, Net	156,356	130,549	126,436	160,469	14,788
Derivative Instruments Liability	6,023	—	6,023	—	—
Claims Liability:					
General Liability	11,021	5,191	4,367	11,845	2,397
Worker's Compensation	19,506	7,188	5,585	21,109	1,886
Compensated Absences	34,971	4,749	4,237	35,483	10,953
Total Long-Term Liabilities	\$ 227,877	\$ 147,677	\$ 146,648	\$ 228,906	\$ 30,024

Governmental Activities:

The amount of pledged revenues recognized during fiscal year 2019 related to the principal and interest requirements for the debt secured by 2000 Measure A Half-Cent Sales Tax were \$237.9 million and \$71.4 million respectively. The debt service coverage was 3.3 in FY 2019. Additional information can be found in Section 3 - Statistical Section - Table 15.

(Dollars in thousands)	July 1, 2018	Additions	Reductions	June 30, 2019	Amounts Due Within One Year
Sales Tax Revenue Bonds Secured by 2000 Measure A 1/2 Cent Sales Tax					
2008 Series A-D	\$ 235,875	\$ —	\$ —	\$ 235,875	\$ —
2010 Series A-B	526,070	—	27,495	498,575	28,845
2015 Series A-B	86,640	—	3,080	83,560	3,235
Plus (less) premium/discounts	21,763	—	1,555	20,208	—
Outstanding Debt, Net	870,348	—	32,130	838,218	32,080
Derivative Instruments Liability	55,579	18,802	—	74,381	—
Total Long-Term Liabilities	\$ 925,927	\$ 18,802	\$ 32,130	\$ 912,599	\$ 32,080

VTA's Transit Fund reported a deferred amount on refunding in the amount of \$0.9 million related to the 2017 bonds and \$6.1 million related to the 2018 bond as a deferred outflows of resources. The 2000 Measure A Fund, under the Governmental Activities, reported deferred amounts on bond refunding related to the 2015 bond of \$3.6 million as deferred outflows of resources, and 2008 bonds of \$3.3 million as deferred inflows of resources.

NOTE 8 – SALES TAX REVENUES

(a) 1976 and 2000 Sales Tax Measures

Sales tax revenue represents sales tax receipts from the California Department of Tax and Fee Administration, which under voter-approved 1976 and 2000 Sales Tax Measures, collects a half-cent for each taxable sales dollar spent in the County of Santa Clara. These amounts are available to fund both operations and capital expenses except that portion which is to be used to repay long-term debt as described in Note 7. The 1976 and 2000 Measure A sales taxes in FY 2019 amounted separately to \$237.9 million.

(b) 2008 Measure B

In November 2008, county residents passed a 1/8-cent sales tax to fund the operating and maintenance costs of the BART Extension. BART Operating Sales Tax revenue recognized during FY 2019 is \$58.0 million.

(c) 2016 Measure B

In November 2016, county residents passed a 1/2-cent sales tax to fund activities on enhancing transit, highways, expressways and active transportation (bicycles, pedestrians and complete streets). Tax collection began in April 2017. However, VTA reported all 2016 Measure B tax collections in a liability account until the legality of the tax was resolved. In January 2019, the

lawsuit was decided in favor of VTA. Of the \$492.7 million reported as sales tax revenue in FY 2019, \$256 million related to prior years. This is reported in the governmental fund as *Extraordinary item*.

NOTE 9 – VTA PROGRAMS FUNDED THROUGH LOCAL SALES TAX MEASURES

(a) 2000 Measure A Program

The Measure A Program is responsible for a number of key capital transit projects. Measure A's significant effort involves the VTA's Bay Area Rapid Transit (BART) Silicon Valley Project which is the extension of the existing BART system to San Jose. Other projects include spending for the commuter rail service ("Caltrain") and VTA's light rail system; extending VTA's light rail system from downtown San Jose to the East Valley portion of Santa Clara County ("DTEV Extension"), purchasing low floor light rail vehicles to better serve the disabled, senior, and other segments of the ridership, improving Caltrain by extending the system's double track to Gilroy and providing funds to electrify the system; upgrading Altamont Corridor Express Services (ACE) and connecting Caltrain with the Dumbarton Rail Corridor (serving Alameda and San Mateo County).

The BART extension to San Jose consisted of two phases. Phase 1 is substantially complete which allows the service to be extended to the Milpitas and Berryessa stations. For the Phase 2 of the project, discussion is underway with various parties including the FTA on participation in the Capital Investment Grant (CIG) Expedited Project Delivery (EPD) Pilot Program. Participation in this program would enable VTA to secure a Full Funding Grant Agreement (FFGA) with FTA through an alternate process that includes a Public Private Partnership component. In January 2019, the VTA Board approved a contract for General Engineering Consultant (GEC) services for Bart Silicon Valley Phase 2 project. The purpose is to complete project engineering for award of construction contracts and integration of final contracting plans. Completion of project engineering will provide the necessary cost and schedule estimates needed to request an FFGA from the FTA.

Measure A funds were also used to extend VTA's light rail from Downtown San Jose to the East Valley. The project comprised two phases; phase 1 included pedestrian and bus improvements along Capitol Expressway from Capitol Avenue to Quimby Road (completed in 2012) and reconstruction of the Eastridge Transit Center (completed in May 2015) and phase 2 (Eastridge to BART Regional Connector) which will extend light rail to the Eastridge Transit Center. Right-of-Way activities are ongoing, and acquisition is expected to begin after environmental clearance. Construction of the light rail extension is planned to begin in mid-2020 and complete in late 2024.

(b) 2008 Measure B

In 2008, the voters passed Measure B providing funds that are dedicated to the operation, maintenance, improvement, and future capital needs of the 16.1 mile VTA's BART Silicon Valley Project extension. The Board of Directors approved a retail transaction and use tax ordinance which imposes a tax for the privilege of selling tangible personal property upon a retailer in Santa Clara County, at the rate of one-eighth of one percent on the gross receipts of the retailer. Collection of the tax took effect on July 1, 2012, for a period not to exceed 30 years.

(c) 2016 Measure B

The 2016 Measure B was passed to enhance transit, highways, expressways and active transportation (bicycles, pedestrians and complete streets). Tax collections began in April 2017. However, VTA was required to keep all 2016 Measure B tax collections in an escrow until the legality of the tax was resolved. In January 2019, the lawsuit was decided in favor of VTA. Of the \$492.7 million reported as sales tax revenue in FY 2019, \$256 million related to the prior years, while \$236.7 million pertained to the current year.

The transportation programs to be funded by 2016 Measure B are: (1) VTA's BART Silicon Valley Phase 2; (2) Bicycle/Pedestrian Program; (3) Caltrain Corridor Capacity Improvements; (4) Caltrain Grade Separation; (5) County Expressways; (6) Highway Interchanges; (7) Local Streets and Roads; (8) State Route 85 Corridor, and (9) Transit Operations.

NOTE 10 – FEDERAL, STATE, AND LOCAL ASSISTANCE

VTA is dependent upon the receipt of funds from several sources to meet its operating, maintenance, and capital requirements. The receipt of such revenues is controlled by federal, state, and local laws, the provisions of various grant contracts and regulatory approvals and, in some instances, is dependent on the availability of grant funds and the availability of local matching funds. A summary of the various governmental funding sources is as follows:

(a) Federal Grants

Federal grants are approved principally by the Federal Transit Administration (FTA) and the Federal Highway Administration (FHWA). Federal grants for the year ended June 30, 2019, are summarized as follows (in thousands):

	Enterprise	Special Revenue
Operating Grants:		
FTA Section 9 (49 USC 5307)	\$ 4,011	\$ —
Job Access Reverse Commute Fed Grant	120	—
Peninsula Family Services	190	—
Section 5311	79	—
Regional Carpool Program	2	—
Federal Technical Studies	—	2,439
Pass-through Operating Grants	—	1,768
Total Operating Grants	<u>4,402</u>	<u>4,207</u>
Capital Grants:		
FTA New Starts FFGA	—	49,941
FTA Section 5307, 5309, 5337, 5338, 5339 and Federal Security	13,020	1,124
Pass-through Capital Grants	1,094	—
Total Capital Grants	<u>14,114</u>	<u>51,065</u>
Total operating & capital grants	<u>\$ 18,516</u>	<u>\$ 55,272</u>

FTA Section 5307 operating grants represent ADA Operating Set Aside funds that will be used for Paratransit activities. Paratransit service is a specialized form of transportation operated for persons with disabilities who cannot use fixed route public transit service. As an operator of bus and light rail service, VTA is required under the Americans with Disabilities Act to ensure that paratransit service is provided to eligible individuals with disabilities within Santa Clara County. FTA Section 5307 also includes funds for Preventive Maintenance that is used for VTA's bus and rail maintenance.

In March 2012, the FTA awarded VTA a full funding grant agreement (FFGA) for the SVBX project with a maximum federal New Starts financial contribution of \$900 million. The FFGA is being amended through yearly increments of New Starts funding. The SVBX project scope includes 40 BART revenue vehicles, 10.15 miles of double-track grade separated electrified third-rail guideway, traction power substations, high voltage substations, communication system, passenger drop-off facilities, parking spaces real estate acquisition, utility relocation, drainage improvements, environmental mitigation, financing, startup and revenue testing, and other elements necessary for project delivery. The project includes facility additions to the existing BART Hayward Yard located in the city of Hayward approximately 14 miles north of Santa Clara County for maintenance of BART vehicles.

FTA Section 5307 capital grants represent the federal program which makes federal resources available to urbanized areas and to Governors for transit capital and operating assistance in urbanized areas and for transportation-related planning. This includes funds for transit enhancements and Congestion Mitigation and Air Quality (CMAQ) award for transportation

projects or programs that will contribute to the attainment or maintenance of the National Ambient Air Quality Standards (NAAQS) for ozone and carbon monoxide. FTA Section 5309 is a discretionary capital grant program. This provides funding for major transit capital improvements, including heavy rail, commuter rail, light rail, streetcars, and bus rapid transit. The State of Good Repairs Grants under FTA Section 5337 provides capital assistance for maintenance, replacement, and rehabilitation projects of high-intensity fixed guideway and bus systems to help transit agencies maintain assets in a state of good repair. The Transit-Oriented Development (TOD) Planning Grant under FTA section 5338 provides funding to local communities integrate land use and transportation planning with a new fixed guideway or core capacity transit capital investment. The TOD funding will be used towards VTA's BART Silicon Valley Phase II - TOD and Station Access Planning Study project. The bus and bus facilities infrastructure investment program under FTA Section 5339 makes federal resources available to states and direct recipients to replace, rehabilitate and purchase buses and related equipment. Transit Security Grant provides funds for the costs of addressing security enhancements for transit systems.

(b) State and Local Grants and Assistance

State and local grants for the year ended June 30, 2019, are summarized as follows (in thousands):

	Enterprise Funds	Special Revenue Funds
Operating grants:		
Transportation Development Act	\$ 109,035	\$ —
State Transit Assistance	45,082	—
Apprenticeship Program	533	—
State Operating Assistance Grants	—	783
AB 434	1,915	—
Congestion Management & Highway Program-State Grants	—	9,496
Congestion Management & Highway Program-2000 Measure A Swap Program	—	2,711
Other Local Grants:		
2016 Measure B	—	4,012
Santa Clara County (Fund Swap Program)	—	129
Various cities, counties and others	—	23,982
Total operating grants	<u>156,565</u>	<u>41,113</u>
Capital grants:		
PTMISEA	29,919	—
Proposition 1B Fund	7,432	3,058
SB1	—	87
Transportation For Clean Air	108	—
Low Carbon Transit Operation Program	—	—
California Energy Commission	323	—
California Air Resource Board	780	—
Other Local Grants:		
Various cities, counties and others	1,179	4,011
Total Capital Grants	<u>39,741</u>	<u>7,156</u>
Total State and Local Grants	<u>\$ 196,306</u>	<u>\$ 48,269</u>

The Transportation Development Act (TDA) funds represent VTA’s share of the 0.25% sales tax collected in the County.

State Transit Assistance (STA) represents funds received pursuant to the STA Program, whereby, a portion of diesel fuel sales tax revenues is appropriated by the State Legislature to the State Transportation Planning and Development Account for certain transit and energy-related purposes. STA funds are allocated throughout the state on the basis of population and operating qualified revenues.

Other revenues consist of state and local grant revenues pertaining to Congestion Management and Highway Program (CMHP) of \$48.3 million. The CMHP state grants primarily consists of funding from the Road Repair and Accountability Act of 2017, or Senate Bill 1 (SB1). SB1 provides sources of funding for transportation purposes, including for the state highway system and local street and road system. SB1 also provides funding to the 2000 Measure A Program fund. Local grant revenues are mainly derived from the loan agreement with Western Alliance Bank for the SR237 Express Lanes Phase 2 project as well as funding from the City of San Jose.

There are projects within the Congestion Management and Highway Program that avail of 2000 Measure A swap funds. This represents a swap of 2000 Measure A Sales Tax Revenues for grant funding from the State Transportation Improvement Program (STIP). The 2000 Measure A Swap program was established to fund a number of highway projects.

The Public Transportation Modernization Improvement and Service Enhancement Act (PTMISEA) Grant is part of a comprehensive voter-approved bond investment package designed to help advance important goals and policies, including protecting the environment and public health, conserving energy, reducing congestion, and providing alternative mobility and access choices for Californians. The projects approved by the Department of Transportation included building pedestrian overcrossings, updating ticket vending machines, constructing bus rapid transit, substation rehabilitation, and procurement of vehicles and equipment.

PTMISEA activities are presented in the following table (in thousands):

Received in prior years	\$ 210,233
Interest earned in prior years	6,455
Spent in prior year	<u>(182,653)</u>
Beginning unspent grant amounts	34,035
Spent in current year	(30,051)
Interest earned in current year	347
Total proceeds available plus interest earned	<u><u>\$ 4,331</u></u>

Various cities, counties, and other agencies mainly include funding received from the City of San Jose, City of Cupertino, City of Milpitas, Santa Clara Valley Water District, and the County of Santa Clara. These contributions provide revenue to light rail projects and Silicon Valley Rapid Transit Corridor for project enhancements.

**NOTE 11 – SANTA CLARA VALLEY TRANSPORTATION AUTHORITY AMALGAMATED
TRANSIT UNION (ATU) PENSION PLAN**

(a) Plan Description and Benefits Provided

All ATU represented employees are covered by the Plan, which is a single-employer defined benefit pension plan. The Plan provides retirement, disability, and death benefits based on the employees' years of service, age, and final compensation.

Classic Employees

Employees with 10 or more years of eligibility service are entitled to full annual pension benefits beginning at normal retirement age of 65. Employees with less than 10 years but more than 5 years of eligibility service are entitled to an annual benefit at age 65 provided the Board of Pensions approves such benefit. Employees with 15 or more years of eligibility service are entitled to full annual pension benefits beginning at age 55. The Plan permits early retirement if an employee becomes disabled after 10 or more years of eligibility service and deferred vested retirement upon employee termination after 10 or more years of eligibility service, with benefits payable at age 65. Employees may elect to receive their benefits in the form of a joint or survivor annuity, excluding deferred vested and disability retirements. These benefit provisions and all other requirements are established by California statute and the labor agreement with the ATU Local 265. Benefit terms do not provide for annual cost-of-living adjustment subsequent to retirement date. Employees contribute 1.90% effective 10/9/2017.

New Employees

Plan benefit provisions and all other requirements are established by VTA's board but are subject to the California Public Employees' Pension Reform Act of 2013 (PEPRA). Plan amendments were approved by the VTA Board at its October 6, 2016 meeting. Employees hired on or after January 1, 2016 contribute at least 50%, rounded to the nearest quarter of one percent, of the normal cost rate for the Plan for all active Plan Members, as determined by the Plan's actuary. Employees contributed 6.0% effective 6/18/2018.

Separately issued audited GAAP basis financial statements of the Plan are available and can be obtained from Santa Clara Valley Transportation Authority, Finance and Budget, 3331 North First Street, Building C-2, San Jose, California 95134-1927.

The membership of the Plan as of June 30, 2019, is as follows:

Membership Status	
Retirees and beneficiaries currently receiving benefits	1,493
Terminated vested members not yet receiving benefits	131
Active Members	1,519
Total	<u><u>3,143</u></u>

(b) Basis of Accounting

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pension, and pension expense, information about the fiduciary net position of the ATU plan and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan.

Contributions are recognized as revenue when due, pursuant to formal commitments, as well as statutory or contractual requirements. Benefits (distributions to participants) and refunds of prior contributions are recognized when due and payable in accordance with the terms of the Plan.

(c) Contribution Requirements

For FY 2019, the actuarially-determined contribution was \$32.28 million. As the Plan elected to use June 30, 2019 as its measurement date, employer contributions for FY 2019 will have an impact on the changes in the Plan's Net Position as of the end of the reporting year. The contribution requirements are based on actuarially determined amount and approved by the Board. The amount is the estimated amount necessary to finance the cost of the benefits earned by employees during the year with an additional amount to finance the unfunded accrued liability.

(d) Changes in Net Pension Liability

The following table shows the changes in net pension liability recognized in the current fiscal year over the measurement period (in thousands).

	Increase/(Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (c) = (a) - (b)
Balance at June 30, 2018	\$ 759,020	\$ 561,352	\$ 197,668
Changes:			
Service cost	17,818	—	17,818
Interest (includes interest on service cost)	51,921	—	51,921
Differences between expected and actual experience	(17,900)	—	(17,900)
Contributions - Employer	—	32,282	(32,282)
Contributions - Member	—	3,343	(3,343)
Net investment income	—	23,408	(23,408)
Benefit Payments, including Refunds of Employee Contributions	(44,311)	(44,311)	—
Administrative expense	—	(409)	409
Net changes	7,528	14,313	(6,785)
Balance at June 30, 2019	\$ 766,548	\$ 575,665	\$ 190,883

(e) Sensitivity of the Net Pension Liability to Change in Discount Rate

The table below shows the sensitivity of the Net Pension Liability to the discount rate. A one percent decrease in the discount rate increases the Net Pension Liability by approximately 45%. A one percent increase in the discount rate decreases the Net Pension Liability by 38%.

	Discount rate -1%	Discount rate	Discount rate + 1%
	5.96%	6.96%	7.96%
	(in thousands)		
Net Pension Liability	\$ 276,169	\$ 190,883	\$ 118,723

(f) Actuarial Assumptions

The Total Pension Liability (TPL) at the beginning of the measurement year is measured as of a valuation date of January 1, 2018, and projected forward to the beginning of the measurement year of June 30, 2018. The TPL at the end of the measurement year, June 30, 2019, is measured as of a valuation date of January 1, 2019, and projected forward to June 30, 2019.

A summary of key assumptions is as follows:

Actuarial cost method:	Entry Age Normal Cost Method
Inflation:	2.75%
Salary increases:	3.00% plus merit component
COLA increases:	0.00%
Investment rate of return:	7%, net of investment expense
Mortality:	Sex distinct RP-2014 Adjusted to 2006 Health Employee and Annuitant Blue Collar mortality tables with generational improvements using Scale MP-2017

(g) Discount Rate

The discount rate used to measure the Total Pension Liability was 6.96%. The projection of cash flows used to determine the discount rate assumed that VTA will continue to contribute to the Plan based on an actuarially determined contribution, reflecting a payment equal to the employer's share of the annual normal cost, the expected administrative expenses, and an amount necessary to amortize the remaining unfunded pension liability at a level dollar amount over an open (rolling) 20-year period.

The long-term expected return was based on 30-year asset class geometric return and correlation assumptions. These assumptions were based on forward looking building block analyses and historical data for each of the asset classes.

Based on the assumptions used, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members until at least 2082 when only a portion of the projected benefit payments are expected to be made from the projected fiduciary net position. Projected benefit payments are discounted at the long-term expected return on assets of 7.00% to the extent the fiduciary net position is available to make the payments and the municipal bond rate of 3.50%, based on the Bond Buyer 20-Bond GO Index, to the extent they are not available. The single equivalent rate used to determine the total pension liability as of June 30, 2019 is 6.96% which is the same as the single equivalent rate used to determine the total pension liability as of June 30, 2018.

The following is the assumed asset allocation and expected rate of return for each major asset class:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Expected Real Rate of Return¹</u>
Domestic Equity-Large Cap Active	15%	4.62%
Domestic Equity-Large Cap Index	10%	4.62%
Domestic Equity-Small Cap	10%	4.87%
International Equity	13%	4.86%
Emerging Markets Equity	5%	6.32%
Domestic Fixed Income	22%	1.58%
Absolute Return	9%	3.90%
Real-Estate	10%	3.41%
Real Assets	5%	4.06%
Cash	1%	0.24%
	<u>100%</u>	

¹Inflation Assumption= 2.75%

(h) Plan's Fiduciary Net Position

This refers to the fair value of assets. As of June 30, 2019, the plan's fiduciary net position amounts to \$575.7 million.

(i) Pension Expense and Deferred Inflows or Outflows of Resources

For the measurement period ending June 30, 2019, VTA incurred pension expense of \$45.5 million and as of June 30, 2019, VTA's deferred outflows of resources and deferred inflows of resources related to the ATU pension are as follows (in thousands):

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 14,745	\$ 14,320
Changes in assumptions	26,023	—
Net difference between projected and actual earnings on pension plan investments	8,762	—
Total	<u>\$ 49,530</u>	<u>\$ 14,320</u>

Amounts reported as deferred outflows of resources will be recognized in pension expense as follows (in thousands):

Fiscal Year	Deferred Outflows and Deferred Inflows of Resources
2020	\$ 14,669
2021	6,905
2022	8,171
2023	5,465
Thereafter	—
	\$ 35,210

(j) Summary of Pension-related accounts

The following table breaks down the pension-related accounts. Since these accounts are common to both ATU pension and the CalPERS pension (Note 12), only the totals show in the financial statements.

	ATU	CalPERS	Total
Deferred Outflows of Resources	\$ 49,530	\$ 26,628	\$ 76,158
Deferred Inflows of Resources	14,320	3,396	17,716
Net Pension Liability	190,883	122,409	313,292
Pension Expense	45,479	21,588	67,067

NOTE 12 – PUBLIC EMPLOYEES’ RETIREMENT PLAN

(a) Plan Description and Benefits Provided

CalPERS is an agent multiple-employer defined benefit retirement plan that acts as a common investment and administrative agent for various local and state governmental agencies within California. CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 or age 52 for New Members with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 5 years of service credit. The death benefit is one of the following: The Basic Death Benefit or the 1957 Survivor Benefit. These benefit provisions and all other requirements are established by state statute and VTA resolutions. VTA contracts with CalPERS

to administer these benefits. The normal retirement benefit is equal to 2% of final compensation for each year of credited services.

VTA membership in the Plan as of June 30, 2017, the most recent actuarial valuation, is as follows:

Retirees and beneficiaries receiving benefits	649
Terminated and vested members not yet receiving benefits	449
Active members	<u>677</u>
Total	<u><u>1,775</u></u>

Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

(b) Basis of Accounting

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pension, and pension expense, information about the fiduciary net position of the CalPERS plan and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan.

Benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

(c) Contribution Requirements

Active members in VTA's CalPERS Plan pay a portion or all (depending on hire date) of the employee contribution to the CalPERS Plan. Employees hired prior to January 2012 pay 6 percent toward the required employee share and VTA pays the remaining portion of the employee contribution. Employees hired in or after the first full pay period in January 2012 pay the employee contribution of 7%. The CalPERS-designated PEPRA (Public Employees' Pension Reform Act) rate is 6.5%. However, due to collective bargaining agreements, the current employee contributions for employees considered New Members is 7%. The 0.5% difference is reported as a liability.

The employer's contribution rate from July 1, 2018, through June 30, 2019, was 9.331%. This represents employer normal cost rate and does not include amortization of unfunded liability. The employee contribution requirements of the CalPERS Plan are established by state statute and the employer contribution is established and may be amended by CalPERS.

The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. For FY 2019, VTA contributed \$13.6 million, which is equal to the actuarially-determined contributions. The required contribution for FY 2019 was based on the actuarial valuation report as of June 30, 2016 using the entry age normal cost method with the contributions determined as a percent of pay. VTA's annual pension contribution of \$13.6 million in FY 2019 was deferred as VTA opted for June 30, 2018, to be its measurement date.

(d) Net Pension Liability

The net pension liability was measured using an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using standard update procedures. The following table shows the changes in net pension liability recognized in the current fiscal year over the measurement period (in thousands).

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (c) = (a) - (b)
Balance at June 30, 2018	\$ 435,915	\$ 314,141	\$ 121,774
Changes:			
Service cost	11,641	—	11,641
Interest on the Total Pension Liability	30,936	—	30,936
Changes of Assumptions	(3,288)	—	(3,288)
Differences between Expected and Actual Experience	3,653	—	3,653
Plan to Plan Resource Movement	—	78	(78)
Contributions from the Employer	—	11,976	(11,976)
Contributions from Employees	—	4,899	(4,899)
Net investment income	—	26,775	(26,775)
Benefit Payments, including Refunds of Employee Contributions	(18,843)	(18,843)	—
Administrative Expense	—	(490)	490
Other Miscellaneous Income (Expense)	—	(931)	931
Net changes	24,099	23,464	635
Balance at June 30, 2019	\$ 460,014	\$ 337,605	\$ 122,409

(e) Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 7.15%, as well as what the net pension liability (in thousands) would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15%) or 1 percentage-point higher (8.15%) than the current rate (in thousands):

	Discount Rate -1% 6.15%	Current Discount Rate 7.15%	Discount Rate +1% 8.15%
Net Pension Liability	\$ 182,764	\$ 122,409	\$ 72,202

(f) Actuarial Methods and Assumptions Used to Determine Pension Liability

For the measurement period ended June 30, 2018, the total pension liability was determined by rolling forward the June 30, 2017 total pension liability. Total pension liability was based on the following actuarial methods and assumptions:

Valuation date	June 30, 2017
Actuarial cost method	Entry Age Normal Cost Method
Actuarial Assumptions	
Discount rate	7.15%
Inflation	2.75%
Salary increases	Varies by entry age and service
Payroll growth	2.88%
Investment rate of return	7.15% Net of Pension Plan Investment and Administrative Expenses; includes Inflation
Post retirement benefit increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter
Mortality	The probabilities of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011.

(g) Discount Rate

The discount rate used to measure the total pension liability was 7.15%. CalPERS concluded, based on the results of the stress test, that the current 7.15% discount rate is adequate, and the use of the municipal bond rate calculation is not necessary.

The long-term expected return on pension plan investments was determined using building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, both short-term and long-term market return expectations, as well as the expected pension fund cash flows, were taken into account. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected geometric returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using building-block approach. Using the expected

nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund.

The following table reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

Asset Class	Target Allocation	Expected Real Return Years 1-10 ¹	Expected Real Return Years 11+ ²
Global Equity	50.00%	4.80%	5.98%
Global Fixed Income	28.00%	1.00%	2.62%
Inflation Sensitive	—%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Estate	13.00%	3.75%	4.93%
Liquidity	1.00%	—%	-0.92%
	<u>100.00%</u>		

¹An expected inflation of 2.5% used for this period

²An expected inflation of 3.0% used for this period

(h) Pension Plan’s Fiduciary Net Position

The plan’s fiduciary net position as of June 30, 2018 is \$337.6 million. Detailed information about each plan's fiduciary net position is available in separately issued CalPERS financial reports.

(i) Pension Expense and Deferred Inflows or Outflows of Resources

For the year ended June 30, 2019, VTA incurred a pension expense of \$21.4 million for the Plan.

As of June 30, 2019, VTA’s deferred inflows and outflows of resources related to the CalPERS pension plan are as follows, in thousands:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	\$ 9,914	\$ 2,348
Differences between Expected and Actual Experiences	2,609	1,048
Net Difference between Projected and Actual Earnings on Pension Plan Investments	533	—
Pension Contributions subsequent to measurement date	13,572	—
Total	<u>\$ 26,628</u>	<u>\$ 3,396</u>

Deferred outflows of resources resulting from contributions, made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year

ended June 30, 2020. Amounts reported as deferred inflows of resources related to differences in projected and actual investment savings will be recognized in future pension expense over 5 years using the straight-line method. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive and retirees) as of the beginning of the measurement period. These will be recognized in pension expense as follows, in thousands:

Fiscal Year	Deferred Outflows/(Inflows) of Resources
2020	\$ 10,195
2021	3,502
2022	(3,144)
2023	(894)
Thereafter	—
	\$ 9,659

(j) Summary of Pension-related accounts

A summary table of Net Pension Liability, Deferred outflows/inflows, and Pension Expense for ATU Pension and CalPERS is provided in Note 11(j).

NOTE 13 – SANTA CLARA VALLEY TRANSPORTATION AUTHORITY OTHER POST EMPLOYMENT BENEFITS (OPEB) TRUST

(a) Plan Description and Benefits Provided

VTA offers post-employment benefits to its employees through the Santa Clara Valley Transportation Authority Other Post Employment Benefit (OPEB) Trust (Plan), a single employer defined benefit health plan funded and administered by VTA.

Employees who retire directly from VTA are eligible for retiree health benefits if they meet certain requirements related to age and service. For ATU retirees, VTA provides an ATU Retiree Health Care Program (the ATU Program), a post-employment benefit, in accordance with the agreement between VTA and the ATU, to all Classic ATU represented employees who retire from VTA on or after attaining the age of 55 with at least 15 years of eligibility service, or age 65 with 10 years of eligibility service, or upon Board of Pensions’ approval age 65 with 5 years of eligibility service, or if an employee becomes disabled and has completed at least 10 years of eligibility service and to all New ATU represented employees who retire from VTA under PEPRA and its mandated

provisions. ATU retirees can select from retiree health plans offered under the CalPERS program. For ATU retirees living in California: VTA contributes up to \$100 per month above the Kaiser Bay Area Single Party rate for CalPERS medical plans, regardless of medicare status. ATU retirees pay the excess above the VTA contribution of up to \$100 per month above the Kaiser Bay Area Single Party rate. For ATU retirees living outside of California: VTA contributes up to \$100 per month above the Kaiser Out of State Single Party rate for CalPERS medical plans, regardless of medicare status. ATU retirees pay the excess above the VTA contribution of up to \$100 per month above the Kaiser Out of State Single Party rate. ATU retirees who are eligible for Medicare are reimbursed for the Medicare Part B premium, excluding penalties/late enrollment fees.

For surviving spouses of ATU retirees: VTA pays the Public Employees' Medical & Hospital Care Act (PEMHCA) minimum employer premium contribution of \$136 per month in 2019.

Non-ATU employees who retire directly from VTA on or after attaining the age of 50 years (Classic members) or 52 years (New members) with at least 5 years of CalPERS service are also covered under a Retiree Health Care Program (the administrative retiree program). Non-ATU retirees can select from retiree health plans offered under the CalPERS program.

For Non-ATU retirees living in California, VTA will contribute up to the Kaiser Bay Area Employee Only rate. Non-ATU retirees pay any premium in excess of the CalPERS Kaiser Bay Area Employee Only rate.

For Non-ATU retirees living outside of California: VTA will contribute up to the Kaiser Out of State Single Party rate. Non-ATU retirees pay any premium in excess of the CalPERS Kaiser Out of State Single Party rate.

Non-ATU retirees who are eligible for Medicare are reimbursed for the Medicare Part B premium, excluding penalties/late enrollment fees.

For surviving spouses of non-ATU retirees who elect a pension option with survivor benefits, VTA will contribute the same amount as it contributes for non-ATU retirees.

VTA also provides life insurance benefits for all ATU retirees and Executive Management retirees. ATU retirees who retired prior to January 1, 2010, receive \$5,000 in life insurance coverage and those who retired on or after January 1, 2010, receive \$7,000 in life insurance coverage. Executive Management retirees receive \$50,000 in life insurance coverage for the first year of retirement, decreasing by \$10,000 each year until its expiration in the sixth year.

Benefit allowance provisions are established through agreements and memorandums of understanding (MOU) between VTA and unions representing its employees.

As of June 30, 2019, the number of retirees and active employees who met the eligibility requirements for the ATU Program and non-ATU are as follows:

OPEB Eligible	ATU	Non-ATU	Total
Retirees	1,126	568	1,694
Active (Vested)	708	457	1,165

(b) Basis of Accounting

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pension, and pension expense, information about the fiduciary net position of the OPEB plan and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan.

Contributions are recognized as revenue when due, pursuant to formal commitments, as well as statutory or contractual requirements. Benefits (distributions to participants) and refunds of prior contributions are recognized when due and payable in accordance with the terms of the Plan.

(c) Contribution Requirements

VTA's contributions to the Plan are based on Actuarially Determined Contribution (ADC) as determined by an actuarial valuation study.

As of June 30, 2019, the Plan's net position of \$330.6 million was available to cover costs of the ATU and Non-ATU Programs. The \$9.1 million contribution in FY 19 includes \$3.4 million of implicit subsidy and \$5.7 million of cash contribution.

(d) Changes in Net OPEB Asset

The Net OPEB Asset was \$72.4 million as of June 30, 2019. The following table shows the changes in Net OPEB Asset recognized over the measurement period (in thousands).

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Asset (c) = (a) - (b)
Balance at June 30, 2018	\$ 248,993	\$ 315,371	\$ (66,378)
Changes:			
Service cost	6,190	—	6,190
Interest (includes interest on service cost)	17,190	—	17,190
Changes of assumptions	6,523	—	6,523
Difference between Expected and Actual Experience	(7,876)	—	(7,876)
Contributions -Employer	—	9,086	(9,086)
Effect of Plan Amendments	306	—	306
Benefit Payments	(13,142)	(13,142)	—
Non-Benefit Related Admin Expenses from Plan Trusts	—	(93)	93
Expected Investment Return	—	21,931	(21,931)
Investment Experience (Loss)/Gain	—	(2,528)	2,528
Net changes	9,191	15,254	(6,063)
Balance at June 30, 2019	\$ 258,184	\$ 330,625	\$ (72,441)

(e) Sensitivity of the Net OPEB Asset to Change in Discount Rate and Health Care Trend:

The following presents the Net OPEB Asset as calculated using the discount rate of 7.00%, as well as what the Net OPEB Asset would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%), in thousands.

	Current		
	1% Decrease	Discount Rate	1% Increase
	6.00%	7.00%	8.00%
Net OPEB Asset	\$ 41,768	\$ 72,441	\$ 98,068

(f) Health Care Trend rates

The following presents the Net OPEB Asset as calculated using the current trend rate (4%), and what the Net OPEB Asset would be if it were to be calculated using medical trend rates that are one percentage-point lower (3%), or one percentage-point higher (5%) than the current rate:

	Current		
	1% Decrease	Trend Rate	1% Increase
	3%	4%	5%
Net OPEB Asset	\$ 101,837	\$ 72,441	\$ 36,732

(g) Actuarial Methods and Assumptions

A summary of principal assumptions and methods used by the actuaries to determine VTA’s annual required contributions to the Plan is as follows:

Description	Methods/Assumptions
Valuation date	July 1, 2018
Actuarial cost method	Entry Age Normal Cost Method
Actuarial assumptions: Discount rate	7%
Inflation	2.5%
Mortality	Rates for ATU participants are adopted from the study of experience over the five years ending in December 31, 2016. In particular, rates of mortality for ATU members and their spouses are based on a Scale MP-2017 generational projection of the respective RP-2014 Blue Collar tables, adjusted back to 2006. Rates for Administrative participants are from the CalPERS study of non-industrial Miscellaneous employer experience over the fourteen years ending June 30, 2011.

(h) Discount Rate

The discount rate used to measure the Total OPEB Liability was 7%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be equal to the actuarially determined contributions for the applicable fiscal years. Based on those assumptions, the Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Asset Class	Target Allocation	Expected Real Rate of Return
Domestic Equity-Large Cap Active	30%	4.62%
International Equity	18%	4.86%
Emerging Markets Equity	6%	6.32%
Domestic Fixed Income	21%	1.58%
Absolute Return	8%	3.9%
Real-Estate	11%	3.41%
Real Assets	5%	4.06%
Cash	1%	0.24%
	<u>100%</u>	

(i) Plan’s Fiduciary Net Position

This refers to the fair value of assets. As of June 30, 2019, the Plan’s Fiduciary Net Position amounts to \$330.6 million. Detailed information about the OPEB Plan's fiduciary position is available in a separate financial report on VTA's website.

(j) OPEB Expense, Deferred Inflows or Outflows of Resources

For the year ended June 30, 2019, the Plan incurred OPEB expense of \$246 thousand and VTA's deferred outflows of resources and deferred inflows of resources related to the OPEB as of June 30, 2019 are as follows (in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in assumptions	\$ 5,524	\$ 758
Difference between expected and actual experience	—	7,868
Difference between expected and actual investment earnings	—	2,521
Total	<u>\$ 5,524</u>	<u>\$ 11,147</u>

Amounts reported as deferred inflows of resources will be recognized in OPEB expense as follows (in thousands):

Fiscal Year	Deferred Outflows/ (Inflows) of Resources
2020	\$ 1,603
2021	1,603
2022	1,602
2023	88
2024	593
Thereafter	134
	<u>\$ 5,623</u>

NOTE 14 – ATU SPOUSAL MEDICAL AND VISION/DENTAL FUND

VTA administers the ATU Spousal Medical and Retiree Vision and Dental Fund. Both are considered to be employee-funded defined contribution plans. As of June 30, 2019, VTA had net position of approximately \$19.1 million for the ATU Spousal Medical Fund and \$13.2 million for the Retiree Vision and Dental Fund.

The Spousal Medical Fund is a medical insurance benefit for eligible pensioners' spouses. Pursuant to a collective bargaining agreement with ATU, represented employees are required to contribute \$0.40 per hour to the Spousal Medical Fund. As of June 30, 2019, there were 417 participating spouses who were eligible for benefits from the Spousal Medical Fund. FY 2019 contributions were approximately \$1.6 million while benefit payments made by the Fund were approximately \$1.5 million and investment earnings were \$1.6 million.

The Retiree Vision and Dental Fund is a vision and dental benefit for eligible pensioners. Effective 1999 and pursuant to a collective bargaining agreement, ATU represented employees are required to contribute \$0.10 per hour. As of June 30, 2019, there were 1,116 eligible participants. Contributions and investment earnings for the fiscal year were approximately \$391 thousand and \$1.1 million respectively, while benefit payments were approximately \$331 thousand.

A separate audited GAAP-basis post employment benefit plan report is not available for ATU Spousal Medical and Vision/Dental Fund.

NOTE 15 – INTERNAL SERVICE FUND

As of June 30, 2019, the assets and liabilities by individual components of the Internal Service Fund by program are as follows (in thousands):

	Workers' Compensation	General Liability	Compensated Absence	Total
Assets	\$ 21,157	\$ 11,891	\$ 35,483	\$ 68,531
Liabilities	21,157	11,891	35,483	68,531
Net Position	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

Workers' Compensation and General Liability

VTA contracts with third-party administrators to process claims for both workers' compensation and general liability programs. VTA's annual contribution to general liability program is based upon quarterly internal reviews of frequency and severity claims experience. Workers' compensation contributions occur each pay period. Internally, the workers' compensation reserves are reviewed quarterly to ensure it is appropriate given the claims history. In addition, both reserves are evaluated and reconciled based on year-end actuarial valuations.

Actuarial Information

An actuarial analysis as of June 30, 2019 disclosed that the present values of estimated outstanding losses, at 2% average discount rate using a 60% confidence level, are \$21.1 million and \$11.9 million for Workers' Compensation and General Liability, respectively.

Changes in the balance of Workers' Compensation and General Liability claims for the two years ended June 30, 2018, and June 30, 2019, are as follows (in thousands):

	Workers' Compensation	General Liability
Unpaid claims at June 30, 2017	\$ 17,302	\$ 6,361
Provision for claims and claims adjustment expense	6,656	2,636
Changes in estimates for provision for future claims	374	5,305
Payment for claims and other adjustments	(4,826)	(3,281)
Unpaid claims at June 30, 2018	19,506	11,021
Provision for claims and claims adjustment expense	6,674	3,846
Changes in estimates for provision for future claims	514	1,345
Payment for claims and other adjustments	(5,585)	(4,367)
Unpaid claims at June 30, 2019	<u>\$ 21,109</u>	<u>\$ 11,845</u>

Compensated Absences

This represents the amount charged each month to accrue the estimated increase in unused vacation and sick leave. This account is adjusted annually to reflect the year-end value of unused vacation and sick leave. Compensated absences are limited to leaves that are attributable to services already rendered and are not contingent on a specific event that is outside the control of the employer and employee. At June 30, 2019, the outstanding balance of compensated absences liability is \$35.5 million.

NOTE 16 – CLAIMS, COMMITMENTS, AND CONTINGENCIES

VTA is exposed to liability for bodily injury including death, personal injury, and property damage claims. Claims alleging liability and financial loss for injury or property damage suffered by employees, passengers, the public and others may involve various risk exposures inherent to public transportation services and congestion management oversight.

VTA self-insures and contracts third party adjustment services for:

- (a) Third party bodily injury including death, personal injury and property damage liability claims up to \$3 million per occurrence.
- (b) Workers' Compensation claims through self-insurance.
- (c) Public Officials and Employment Practices Liability claims up to \$2.5 million per occurrence.
- (d) First party property damage with various deductibles ranging from \$100,000 to \$250,000 for rail cars and equipment, buses, and real property.

For general liability, VTA is self-insured for \$3 million per occurrence. Excess Liability insurance is purchased from several insurers through VTA’s insurance broker up to \$97 million per occurrence and in the aggregate. The program consists of a \$7 million primary layer and an excess layer of \$90 million.

VTA purchases Public Officials Liability & Employment Practices Liability Insurance with an annual aggregate of \$2 million per occurrence in excess of a \$2.5 million self-insured retention.

VTA purchases first party property insurance for loss or damage to its property arising out of various risk perils (excluding earthquake) and damage from bus and rail transit collisions, overturn or derailment. Coverage provides stated value/replacement cost per occurrence with various deductibles not exceeding \$250,000.

Type of Coverage	Self-Retention	Excess Coverage
Workers’ Compensation	Self-Insured	None
General Liability	\$ 3,000,000	\$ 97,000,000
Property, Boiler & Machinery	100,000	160,000,000
Flood	5,000	500,000
Light Rail Vehicles	250,000	100,000,000
Light Rail Spare Parts	25,000	Stated Value
Buses	100,000 & lower	50,000,000
Bus Spare Parts	25,000	Stated Value
Non-Revenue Trucks & Equipment	25,000	50,000,000
Express Lane Toll Road Equipment & Signs	25,000	50,000,000
Public Officials Liability	2,500,000	2,000,000
Crime	10,000	1,000,000
Premises Pollution Liability	100,000	5,000,000
Storage Tank Liability	25,000	1,000,000
Cyber Risk	10,000	2,000,000
Blanket Railroad Protective Liability	—	2,000,000

NOTE 17 – LITIGATION

VTA’s BART to Silicon Valley Berryessa Extension

Skanska Shimmick Herzog (SSH), VTA’s design-build contractor of the line, track, stations, and systems of VTA’s BART Silicon Valley Berryessa Extension project has presented a Government Code claim seeking unspecified compensation based on contractual disputes with VTA. VTA has various defenses and counterclaims it intends to assert against SSH. The contract between VTA and

SSH has a detailed dispute-resolution process, including mediation, that SSH has not yet utilized. No mediation or other alternative dispute resolution is currently scheduled.

VTA's Extension of BART to Silicon Valley Phase II Project

On May 3, 2018, a legal action was filed by Sharks Sports & Entertainment, LLC (Plaintiff) challenging the environmental document prepared under the California Environmental Quality Act (CEQA) for the VTA's Extension of BART to Silicon Valley Phase II Project. The case was filed seeking to set aside the certification of the Environmental Impact Report (EIR) and the approval of the Project. This action does not seek damages. No hearing date has been set. A separate federal case was also filed by the Plaintiff against the Federal Transit Administration (FTA) seeking to set aside the related Record of Decision issued by the FTA. VTA is currently not a party to the federal action, but any decision on the federal case is anticipated to affect the Project.

NOTE 18 – JOINT VENTURES

(a) Peninsula Corridor Joint Powers Board

VTA is a member agency of the Peninsula Corridor Joint Powers Board (PCJPB), along with the San Mateo County Transit District (SamTrans) and the City and County of San Francisco (CCSF). The PCJPB is governed by a separate board composed of nine members, three from each participating agency. The PCJPB was formed in October 1991 to plan, administer, and operate the Peninsula Corridor rail service (Caltrain), which began operating on July 1, 1992. Prior to July 1, 1992, such rail service was operated by Caltrans.

The net operating costs and administrative expenses of the PCJPB for services provided between San Francisco and San Jose are reimbursed by the member agencies. In FY 2019, VTA, SamTrans, and CCSF were responsible for 43.9%, 30.1%, and 26.0%, respectively, of the member agencies' total reimbursement for such expenses. During the year ended June 30, 2019, VTA paid \$10.8 million to the PCJPB for operating costs.

SamTrans serves as the managing agency of the PCJPB, providing administrative personnel and facilities. The disbursement of funds received by the PCJPB is controlled by provisions of various grant contracts entered into with the U.S. government, the state, and the member agencies.

VTA's agreement with the PCJPB expired in 2001 and continues in full force and effect on a year-to-year basis, until any member provides a one-year's prior written notice of withdrawal. If two or more parties to the agreement withdraw, then the agreement shall terminate at the end of the fiscal year following expiration of the one-year's notice given by the second party. In that event, the property and funds of the PCJPB would be distributed to the member agencies in accordance with a separate agreement to be entered into between the parties.

Complete financial statements for the PCJPB can be obtained from SamTrans at 1250 San Carlos Avenue, San Carlos, California 94070.

(b) *Altamont Corridor Express*

The Altamont Corridor Express (ACE) is a commuter rail service covering over 85 miles between Stockton and San Jose with stops in Manteca, Tracy, Livermore, Pleasanton, Fremont, Santa Clara, and San Jose. ACE is funded by VTA, the Alameda County Congestion Management Agency, and the San Joaquin Regional Rail Commission which also serves as the managing agency. ACE commenced operations in October 1998, and now provides four daily round trips commuter rail service from San Joaquin County through the Tri-Valley Area of Alameda County to Santa Clara County. In June 2003, VTA entered into a Cooperative Service Agreement with the San Joaquin Regional Rail Commission (SJRR) and the Alameda County Transportation Commission (Alameda CTC) for continued VTA funding of ACE commuter rail service. The cooperative agreement replaced the ACE Joint Powers Agreement (JPA) executed by the ACE member agencies – VTA, SJRR, and Alameda CTC. Per the cooperative agreement, VTA's financial subsidy is the amount paid in FY 2003, increased annually by the consumer price index (CPI). During the year ended June 30, 2019, VTA contributed approximately \$3.5 million for operating costs.

Complete financial statements for ACE can be obtained from the San Joaquin Regional Rail Commission at 949 East Channel Street, Stockton, California 95202.

(c) *Capitol Corridor Intercity Rail Service*

VTA is a member agency of the Capitol Corridor Joint Powers Authority, which provides intercity rail service between Sacramento and San Jose. The Capitol Corridor intercity rail service is provided by the Capitol Corridor Joint Powers Board, which is comprised of members of the governing bodies of VTA, the Sacramento Regional Transit District, the Placer County Transportation Planning Agency, the congestion management agencies of Solano and Yolo counties, and the San Francisco Bay Area Rapid Transit District (BART). BART is the managing agency for the Capitol Corridor Service and Amtrak operates the trains on tracks owned by Union Pacific Railroad. VTA offers no funds to the operation of this service.

Complete financial statements for the Capitol Corridor Service can be obtained from the San Francisco Bay Area Rapid Transit District (BART) at P.O. Box 12688, Oakland, California 94606-2688.

NOTE 19 – LEASE/LEASEBACK

In 2003 VTA entered into two lease/leaseback transactions with Fifth Third Leasing Company. The leases involved a total of 20 light rail vehicles. The light rail vehicles were leased using statutory trusts (the “Trusts”) formed on behalf of the parties to the transactions. In each case, pursuant to a head-lease agreement, VTA leased rail vehicles to an investor and in turn received a prepayment of the future headlease rents that would be due through the purchase option date. Pursuant to a sublease, the investor then leased the rail vehicles to the VTA. Sufficient monies from prepayment of the headlease rents were invested in highly rated securities to fund all sublease rents and the purchase option payments. Remaining monies were used to pay transaction costs, with the balance then going to VTA as an upfront cash benefit. Highly rated insurance companies were used to provide guaranties for certain aspects of the transactions. Subsequent to the closing of the leases, the Internal Revenue Service disallowed the tax benefits the investors were anticipating. Additionally, as a result of the 2008 financial crisis the credit ratings of the insurance providers were dramatically lowered below thresholds required in the lease documents, resulting in the possibility of a default. To eliminate the potential default, VTA entered into an amendment with Fifth Third Leasing Company that waived the rating requirements. The two leases with Fifth Third Leasing Company have a purchase option date of January 1, 2034.



REQUIRED SUPPLEMENTARY INFORMATION
(Other than MD&A)

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SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Required Supplementary Information
Schedule of Changes in Net Pension Liability and Related Ratios
Amalgamated Transit Union Pension Plan
(In thousands)

	2019	2018	2017	2016	2015	2014
Total Pension Liability						
Service cost	\$ 17,818	\$ 16,953	\$ 16,024	\$ 14,788	\$ 13,468	\$ 12,094
Interest (includes interest on service cost)	51,921	47,850	46,152	45,110	43,069	41,417
Difference between expected and actual experience	(17,900)	12,285	6,440	7,748	4,517	—
Changes in assumptions	—	21,918	13,105	14,577	—	—
Benefit payments, including refunds of member contributions	(44,311)	(41,566)	(38,454)	(35,588)	(33,418)	(30,967)
Net change in total pension liability	7,528	57,440	43,267	46,635	27,636	22,544
Total Pension Liability, beginning	759,020	701,580	658,313	611,678	584,042	561,498
Total Pension Liability, ending	<u>766,548</u>	<u>759,020</u>	<u>701,580</u>	<u>658,313</u>	<u>611,678</u>	<u>584,042</u>
Plan Fiduciary Net Position						
Contributions - employer	32,282	28,524	27,385	25,751	25,590	25,787
Contributions - member	3,343	2,725	1,070	—	—	—
Net investment income	23,408	40,605	60,472	2,245	16,094	64,139
Benefit payments, including refunds of member contributions	(44,311)	(41,566)	(38,454)	(35,588)	(33,418)	(30,967)
Administrative expense	(409)	(403)	(324)	(281)	(301)	(313)
Net change in Plan Fiduciary Net Position	14,313	29,885	50,149	(7,873)	7,965	58,646
Plan Fiduciary Net Position, beginning	561,352	531,467	481,318	489,191	481,226	422,580
Plan Fiduciary Net Position, ending	<u>575,665</u>	<u>561,352</u>	<u>531,467</u>	<u>481,318</u>	<u>489,191</u>	<u>481,226</u>
Net Pension Liability, ending	<u>\$ 190,883</u>	<u>\$ 197,668</u>	<u>\$ 170,113</u>	<u>\$ 176,995</u>	<u>\$ 122,487</u>	<u>\$ 102,816</u>
Measurement Date	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	75.10%	73.96%	75.75%	73.11%	79.98%	82.40%
Covered Payroll	\$ 133,749	\$ 139,288	\$ 131,544	\$ 126,796	\$ 115,914	\$ 107,880
Net Pension Liability as a percentage of covered payroll	142.72%	141.91%	129.32%	139.59%	105.67%	95.31%

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Required Supplementary Information
Schedule of Employer Contributions
Amalgamated Transit Union Pension Plan
(In thousands)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially-determined Contribution	\$ 32,282	\$ 28,524	\$ 27,385	\$ 25,720	\$ 25,549	\$ 25,787	\$ 24,413	\$ 19,148	\$ 17,807	\$ 17,905
Contributions in Relation to the Actuarially-determined Contribution	32,282	28,524	27,385	25,751	25,590	25,787	24,413	19,148	17,807	17,905
Contributions Deficiency/ (Excess)	\$ —	\$ —	\$ —	\$ (31)	\$ (41)	\$ —	\$ —	\$ —	\$ —	\$ —
Covered Payroll	\$133,749	\$139,288	\$131,544	\$126,796	\$115,914	\$107,880	\$104,136	\$104,726	\$98,741	\$98,036
Contributions as a Percentage of Covered Payroll	24.14%	20.48%	20.82%	20.31%	22.08%	23.90%	23.44%	18.28%	18.03%	18.26%

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Required Supplementary Information
Schedule of Changes in Net Pension Liability and Related Ratios
California Public Employees' Retirement System (CalPERS)
(In thousands)

	2019	2018	2017	2016	2015
Total Pension Liability					
Service cost	\$ 11,641	\$ 11,137	\$ 9,488	\$ 9,551	\$ 9,055
Interest	30,936	29,286	27,998	26,479	24,724
Changes in Assumptions	(3,287)	24,077	—	(6,447)	—
Difference between Expected and Actual Experience	3,653	(2,259)	(1,007)	2,488	—
Benefit payments, including refunds of employee contributions	(18,843)	(17,083)	(15,940)	(14,341)	(12,834)
Net Change in Total Pension Liability	24,100	45,158	20,539	17,730	20,945
Total Pension Liability - Beginning	435,914	390,756	370,217	352,487	331,542
Total Pension Liability - Ending (a)	460,014	435,914	390,756	370,217	352,487
Plan Fiduciary Net Position					
Contributions - Employer	11,976	11,865	10,248	8,684	8,845
Contributions - Employee	4,899	4,875	4,259	4,075	4,482
Net Investment Income	26,775	31,689	1,430	6,042	41,263
Benefit payments, including refunds of employee contributions	(18,843)	(17,083)	(15,940)	(14,341)	(12,834)
Plan to Plan Resource Movement	78	37	(40)	—	—
Administrative Expense	(490)	(418)	(173)	656	—
Other Miscellaneous Income/(Expense)	(930)	—	—	—	—
Net Change in Fiduciary Net Position	23,465	30,965	(216)	5,116	41,756
Plan Fiduciary Net Position - Beginning	314,140	283,175	283,391	278,275	236,519
Plan Fiduciary Net Position - Ending (b)	337,605	314,140	283,175	283,391	278,275
Plan Net Pension Liability/(Asset) - Ending (a) - (b)	\$122,409	\$121,774	\$107,581	\$ 86,826	\$ 74,212
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.39%	72.06%	72.47%	76.55%	78.95%
Covered Payroll	\$ 70,158	\$ 65,842	\$ 61,209	\$ 60,375	\$ 54,294
Plan Net Pension Liability/(Asset) as a Percentage of Covered Payroll	174.48%	184.95%	175.76%	143.81%	136.69%
Measurement Date	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/14

Information not available prior to FY 2015.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Required Supplementary Information
Schedule of Employer Contributions
California Public Employees' Retirement System (CalPERS)
(In thousands)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Contractually Required Contribution	\$13,572	\$12,208	\$11,516	\$10,567	\$ 8,965	\$ 8,845	\$ 7,497	\$ 7,159	\$ 6,090	\$ 6,167
Contributions in Relation to the Contractually Required	<u>13,572</u>	<u>12,208</u>	<u>11,516</u>	<u>10,567</u>	<u>8,965</u>	<u>8,845</u>	<u>7,497</u>	<u>7,159</u>	<u>6,090</u>	<u>6,167</u>
Contributions Deficiency/(Excess)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Covered Payroll (not based on measurement date)	\$73,461	\$71,140	\$68,156	\$61,209	\$60,375	\$54,294	\$52,712	\$53,950	\$51,626	\$53,231
Contributions as a Percentage of Covered Payroll	18.48%	17.16%	16.90%	17.26%	14.85%	16.29%	14.22%	13.27%	11.80%	11.59%

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Required Supplementary Information
Schedule of Changes in the Plan's Net OPEB Asset and Related Ratios
Retirees' Other Post Employment Benefits (OPEB)
(In thousands)

	2019	2018	2017
Total OPEB Liability			
Service cost	\$ 6,190	\$ 5,697	\$ 5,888
Interest cost	17,190	16,695	15,872
Benefit payments	(13,142)	(12,539)	(13,055)
Effect of Change in Actuarial Assumptions/Methods	6,523	(1,057)	—
Difference between Expected and Actual Experience	(7,876)	(1,670)	—
Effect of Plan Amendments	306	—	—
Net change in Total OPEB Liability	9,191	7,126	8,705
Total OPEB Liability - Beginning	248,993	241,867	233,162
Total OPEB Liability - Ending (a)	258,184	248,993	241,867
Plan Fiduciary Net Position			
Contributions to Plan Trusts	9,086	—	4,047
Benefit Payments from Plan Trusts	(13,142)	(12,539)	(13,054)
Administrative Expenses from Plan Trusts	(93)	(109)	(25)
Expected Investment Return	21,931	20,550	18,976
Investment Experience (Loss)/Gain	(2,528)	7,575	14,350
Net Change in Fiduciary Net Position	15,254	15,477	24,294
Plan Fiduciary Net Position - Beginning	315,371	299,894	275,600
Plan Fiduciary Net Position - Ending (b)	330,625	315,371	299,894
Net OPEB Asset - Ending (a) - (b)	\$ (72,441)	\$ (66,378)	\$ (58,027)
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability = (b) / (a)	128.06 %	126.66 %	123.99 %
Covered Payroll	\$ 181,761	\$ 185,861	\$ 176,709
Net OPEB Asset as a Percentage of Covered Payroll	(39.85)%	(35.71)%	(32.84)%
Measurement Date	6/30/2019	6/30/2018	6/30/2017

Information not available prior to 2017.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Required Supplementary Information
Schedule of Employer Contributions
Retirees' Other Post Employment Benefits (OPEB) Plan
(In thousands)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially-determined Contribution	\$ 3,410	\$ (2,113)	\$ 4,574	\$ 4,785	\$ 12,093	\$ 14,100	\$ 17,315	\$ 17,321	\$ 16,208	\$ 14,849
Contributions in Relation to the Actuarially-determined Contribution ¹	9,086	—	4,047	4,785	12,093	14,100	37,965	17,321	15,371	14,213
Contributions Deficiency/(Excess)	<u>\$ (5,676)</u>	<u>\$ (2,113)</u>	<u>\$ 527</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (20,650)</u>	<u>\$ —</u>	<u>\$ 837</u>	<u>\$ 636</u>
Covered Payroll	\$181,761	\$185,861	\$176,709	\$168,869	\$167,124	\$162,902	\$152,218	\$142,651	\$ 137,050	\$140,601
Contributions as a Percentage of Covered Payroll	5.00%	—%	2.29%	2.83%	7.24%	8.66%	24.94%	12.14%	11.22%	10.11%

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Required Supplementary Information
 Budgetary Comparison Schedule
 2000 Measure A Program Special Revenue Fund
 For the year ended June 30, 2019
 (In thousands)

	<u>Original Operating Budget*</u>	<u>Final Operating Budget</u>	<u>Actual</u>	<u>Variance Final to Actual Positive/ (Negative)</u>
Revenues:				
Sales tax receipts	\$ 219,650	\$ 219,650	\$ 237,874	\$ 18,224
Investment earnings	5,486	5,486	9,994	4,508
Federal subsidy for Build America Bonds	8,750	8,750	8,807	57
Other income	395	395	376	(19)
Total revenues	<u>234,281</u>	<u>234,281</u>	<u>257,051</u>	<u>22,770</u>
Non-project expenditures:				
Operating assistance to VTA Transit	45,577	49,118	49,359	(241)
Professional, special and other services	1,002	1,002	581	421
Contributions to other agencies	—	—	177	(177)
Miscellaneous	27	27	22	5
Repayment of debt service to VTA Transit	15,499	11,957	11,384	573
Principal payment, bond interest and other bond charges	46,200	46,200	38,408	7,792
Total non-project expenditures	<u>108,305</u>	<u>108,304</u>	<u>99,931</u>	<u>8,373</u>
Change in fund balance	<u>\$ 125,976</u>	<u>\$ 125,977</u>	<u>157,120</u>	<u>\$ 31,143</u>
GAAP reconciliation and unbudgeted items:				
Federal, state and local grant revenues			58,221	
Contribution to other agencies			(11,083)	
Unrealized gain/(loss) on investments			9,747	
Amortization of premium/discounts on investment			67	
Interest not requiring uses of financial resources			(1,912)	
Other expenditures			(552)	
Transfers out			<u>(208,176)</u>	
Total GAAP reconciliation and unbudgeted items			<u>(153,688)</u>	
Change in fund balance, on a GAAP basis			3,432	
Fund balance, beginning of year			<u>452,986</u>	
Fund balance, end of year			<u>\$ 456,418</u>	

* Differs slightly from the published adopted budget due to minor adjustments made for exactness.

See Note accompanying this schedule

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
 Required Supplementary Information
 Budgetary Comparison Schedule
 2016 Measure B Program Special Revenue Fund
 For the year ended June 30, 2019
 (In thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual Positive/ (Negative)</u>
Revenue:				
Sales Tax Revenues	\$ 219,650	\$ 219,650	\$ 236,664	\$ 17,014
Investment earnings	2,716	—	4,970	4,970
Other Income	—	—	256,090	256,090
Total Revenue	<u>222,366</u>	<u>219,650</u>	<u>497,724</u>	<u>278,074</u>
Expenditures:				
Labor and overhead costs		574	574	—
Professional services	—	170	170	—
Contributions to other agencies		1,652	1,652	—
Total Expenditures	<u>—</u>	<u>2,396</u>	<u>2,396</u>	<u>—</u>
Change in fund balance, on a budgetary basis	<u>\$ 222,366</u>	<u>\$ 217,254</u>	495,328	<u>\$ 278,074</u>
Expenditures not budgeted:				
Labor and overhead costs			(2,224)	
Election cost			1,652	
Transfers out			(29,000)	
Change in fund balance, on a GAAP basis			<u>465,756</u>	
Fund Balance, Beginning of Year			(1,663)	
Fund Balance, End of Year			<u>\$ 464,093</u>	

See Note accompanying this schedule

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
 Required Supplementary Information
 Budgetary Comparison Schedule
 Congestion Management Program Special Revenue Fund
 For the year ended June 30, 2019
 (In thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual Positive/ (Negative)</u>
Revenue:				
Assessments to member agencies	\$ 2,654	\$ 2,654	\$ 2,654	\$ —
Federal grant revenues	2,136	2,136	2,439	303
Administrative fees	124	124	160	36
State and local operating assistance grants	784	784	783	(1)
Other revenues	148	148	252	104
Investment earnings	12	12	4	(8)
Total Revenue	<u>5,858</u>	<u>5,858</u>	<u>6,292</u>	<u>434</u>
Expenditures:				
VTA labor and overhead costs	4,080	4,705	4,689	16
Services and other:				
Professional services	1,412	787	449	338
Other services	16	16	16	—
Data processing	7	7	—	7
Contribution to Other Agencies	300	300	305	(5)
Total Expenditures	<u>5,815</u>	<u>5,815</u>	<u>5,459</u>	<u>356</u>
Change in fund balance	<u>\$ 43</u>	<u>\$ 43</u>	833	<u>\$ 790</u>
Fund Balance, Beginning of Year			<u>1,167</u>	
Fund Balance, End of Year			<u>\$ 2,000</u>	

See Note accompanying this schedule

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
 Required Supplementary Information
 Budgetary Comparison Schedule
 Congestion Management & Highway Program Special Revenue Fund
 For the year ended June 30, 2019
 (In thousands)

	Original Budget	Final Budget	Actual	Variance Final to Actual Positive/ (Negative)
Revenue:				
Federal, state, and local grants	\$ 42,098	\$ 42,098	\$ 42,098	\$ —
Expenditures:				
Capital expenditures on behalf of other agencies	42,098	42,098	42,098	—
Change in fund balance, on a budgetary basis	\$ —	\$ —	—	\$ —
Fund Balance, Beginning of Year			—	
Fund Balance, End of Year			\$ —	

See Note accompanying this schedule

Note 1 - Budgetary Basis of Accounting

State law requires the adoption of an annual budget, which must be approved by the VTA's Board of Directors. VTA's Board adopts a biennial budget for its Congestion Management Program, 2016 Measure B Program, 2000 Measure A Program, and Congestion Management and Highway Program Special Revenue Funds. The budget for the Special Revenue Funds is prepared on a modified accrual basis but excludes unrealized gains and losses on investments, certain capital federal and state revenues, expenditures, and transfers.

The budgetary control is maintained at the fund level. The Division Chief must authorize line item reclassification amendments to the budget. Managers are assigned the responsibility for controlling their budgets and monitoring operating expenses. Annual appropriations for the operating budget lapse at the end of the fiscal year to the extent that they have not been expended. The unexpended capital budget at fiscal year-end is carried forward from year to year until the project is completed.

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SUPPLEMENTARY INFORMATION
(Combining and Individual Fund Information)

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SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Comparative Schedule of Fund Net Position

Enterprise Funds

June 30,

(In thousands)

	<u>2019</u>	<u>2018</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 3,163	\$ 28,331
Investments	662,218	533,610
Receivables, net	8,707	4,978
Due from other agencies	77,501	85,798
Inventories	33,318	35,472
Due from other funds	613	1,070
Other current assets	3,090	1,193
Total current assets	<u>788,610</u>	<u>690,452</u>
Restricted assets:		
Cash and investments with fiscal agent	4,571	4,410
Investments	—	6,023
Total restricted current assets	<u>4,571</u>	<u>10,433</u>
Non-current assets:		
Net OPEB asset	72,441	66,378
Capital Assets		
Nondepreciable:		
Land and right-of-way	1,126,796	1,126,872
Construction in progress	3,353,507	3,131,777
Depreciable:		
Intangible Assets	2,203	2,203
Caltrain - Gilroy extension	43,072	43,072
Buildings and improvements	453,812	453,012
Furniture and fixtures	146,242	139,232
Vehicles	661,753	618,806
Light-rail tracks and electrification	418,194	418,194
Leasehold improvement	9,686	9,686
Others	50,035	48,890
Less: Accumulated depreciation	<u>(1,069,031)</u>	<u>(1,006,414)</u>
Net capital assets	<u>5,196,269</u>	<u>4,985,330</u>
Total assets	<u>6,061,891</u>	<u>5,752,593</u>
DEFERRED OUTFLOWS OF RESOURCES		
Hedging derivative instruments	—	6,023
Refunding amounts	7,017	8,151
Pension-related	76,158	88,888
OPEB-related	5,524	—
Total deferred outflows of resources	<u>88,699</u>	<u>103,062</u>

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Comparative Schedule of Fund Net Position (Continued)
Enterprise Funds
June 30,
(In thousands)

	2019	2018
LIABILITIES		
Current liabilities:		
Current portion of long-term debt	14,788	15,728
Accounts payable and accrued expenses	35,145	29,278
Deposits	444	362
Accrued payroll and related liabilities	6,280	10,380
Bond interest and other fees payable	510	378
Unearned revenues	4,940	4,495
Due to other funds	3	190
Due to other agencies	11,847	44,066
Other accrued liabilities	282	52
Total current liabilities	74,239	104,929
Non-current liabilities		
Long-term debt, excluding current portion	145,681	140,628
Derivative instruments	—	6,023
Net pension liability*	313,292	319,443
Total non-current liabilities	458,973	466,094
Total liabilities	533,212	571,023
DEFERRED INFLOWS RELATED TO PENSION AND OPEB	28,863	11,484
NET POSITION	\$ 5,588,515	\$ 5,273,148

*Resulting from GASB 68 implementation. In FY 2019, this consists of \$122.4 million for CalPERS and \$190.9 million for ATU

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Comparative Schedule of Revenues, Expenses, and Changes in Fund Net Position
Enterprise Fund
For the years ended June 30,
(In thousands)

	2019	2018
OPERATING REVENUES:		
Fares - Transit	\$ 35,773	\$ 34,511
Fares - Paratransit	2,288	2,044
Toll revenues collected	1,300	1,297
Advertising and others	4,428	3,649
Charges for services	931	933
Total operating revenues	44,720	42,434
OPERATING EXPENSES:		
Labor cost	354,799	347,412
Materials and supplies	36,643	41,623
Services	40,214	39,942
Utilities	9,649	9,373
Casualty and Liability	6,179	10,404
Purchased transportation	25,483	23,083
Leases and rentals	759	568
Miscellaneous	1,688	1,966
Depreciation expense	73,338	68,472
Costs allocated to capital and other programs	(35,929)	(34,047)
Total operating expenses	512,823	508,796
Operating loss	(468,103)	(466,362)
NON-OPERATING REVENUES (EXPENSES)		
Sales tax revenue	295,873	257,380
Federal operating assistance and other grants	4,402	4,230
State and local operating assistance grants	156,565	126,689
Caltrain subsidy	(10,790)	(8,967)
Capital expenses on behalf of, and contribution to other agencies	(23,809)	(7,344)
Altamont Corridor Express subsidy	(3,502)	(3,383)
Investment earnings	25,811	3,072
Interest expense	(13,060)	(6,972)
Other non-operating income	5,652	2,821
Other non-operating expense	(5,446)	(657)
Non-operating revenues, net	431,696	366,869
INCOME (LOSS) BEFORE CONTRIBUTIONS	(36,407)	(99,493)
CAPITAL CONTRIBUTIONS	53,855	58,259
TRANSFERS IN/(OUT)	297,919	250,769
CHANGE IN NET POSITION	315,367	209,535
NET POSITION, BEGINNING OF YEAR	5,273,148	5,021,451
Adjustment due to GASB 75 Implementation	—	42,162
NET POSITION, BEGINNING OF YEAR, AS RESTATED	5,273,148	5,063,613
NET POSITION, END OF YEAR	\$ 5,588,515	\$ 5,273,148

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Comparative Schedule of Cash Flows

Enterprise Funds

For the years ended June 30,

(In thousands)

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from transit fares	\$ 35,815	\$ 35,299
Cash received from paratransit fares	2,288	2,044
Cash received from toll revenues collected	1,300	1,297
Cash received from advertising	4,410	3,729
Cash paid for labor costs	(310,599)	(290,136)
Cash paid to suppliers	(89,744)	(99,635)
Cash paid for purchased transportation	(25,483)	(23,083)
Other receipts/(payments)	2,168	869
Net cash provided by/(used in) operating activities	<u>(379,845)</u>	<u>(369,616)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating grants received	157,155	115,677
Sales tax received	291,024	263,240
Caltrain subsidy	(10,790)	(8,967)
Altamont Corridor Express subsidy	(3,502)	(3,383)
Capital contribution to other agencies	11,145	(11,016)
Net cash provided by/(used in) non-capital financing activities	<u>445,032</u>	<u>355,551</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payment of long-term debt	(126,436)	(47,474)
Proceeds from issuance of long-term debt	130,662	34,953
Advance (to)/from other governments	(31,075)	(2,385)
Interest and other fees paid on long-term debt	(11,907)	(6,491)
Acquisition and construction of capital assets	(84,341)	(84,644)
Capital contribution from other entities	40,759	47,354
Transfers in	92,228	58,069
Net cash provided by/(used in) capital and related financing activities	<u>9,890</u>	<u>(618)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	1,052,241	977,465
Purchases of investments	(1,161,887)	(974,164)
Interest income received	9,562	7,814
Net cash provided by/(used in) investing activities	<u>(100,084)</u>	<u>11,115</u>
Net increase/(decrease) in cash and cash equivalents	(25,007)	(3,568)
Cash and cash equivalents, beginning of year	<u>32,741</u>	<u>36,309</u>
Cash and cash equivalents, end of year	<u>\$ 7,734</u>	<u>\$ 32,741</u>

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Comparative Schedule of Cash Flows (Continued)
Enterprise Funds
For the years ended June 30,
(In thousands)

	2019	2018
RECONCILIATION OF OPERATING INCOME/(LOSS) TO NET CASH PROVIDED BY/(USED IN) OPERATING ACTIVITIES:		
Operating income/(loss)	\$ (468,103)	\$ (466,362)
Adjustments to reconcile operating income/(loss) to net cash provided by/(used in) operating activities:		
Depreciation	73,338	68,472
Changes in operating assets and liabilities:		
Other current assets	(1,897)	43
Receivables	(474)	(104)
Inventories	2,154	(20)
Accounts payable	5,811	3,740
Other accrued liabilities	(3,870)	(140)
Deposits from others	(790)	478
Unearned revenue	573	892
Net pension liability	12,371	23,385
Deferred Inflow of Resources: Pension related	1,042	—
Net cash provided by/(used in) operating activities	\$ (379,845)	\$ (369,616)
Reconciliation of cash and cash equivalents to the Statement of Fund Net Position:		
Cash and cash equivalents, end of year:		
Unrestricted	\$ 3,163	\$ 28,331
Restricted	4,571	4,410
	\$ 7,734	\$ 32,741
NONCASH ACTIVITIES:		
Increase/(Decrease) in fair value of investments	\$ 17,652	\$ (5,284)
Noncash capital contributions	(10,308)	14,072
Amortization expense of Caltrain Access Fee	(882)	(882)
Total non-cash activities	\$ 6,462	\$ 7,906

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Budgetary Comparison Schedule - Enterprise Fund

VTA Transit Fund

For the year ended June 30, 2019

(In thousands)

	FY 2019 Adopted Budget	Final Budget	Actual	Variance Final to Actual Positive / (Negative)
REVENUES				
Fares - Transit	\$ 40,568	\$ 40,568	\$ 35,773	\$ (4,795)
Fares - Paratransit	2,723	2,723	2,288	(435)
1976 1/2 Cent Sales Tax	219,650	219,650	237,869	18,219
Transportation Development Act funds	103,235	103,235	109,035	5,800
2000 Measure A Sales Tax Operating Assistance	45,577	45,577	49,359	3,782
2016 Measure B -Transit Operations	14,500	14,500	29,000	14,500
STA	10,300	10,300	45,082	34,782
Federal Operating Grants	3,910	3,910	4,403	493
State Operating Grants	960	960	2,448	1,488
Investment Earnings	4,526	4,526	4,980	454
Advertising Income	2,909	2,909	3,521	612
Other Income	17,919	17,919	16,902	(1,017)
Total revenues	466,777	466,777	540,660	73,883
OPERATING EXPENSES				
Labor Costs	339,746	342,621	342,428	193
Materials & Supplies	42,351	37,447	25,959	11,488
Security	17,880	17,880	14,907	2,973
Professional & Special Services	7,215	7,170	5,390	1,780
Other Services	10,831	11,186	10,641	545
Fuel	12,022	11,832	10,378	1,454
Traction Power	6,189	6,049	4,472	1,577
Tires	2,524	2,524	2,526	(2)
Utilities	3,712	3,712	3,384	328
Insurance	6,862	6,862	6,179	683
Data Processing	4,987	4,987	5,303	(316)
Office Expense	412	412	268	144
Communications	1,644	1,644	1,774	(130)
Employee Related Expense	1,124	1,129	697	432
Leases & Rents	904	904	759	145
Miscellaneous	860	1,081	1,067	14
Reimbursements	(37,332)	(37,332)	(43,133)	5,801
Total operating expenses	421,928	420,105	392,999	27,106

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Budgetary Comparison Schedule - Enterprise Fund (*continued*)

VTA Transit Fund

For the year ended June 30, 2019

(In thousands)

	FY 2019			Variance
	Adopted	Final		Final to Actual
	Budget	Budget	Actual	Positive / (Negative)
OTHER EXPENSES				
Paratransit	26,338	26,338	23,706	2,632
Caltrain	8,967	10,790	10,790	—
Altamont Corridor Express	5,307	5,307	5,279	28
Highway 17 Express	381	381	350	31
Monterey-San Jose Express Service	35	35	35	—
Contribution to Other Agencies	1,006	1,006	(413)	1,419
Debt Service	22,233	22,233	17,924	4,309
Transfer to capital reserve	5,000	65,000	65,000	—
Contingencies	2,000	2,000	—	2,000
Total other expenses	71,267	133,090	122,671	10,419
Total operating and other expenses	493,195	553,195	515,670	37,525
Change in net position, on a budgetary basis	\$ (26,418)	\$ (86,418)	24,990	\$ 111,408
Reconciliation of net income on a budgetary basis to net income on a GAAP Basis:				
Capital Contributions			53,713	
Project Expenditures			(7,191)	
Capital Contributions to Other Agencies			(8,810)	
Bond Principal Payment			11,403	
Amortization of investment premium and discount			32	
Amortization of bond premium and deferred loss			(6,540)	
Unrealized loss on investment			4,413	
Debt Reduction Fund Interest Earnings			146	
Other non-operating income/(loss)			(4,712)	
Other non-budgetary revenues/(expenses)			691	
Pension-related (GASB 68) & OPEB-related (GASB 75) expenses			(25,944)	
PERS employer contribution deferred			13,572	
Transfer to capital reserve			65,000	
Transfer from 2000 Measure A Program			10,279	
1996 Measure B Transit activities			(398)	
Transfers in (net of transfers out)			1,872	
Depreciation			(73,338)	
Net change in net position, on a GAAP Basis			\$ 59,178	

Note: Totals and subtotals may not be precise due to independent rounding

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Comparative Schedule of Revenues, Expenses, and Changes in Fund Balance
Special Revenue Fund
For the year ended June 30,
(In thousands)

	2019					2018				
			Congestion					Congestion		
	2000	2016	Congestion	Management	Total	2000	2016	Congestion	Management	Total
	Measure A	Measure B	Management	& Highway		Measure A	Measure B	Management	& Highway	
Program	Program	Program	Program		Program	Program	Program	Program		
Sales tax revenue (a)	\$ 237,874	\$ 236,664	\$ —	\$ —	\$ 474,538	\$ 207,870	\$ —	\$ —	\$ —	\$ 207,870
Federal grant revenues	51,065	—	2,439	1,768	53,504	59,181	—	2,178	1,347	61,359
State and local grants	7,156	—	783	40,330	7,939	20,304	—	945	15,218	21,249
Federal subsidy for Build America Bonds	8,807	—	—	—	8,807	8,784	—	—	—	8,784
Investment earnings	19,808	4,970	4	—	24,782	2,811	—	2	—	2,813
Assessment to member agencies	—	—	2,654	—	2,654	—	—	2,528	—	2,528
Other revenues	376	—	252	—	628	414	—	346	—	760
Administrative fees	—	—	160	—	160	—	—	136	—	136
Total Revenues	325,086	241,634	6,292	42,098	573,012	299,364	—	6,135	16,565	305,499
Contribution to agencies	(11,260)	—	(305)	—	(11,565)	(54,203)	—	(116)	—	(54,319)
Capital expenditures on behalf of other agencies	—	—	—	(42,098)	—	—	—	—	(13,869)	—
Debt Service:										
Principal	(30,575)	—	—	—	(30,575)	(29,530)	—	—	—	(29,530)
Interest	(9,745)	—	—	—	(9,745)	(10,107)	—	—	—	(10,107)
Salaries and benefits	—	(2,798)	(4,689)	—	(7,487)	—	—	(4,632)	(2,696)	(4,632)
Other expenditures	(1,155)	—	—	—	(1,155)	(1,452)	—	—	—	(1,452)
Professional services	—	(170)	(449)	—	(619)	—	—	(817)	—	(817)
Material and Services	—	—	(16)	—	(16)	—	—	(14)	—	(14)
Total Expenditures	(52,735)	(2,968)	(5,459)	(42,098)	(61,162)	(95,292)	—	(5,579)	(16,565)	(100,871)
Transfers out	(268,919)	(29,000)	—	—	(297,919)	(250,769)	—	—	—	(250,769)
Extraordinary item, Note 8c	—	256,090	—	—	256,090	—	—	—	—	—
Change in fund balances	3,432	465,756	833	—	470,021	(46,697)	—	556	—	(46,141)
Fund balances, beginning of year	452,986	(1,663)	1,167	—	452,490	2,405,253	(1,663)	611	—	2,404,201
Restatement due to change in accounting principles 2000 Measure A Reclass to Governmental Fund	—	—	—	—	—	(1,905,570)	—	—	—	(1,905,570)
Fund balances, beginning of year as restated	452,986	(1,663)	1,167	—	452,490	499,683	(1,663)	611	—	498,631
Fund balances, end of year	\$ 456,418	\$ 464,093	\$ 2,000	\$ —	\$ 922,511	\$ 452,986	\$ (1,663)	\$ 1,167	\$ —	\$ 452,490

(a) FY 2019 reported \$236.7 million of 2016 Measure B sales tax revenue due to the resolution of the legal challenge in January 2019.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Combining Statement of Fiduciary Net Position

Retiree Benefits Trust Funds

June 30, 2019

(In thousands)

	ATU Pension Trust	OPEB Trust	ATU Medical Trusts			Total
			Spousal Medical	Vision/ Medical	Total Medical Trusts	
ASSETS						
Cash and cash equivalents	\$ 1,179	\$ 3,057	\$ 366	\$ 253	\$ 619	\$ 4,855
Investments	574,121	327,295	18,779	12,962	31,741	933,157
Receivables	917	515	—	—	—	1,432
Due from other agencies	1	10	—	—	—	11
Total assets	<u>576,218</u>	<u>330,877</u>	<u>19,145</u>	<u>13,215</u>	<u>32,360</u>	<u>939,455</u>
LIABILITIES						
Accounts payable	553	253	2	1	3	809
Total liabilities	<u>553</u>	<u>253</u>	<u>2</u>	<u>1</u>	<u>3</u>	<u>809</u>
NET POSITION						
<i>Restricted for:</i>						
Pension benefits	575,665	—	—	—	—	575,665
Other post-employment benefits	—	330,624	—	—	—	330,624
Spousal medical benefits	—	—	19,143	—	19,143	19,143
Retiree dental and vision benefits	—	—	—	13,214	13,214	13,214
TOTAL NET POSITION	<u>\$ 575,665</u>	<u>\$ 330,624</u>	<u>\$ 19,143</u>	<u>\$ 13,214</u>	<u>\$ 32,357</u>	<u>\$ 938,646</u>

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Combining Statement of Changes in Fiduciary Net Position
Retiree Benefits Trust Funds
For the year ended June 30, 2019
(In thousands)

	ATU Medical Trusts					Total
	ATU Pension Trust	OPEB Trust	Spousal Medical	Vision/ Dental	Total Medical Trusts	
ADDITIONS						
Employee contributions	\$ 3,343	\$ —	\$ 1,564	\$ 391	\$ 1,955	\$ 5,298
Employer contributions	32,283	9,086	—	—	—	41,369
Total contributions	<u>35,626</u>	<u>9,086</u>	<u>1,564</u>	<u>391</u>	<u>1,955</u>	<u>46,667</u>
Investment earnings:						
Investment income	17,301	1,841	2	1	3	19,145
Net change in the fair value of investments	8,283	18,015	1,605	1,108	2,713	29,011
Investment expense	(2,176)	(454)	(6)	—	(6)	(2,636)
Net investment earnings	<u>23,408</u>	<u>19,402</u>	<u>1,601</u>	<u>1,109</u>	<u>2,710</u>	<u>45,520</u>
Total additions	<u>59,034</u>	<u>28,488</u>	<u>3,165</u>	<u>1,500</u>	<u>4,665</u>	<u>92,187</u>
DEDUCTIONS						
Benefit payments	44,312	13,142	1,527	331	1,858	59,312
Services	—	—	12	7	19	19
Administrative expenses	409	92	—	—	—	501
Total deductions	<u>44,721</u>	<u>13,234</u>	<u>1,539</u>	<u>338</u>	<u>1,877</u>	<u>59,832</u>
Change in net position	14,313	15,254	1,626	1,162	2,788	32,355
Net position, beginning of year	<u>561,352</u>	<u>315,370</u>	<u>17,517</u>	<u>12,052</u>	<u>29,569</u>	<u>906,291</u>
Net position, end of year	<u>\$ 575,665</u>	<u>\$ 330,624</u>	<u>\$ 19,143</u>	<u>\$ 13,214</u>	<u>\$ 32,357</u>	<u>\$ 938,646</u>

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Combining Statement of Assets and Liabilities
Agency Funds
June 30, 2019
(In thousands)

	BAAQMD Program	SB83 VRF Agency	Total
Assets			
Cash and cash equivalents	\$ 1,370	\$ 5,591	\$ 6,961
Investments	4,348	25,437	29,785
Total Assets	<u>\$ 5,718</u>	<u>\$ 31,028</u>	<u>\$ 36,746</u>
Liabilities			
Accounts Payable	\$ 276	\$ 34	\$ 310
Program payable	5,442	30,994	36,436
Total Liabilities	<u>\$ 5,718</u>	<u>\$ 31,028</u>	<u>\$ 36,746</u>

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Combining Statement of Changes in Assets and Liabilities

Agency Funds

For the year ended June 30, 2019

(In thousands)

	Balance July 1, 2018	Increase	Decrease	Balance June 30, 2019
BAAQMD Program				
Assets				
Cash and cash equivalents	\$ 1,315	\$ 55	\$ —	\$ 1,370
Investments	4,373	—	25	4,348
Total assets	\$ 5,688	\$ 55	\$ 25	\$ 5,718
Liabilities				
Accounts Payable	\$ 634	\$ —	\$ 358	\$ 276
Program payable	5,054	388	—	5,442
Total liabilities	\$ 5,688	\$ 388	\$ 358	\$ 5,718
SB83 VRF Program				
Assets				
Cash and cash equivalents	\$ 3,002	\$ 2,589	\$ —	\$ 5,591
Investments	26,173	—	736	25,437
Total assets	\$ 29,175	\$ 2,589	\$ 736	\$ 31,028
Liabilities				
Accounts Payable	\$ 11	\$ 23	\$ —	\$ 34
Program payable	29,164	1,830	—	30,994
Total liabilities	\$ 29,175	\$ 1,853	\$ —	\$ 31,028
Total - All Agency Funds				
Assets				
Cash and cash equivalents	\$ 4,317	\$ 2,644	\$ —	\$ 6,961
Investments	30,546	—	761	29,785
Total assets	\$ 34,863	\$ 2,644	\$ 761	\$ 36,746
Liabilities				
Accounts Payable	\$ 645	\$ 23	\$ 358	\$ 310
Program payable	34,218	2,218	—	36,436
Total liabilities	\$ 34,863	\$ 2,241	\$ 358	\$ 36,746

STATISTICAL SECTION

FINANCIAL TRENDS:

These schedules contain trend information to help the reader understand how VTA's financial performance and financial condition changed over time:

Table 1 - Changes in Net Position

Table 2 - Net Position by Component

Table 3 - Fund Balances and Changes in Fund Balances, Governmental Funds

Table 4 - Current Ratio

Table 5 - Operating Revenues and Operating Expenses

Table 6 - Non-operating Assistance

Table 7 - Targeted Operating Reserves

REVENUE CAPACITY:

These schedules contain information to help the reader assess VTA's most significant local revenue source, the sales tax:

Table 8 - Revenue Base and Revenue Rates

Table 9 - Sales Tax Rates

Table 10 - Principal Sales Tax Payers in Santa Clara County by Segments

DEBT CAPACITY:

These schedules present information to help the reader assess the affordability of VTA's current levels of outstanding debt and VTA's ability to issue additional debt in the future:

Table 11 - Total Outstanding Debt by Type

Table 12 - Ratios of Outstanding Debt

Table 13 - Direct and Overlapping Debt and Debt Limitation

Table 14 - Pledged Revenue Coverage - 1976 Half-Cent Sales Tax Revenue Bonds

Table 15 - Pledged Revenue Coverage - 2000 Measure A Half-Cent Sales Tax Revenue Bonds

Table 16 - Projected Pledged Revenue Coverage

DEMOGRAPHIC AND ECONOMIC INFORMATION:

These schedules offer demographic and economic indicators to help the reader understand the environment within which VTA's financial activities take place:

Table 17 - Population Trends

Table 18 - Income and Unemployment Rates

Table 19 - Wage and Salary Employment by Industry (Annual Average)

Table 20 - Silicon Valley Major Employers

OPERATING INFORMATION:

Table 21 - Operating Indicators

Table 22 - Farebox Recovery Ratio

Table 23 - Revenue Miles

Table 24 - Passenger Miles

Table 25 - Selected Statistical Data

Table 26 - System Data

Table 27 - Employee Headcount

Table 28 - Capital Assets

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Table 1
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Financial Trend - Changes in Net Position
Ten Years Ended June 30, 2019
(In thousands)

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u> ³	<u>2018</u>	<u>2019</u>
EXPENSES										
<i>Business-type activities:</i>										
Transit										
Operations and Operating Projects	\$ 338,771	\$ 343,302	\$ 364,723	\$ 375,086	\$ 392,042	\$ 407,618	\$ 431,212	\$ 471,655	\$ 495,785	\$ 487,725
Caltrain Subsidy	15,878	14,135	10,207	13,700	7,291	8,390	8,414	8,390	8,967	10,790
Capital Expenses on behalf of, and contribution to other agencies	81,714	66,782	80,083	138,794	93,952	61,445	53,094	6,497	7,344	23,809
Altamont Corridor Express Subsidy	2,707	2,706	2,707	2,939	3,019	3,097	3,166	3,270	3,383	3,502
Interest Expense	20,583	23,536	31,307	31,655	27,088	15,204	11,330	7,326	6,972	13,060
Other Expenses	7,268	15,434	8,059	5,865	11,096	5,734	4,177	576	657	5,446
Benefit Payments	7,693	8,410	11,419	10,689	17,947	8,881	12,999	12,654	17,437	15,359
Total Business-Type Activities Expenses	<u>474,614</u>	<u>474,305</u>	<u>508,505</u>	<u>578,728</u>	<u>552,435</u>	<u>510,369</u>	<u>524,392</u>	<u>510,368</u>	<u>540,545</u>	<u>559,691</u>
<i>Governmental activities:</i>										
Congestion Management										
Operations and operating projects	7,164	7,196	6,692	7,622	7,544	8,071	8,228	8,868	8,159	8,122
Interest Expense	—	—	—	—	—	—	—	7,928	8,068	7,833
Other Expenses	—	—	—	—	—	—	—	2,352	1,452	1,155
Contribution to agencies	—	867	37	25	68	168	210	79,670	54,319	11,565
Capital projects for the benefit of other agencies	19,402	21,091	19,052	34,245	36,184	20,127	11,189	9,886	13,869	42,098
Total governmental activities expenses	<u>26,566</u>	<u>29,154</u>	<u>25,781</u>	<u>41,892</u>	<u>43,796</u>	<u>28,366</u>	<u>19,627</u>	<u>108,704</u>	<u>85,867</u>	<u>70,773</u>
Total primary government expenses	<u>\$ 501,180</u>	<u>\$ 503,459</u>	<u>\$ 534,286</u>	<u>\$ 620,620</u>	<u>\$ 596,231</u>	<u>\$ 538,735</u>	<u>\$ 544,019</u>	<u>\$ 619,072</u>	<u>\$ 626,412</u>	<u>\$ 630,464</u>
PROGRAM REVENUES										
<i>Business-type activities:</i>										
Charges for services	\$ 38,830	\$ 40,014	\$ 40,070	\$ 41,821	\$ 42,420	\$ 43,054	\$ 42,316	\$ 40,194	\$ 42,434	\$ 44,720
Operating grants	126,934	137,804	140,419	142,577	148,669	134,796	126,988 ¹	115,191	130,919	160,967
Capital grants	92,594	148,303	115,584	272,950	193,899	277,421	271,057	38,713	58,259	53,855
Total business-type activities program revenues	<u>258,358</u>	<u>326,121</u>	<u>296,073</u>	<u>457,348</u>	<u>384,988</u>	<u>455,271</u>	<u>440,361</u>	<u>194,098</u>	<u>231,612</u>	<u>259,542</u>
<i>Governmental activities:</i>										
Charges for services	2,606	2,520	2,503	2,520	2,519	2,526	2,529	2,549	2,664	2,814
Operating grants	1,854	2,127	2,110	1,775	2,424	2,096	16,585 ²	172,844	107,957	112,348
Capital grants	22,314	24,051	21,530	37,612	38,989	22,964	—	—	—	—
Total governmental activities program revenues	<u>26,774</u>	<u>28,698</u>	<u>26,143</u>	<u>41,907</u>	<u>43,932</u>	<u>27,586</u>	<u>19,114</u>	<u>175,393</u>	<u>110,621</u>	<u>115,162</u>
Total primary government revenues	<u>\$ 285,132</u>	<u>\$ 354,819</u>	<u>\$ 322,216</u>	<u>\$ 499,255</u>	<u>\$ 428,920</u>	<u>\$ 482,857</u>	<u>\$ 459,475</u>	<u>\$ 369,491</u>	<u>\$ 342,233</u>	<u>\$ 374,704</u>
NET PROGRAM (EXPENSES)/REVENUES										
Business-type activities	\$(216,256)	\$(148,184)	\$(212,432)	\$(121,380)	\$(167,447)	\$(55,098)	\$(84,031)	\$(316,270)	\$(308,933)	\$(300,149)
Governmental activities	208	(456)	362	15	136	(780)	(513)	66,689	24,754	44,389
Total primary government net program (expenses)/revenues	<u>\$(216,048)</u>	<u>\$(148,640)</u>	<u>\$(212,070)</u>	<u>\$(121,365)</u>	<u>\$(167,311)</u>	<u>\$(55,878)</u>	<u>\$(84,544)</u>	<u>\$(249,581)</u>	<u>\$(284,179)</u>	<u>\$(255,760)</u>

Table 1
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Financial Trend - Changes in Net Position (continued)
Ten Years Ended June 30, 2019
(In thousands)

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u> ³	<u>2018</u>	<u>2019</u>
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION										
Business-type activities:										
Sales tax revenue	\$ 279,342	\$ 306,456	\$ 332,847	\$ 395,163	\$ 417,486	\$ 446,374	\$ 460,316	\$ 259,029	\$ 257,380	\$ 295,873
Investment income	7,352	11,039	19,289	316	9,861	9,420	19,102	2,055	3,222	27,033
Proceed from sale of land	—	642	6,300	4,052	—	16,732	—	—	—	—
Federal subsidy for Build America Bonds	—	5,848	9,399	9,126	8,755	8,715	—	—	—	—
Other income	3,241	6,865	6,007	3,254	7,325	4,261	3,335	5,233	3,317	7,237
Transfers	—	—	—	—	—	—	—	286,989	250,769	297,919
Extraordinary items:										
Change in provisions for workers' compensation claims	—	5,716	—	—	—	—	—	—	—	—
Total business-type activities	<u>289,935</u>	<u>336,566</u>	<u>373,842</u>	<u>411,911</u>	<u>443,427</u>	<u>485,502</u>	<u>482,753</u>	<u>553,306</u>	<u>514,688</u>	<u>628,062</u>
Governmental activities:										
Sales tax revenue	—	—	—	—	—	—	—	208,672	207,870	474,538
Investment income	12	10	31	8	23	9	16	2,411	2,813	24,782
Other income	15	1,106	104	115	279	250	155	531	760	628
Transfers	—	—	—	—	—	—	—	(340,682)	(250,769)	(297,919)
Extraordinary item, Note 8	—	—	—	—	—	—	—	—	—	256,090
Total governmental activities	<u>27</u>	<u>1,116</u>	<u>135</u>	<u>123</u>	<u>302</u>	<u>259</u>	<u>171</u>	<u>(129,068)</u>	<u>(39,326)</u>	<u>458,119</u>
TOTAL PRIMARY GOVERNMENT CHANGE IN NET POSITION	<u>289,962</u>	<u>337,682</u>	<u>373,977</u>	<u>412,034</u>	<u>443,729</u>	<u>485,761</u>	<u>482,924</u>	<u>424,238</u>	<u>475,362</u>	<u>1,086,181</u>
Business-type activities	73,679	188,382	161,410	290,531	275,980	430,404	398,722	290,729	205,755	327,913
Governmental activities	235	660	497	138	438	(521)	(342)	(62,379)	(14,572)	502,508
Total primary government	<u>\$ 73,914</u>	<u>\$ 189,042</u>	<u>\$ 161,907</u>	<u>\$ 290,669</u>	<u>\$ 276,418</u>	<u>\$ 429,883</u>	<u>\$ 398,380</u>	<u>\$ 228,350</u>	<u>\$ 191,183</u>	<u>\$ 830,421</u>

¹Starting with FY 2016, BABs subsidy was reported under Program Revenues-Operating Grants.

²Capital Grants under governmental activities were reported under Operating Grants starting with FY 2016. These grants will operate assets that will be owned by other entities.

³FY 2017 was restated due to change of 2000 Measure A Program Fund from enterprise to governmental in FY 2018.

Table 2
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
 Financial Trends - Net Position by Component
 Ten Years Ended June 30, 2019
 (In thousands)

	2010	2011	2012	2013	2014	2015 ¹	2016	2017 ²	2018 ³	2019
BUSINESS-TYPE ACTIVITIES										
Net Investment in Capital Assets	\$2,195,790	\$2,220,118	\$2,351,676	\$2,481,805	\$2,613,290	\$2,950,181	\$3,394,540	\$4,616,263	\$4,839,251	\$5,058,104
Restricted	449,096	572,054	548,367	649,724	759,608	822,834	789,000	11,572	9,910	6,003
Unrestricted	168,268	209,364	262,903	321,948	356,559	197,852	186,049	384,850	411,441	524,408
Total Business-Type Activities Net Position	<u>2,813,154</u>	<u>3,001,536</u>	<u>3,162,946</u>	<u>3,453,477</u>	<u>3,729,457</u>	<u>3,970,867</u>	<u>4,369,589</u>	<u>5,012,685</u>	<u>5,260,602</u>	<u>5,588,515</u>
GOVERNMENTAL ACTIVITIES										
Restricted	287	947	1,444	1,582	2,020	1,499	1,157	72,868	56,746	597,807
Unrestricted	—	—	—	—	—	—	—	(486,458)	(484,907)	(523,460)
Total Governmental-Type Activities Fund Balance	<u>287</u>	<u>947</u>	<u>1,444</u>	<u>1,582</u>	<u>2,020</u>	<u>1,499</u>	<u>1,157</u>	<u>(413,590)</u>	<u>(428,161)</u>	<u>74,347</u>
PRIMARY GOVERNMENT										
Net Investment in Capital Assets	2,195,790	2,220,118	2,351,676	2,481,805	2,613,290	2,950,181	3,394,540	4,616,263	4,839,251	5,058,104
Restricted	449,383	573,001	549,811	651,306	761,628	824,333	790,157	84,440	66,656	603,810
Unrestricted	168,268	209,364	262,903	321,948	356,559	197,852	186,049	(101,608)	(73,466)	948
Total Primary Governmental Net Position	<u>\$2,813,441</u>	<u>\$3,002,483</u>	<u>\$3,164,390</u>	<u>\$3,455,059</u>	<u>\$3,731,477</u>	<u>\$3,972,366</u>	<u>\$4,370,746</u>	<u>\$4,599,095</u>	<u>\$4,832,441</u>	<u>\$5,662,862</u>

¹FY 2015 was restated by \$189.0 million due to implementation of GASB75.

²FY 2017 was restated due to change of 2000 Measure A Program Fund from enterprise to governmental in FY 2018.

³FY 2018 was restated by \$42.2 million due to implementation of GASB75.

Table 3
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Financial Trends – Fund Balances and Changes in Fund Balances, Governmental Funds
Ten Years Ended June 30, 2019
(Modified Accrual Basis of Accounting)
(In thousands)

	Fiscal Years									
	2010	2011	2012	2013	2014	2015	2016	2017 ²	2018	2019
REVENUES										
Member Agency Assessment Revenue	\$ 2,495	\$ 2,407	\$ 2,407	\$ 2,407	\$ 2,407	\$ 2,407	\$ 2,407	\$ 2,407	\$ 2,528	\$ 2,654
Federal Technical Studies Operating Assistance Grants	1,235	1,398	1,367	1,014	1,728	1,371	1,887	1,219	2,178	2,439
Administrative Fees	111	113	96	113	112	119	122	142	136	160
Federal, State and Local Grant Revenues	22,933	24,780	22,273	38,373	39,685	23,689	14,698 ¹	162,872	96,995	101,102
Federal subsidy for Build American Bonds	—	—	—	—	—	—	—	8,753	8,784	8,807
Sales tax revenue	—	—	—	—	—	—	—	208,672	207,870	474,538
Investment Earnings	12	10	31	8	23	9	16	2,411	2,813	24,782
Other Revenues	15	1,106	104	115	279	250	155	531	760	628
Total Revenues	26,801	29,814	26,278	42,030	44,234	27,845	19,285	387,007	322,064	615,110
EXPENDITURES										
Current:										
Congestion Management:										
VTA Labor and Overhead Costs	6,606	6,814	6,245	7,044	7,160	6,826	7,031	6,128	7,328	7,487
Professional Services	541	374	436	563	359	1,225	1,176	2,721	817	619
Program Expenditures	17	8	11	15	25	19	21	19	14	16
Other expenditures	—	—	—	—	—	1	—	2,352	1,452	1,155
Debt Service:										
Principal	—	—	—	—	—	—	—	28,160	29,530	30,575
Interest	—	—	—	—	—	—	—	10,721	10,107	9,745
Contribution to agencies	—	867	37	25	68	168	210	79,670	54,319	11,565
Capital Improvement Projects	19,402	21,091	19,052	34,245	36,184	20,127	11,189	9,886	13,869	42,098
Total Expenditures	26,566	29,154	25,781	41,892	43,796	28,366	19,627	139,657	117,436	103,260
Excess (Deficiency) of Revenues Over Expenditures	235	660	497	138	438	(521)	(342)	247,350	204,628	511,850
OTHER FINANCING SOURCES (USES):										
Transfers Out	—	—	—	—	—	—	—	(340,682)	(250,769)	(297,919)
Extraordinary item: Note 8	—	—	—	—	—	—	—	—	—	256,090
Total Other Financing Sources (Uses)	—	—	—	—	—	—	—	(340,682)	(250,769)	(41,829)
Net Change in Fund Balances	\$ 235	\$ 660	\$ 497	\$ 138	\$ 438	\$ (521)	\$ (342)	\$ (93,332)	\$ (46,141)	\$ 470,021
TOTAL GOVERNMENTAL FUNDS										
Restricted – Special Revenue Funds	287	947	1,444	1,582	2,020	1,499	1,157	500,293	454,153	922,511
Unassigned – Special Revenue Funds	—	—	—	—	—	—	—	(1,663)	(1,663)	—
Total Governmental Funds	\$ 287	\$ 947	\$ 1,444	\$ 1,582	\$ 2,020	\$ 1,499	\$ 1,157	\$ 498,630	\$ 452,490	\$ 922,511

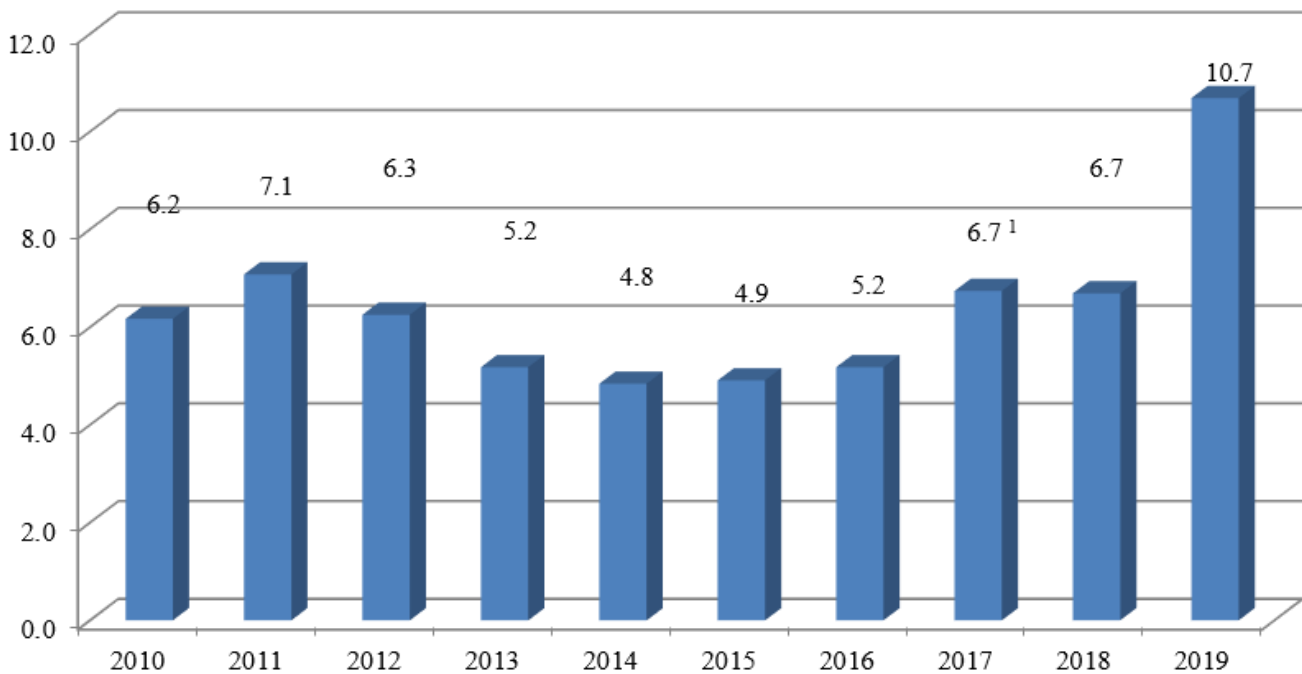
¹Starting with FY 2016, capital grants under governmental funds were reported under Operating Grants as guaranteed assets will be owned by other entities.

²FY 2017 was restated due to change of 2000 Measure A Program Fund from enterprise to governmental in FY 2018.

Table 4
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
 Financial Trends – Current Ratio
 Enterprise Funds
 Ten Years Ended June 30, 2019

The Current Ratio indicates VTA's ability to meet all of its short-term liabilities with liquid assets and is determined by dividing total current assets and restricted assets by all current liabilities and liabilities payable from restricted assets. A Current Ratio of 1 or higher is an indication of financial strength.

Current Ratio

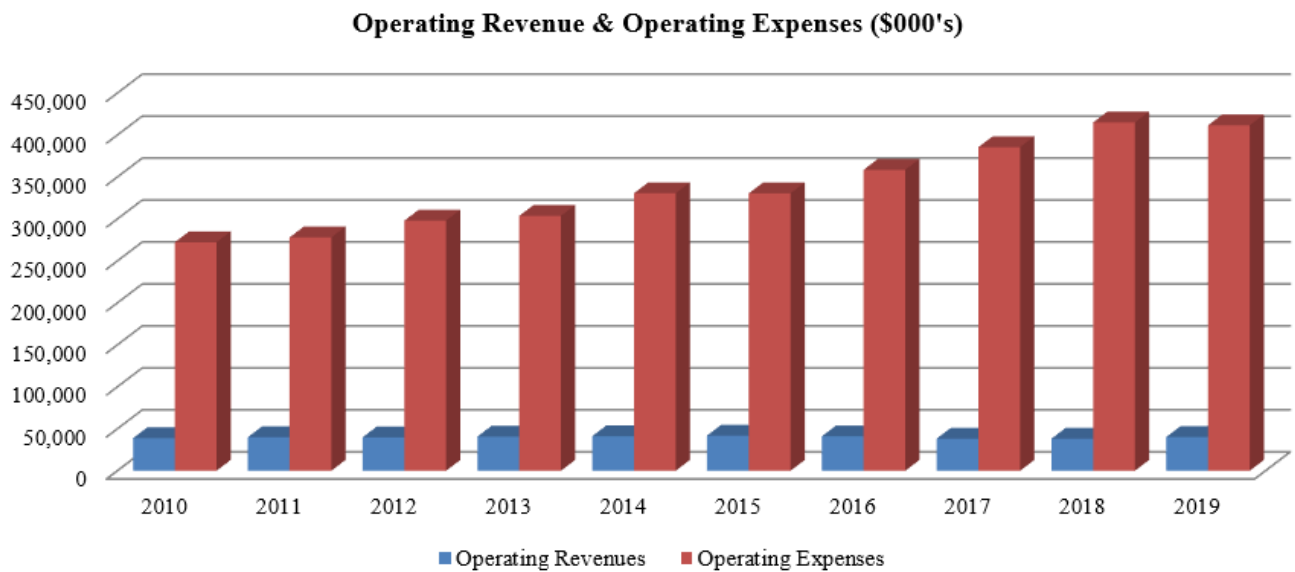


	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Current and Restricted Assets (\$000's)	\$ 685,995	\$ 855,268	\$ 907,208	\$1,098,625	\$1,284,402	\$1,375,968	\$1,332,998	\$ 685,914	\$ 700,885	\$ 793,181
Current and Restricted Liabilities	111,204	120,849	142,830	212,127	265,298	280,262	257,399	101,779	104,929	74,239
Net Working Capital	\$ 574,791	\$ 734,419	\$ 764,378	\$ 886,498	\$1,019,104	\$1,095,706	\$1,075,599	\$ 584,135	\$ 595,956	\$ 718,942
Current Ratio	6.2	7.1	6.3	5.2	4.8	4.9	5.2	6.7	6.7	10.7

¹FY 2017 was restated due to change of 2000 Measure A Program Fund from enterprise to governmental in FY 2018.

Table 5
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
 Financial Trends - Operating Revenues & Operating Expenses
 VTA Transit
 Ten Years Ended June 30, 2019

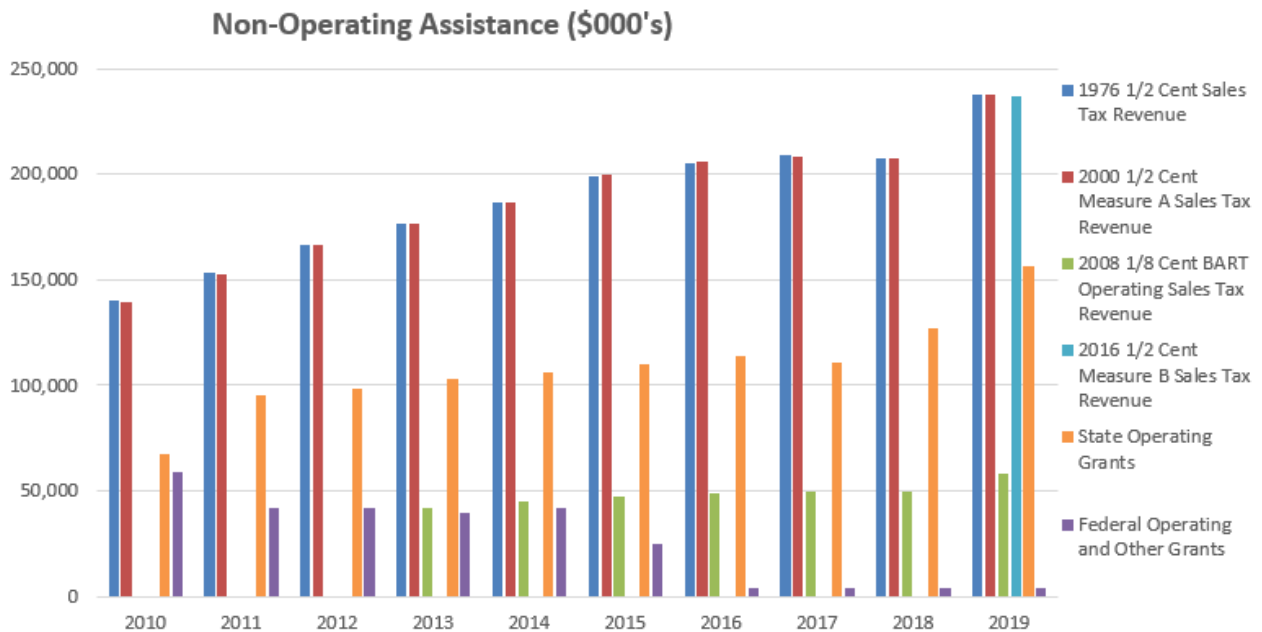
The chart below shows a comparison of operating revenues to expenses. Operating revenues exclude paratransit fares. Operating expenses are exclusive of purchased transportation and depreciation to more accurately reflect operating expenses related to direct operating service.



	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Operating Revenues	\$ 38,830	\$ 40,014	\$ 39,852	\$ 40,772	\$ 41,198	\$ 41,897	\$ 41,042	\$ 38,261	\$ 38,160	\$ 40,201
Operating Expenses	272,196	277,984	297,988	303,622	330,614	330,466	358,538	385,528	414,975	411,524

Table 6
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
 Financial Trends - Non-Operating Assistance
 Sales Tax Revenues and Enterprise Operating Grants
 Ten Years Ended June 30, 2019
 (In thousands)

The following chart illustrates trends in selected non-operating revenue sources. Sales tax revenue is the largest non-operating revenue source shown in the following graph.



	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
1976 1/2 Cent Sales Tax Revenue	\$140,037	\$153,601	\$166,567	\$176,716	\$186,431	\$199,221	\$205,418	\$209,005	\$207,589	\$237,869
2000 1/2 Cent Measure A Sales Tax Revenue ¹	139,305	152,855	166,280	176,533	186,302	199,653	205,636	208,672	207,870	237,874
2008 1/8 Cent BART Operating Sales Tax Revenue ²	—	—	—	41,914	44,753	47,500	49,262	50,024	49,791	58,004
2016 1/2 Cent Measure B Sales Tax Revenue ³	—	—	—	—	—	—	—	—	—	236,664
State Operating Grants	67,834	95,579	98,133	103,213	106,439	110,243	114,135	110,959	126,689	156,565
Federal Operating and Other Grants	59,100	42,225	42,286	39,364	42,230	24,553	4,105	4,232	4,230	4,402

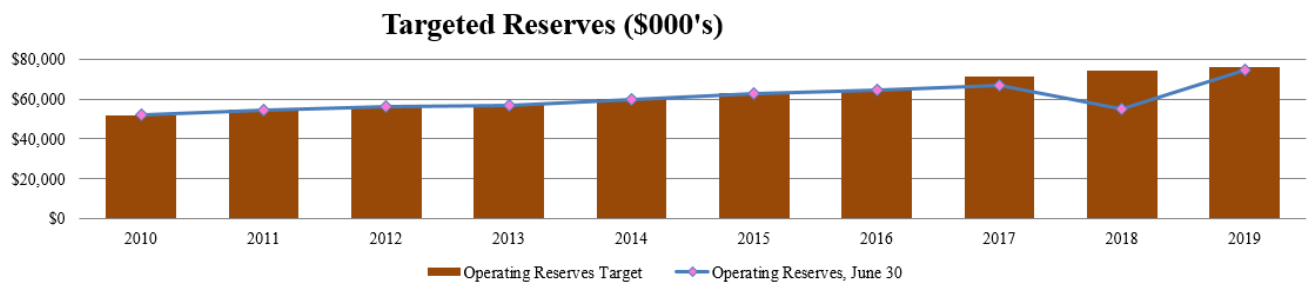
¹The collection of VTA's 2000 Measure A Sales Tax started on April 1, 2006.

²The collection of 1/8 cent sales tax for BART Operating started on July 1, 2012.

³The collection of 1/2 cent sales tax for 2016 Measure B started in April 2017. FY 2019 reported sales tax revenues from inception to June 30, 2019. This is due to the resolution of the litigation on the Measure to VTA's favor in January 2019. \$256.1 million was reported as Extraordinary item in FY 2019.

Table 7
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
 Financial Trends - Targeted Operating Reserves
 VTA Transit Fund
 Ten Years Ended June 30, 2019

The policy adopted by the VTA Board established an operating reserve goal of 15% of final operating budget. To calculate the actual reserve at fiscal year-end, total current assets are reduced by total current liabilities (except current portion of long-term debt). Current Net Position is then reduced by inventory and other current assets to reach a current operating reserve total.



	<u>2010</u> ¹	<u>2011</u> ²	<u>2012</u> ³	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Current Assets, excluding restricted asset	\$104,933	\$108,396	\$106,085	\$101,726	\$110,906	\$124,284	\$130,096	\$143,377	\$136,012	\$159,219
Total Current Liabilities, excluding restricted liability	(30,950)	(33,484)	(29,547)	(24,329)	(29,790)	(36,878)	(32,334)	(40,030)	(44,540)	(46,997)
Current Net Position	\$ 73,983	\$ 74,912	\$ 76,538	\$ 77,397	\$ 81,116	\$ 87,406	\$ 97,762	\$103,347	\$ 91,472	\$112,222
Less: Inventory & Other Current Assets⁴	(22,126)	(20,317)	(20,270)	(20,373)	(21,289)	(24,469)	(33,615)	(36,688)	(36,665)	(36,408)
Operating Reserves, June 30	\$ 51,857	\$ 54,595	\$ 56,268	\$ 57,024	\$ 59,827	\$ 62,937	\$ 64,147	\$ 66,659	\$ 54,807	\$ 75,814
Operating Reserves Target	\$ 51,857	\$ 54,595	\$ 56,268	\$ 57,024	\$ 59,827	\$ 62,937	\$ 64,147	\$ 71,322	\$ 73,979	\$ 75,814
(15% of Budgeted Expenses)										

¹In FY 2010, the operating reserve target is 15% of final operating budget at June 30. In prior years, it was based on 15% of adopted operating budget.

²Starting FY 2011, the operating reserve target is based on 15% of subsequent year's operating budget.

³Starting FY 2012, the current assets balance excludes reserve amounts among which are: local share of capital projects, debt reduction, and sales tax stabilization.

⁴This includes inventory and other current assets.

Table 8
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Revenue Capacity – Revenue Base and Revenue Rates
Ten Year Ended June 30, 2019

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Passenger Fares ¹ (In thousands)	\$ 36,857	\$ 38,106	\$ 37,744	\$ 38,331	\$ 38,372	\$ 39,108	\$ 37,663	\$ 33,719	\$ 34,511	\$ 35,773
Percentage Increase/(Decrease) from Prior Year	1.9 %	3.4 %	(0.9)%	1.6%	0.1%	1.9%	(3.7)%	(10.5)%	2.3 %	3.7 %
Revenue Base										
Number of Passengers ²	41,733,376	41,409,630	42,426,797	43,174,646	43,428,492	43,944,096	42,918,436	38,189,131	36,555,500	35,465,604
Percentage Increase/(Decrease) from Prior Year	(7.8)%	(0.8)%	2.5 %	1.8%	0.6%	1.2%	(2.3)%	(11.0)%	(4.3)%	(3.0)%
Fare Structure										
Adult Local Fare	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.25	\$ 2.50
Youth Local Fare	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.00	1.25
Senior/Disabled Local Fare	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Sales Tax Revenues (In thousands)										
1976 1/2Cent Sales Tax ³	\$ 140,037	\$ 153,601	\$ 166,567	\$ 176,716	\$ 186,431	\$ 199,221	\$ 205,418	\$ 209,005	\$ 207,589	\$ 237,869
2000 Measure A 1/2Cent Sales Tax ⁴	139,305	152,855	166,280	176,533	186,302	199,653	205,636	208,672	207,870	237,874
2008 1/8 Cent BART Operating Sales Tax ⁵	—	—	—	41,914	44,753	47,500	49,262	50,024	49,791	58,004
2016 Measure B 1/2 Cent Sales Tax ⁶	—	—	—	—	—	—	—	—	—	236,664
Total Sales Tax Revenue Receipts ⁷	<u>\$ 279,342</u>	<u>\$ 306,456</u>	<u>\$ 332,847</u>	<u>\$ 395,163</u>	<u>\$ 417,486</u>	<u>\$ 446,374</u>	<u>\$ 460,316</u>	<u>\$ 467,701</u>	<u>\$ 465,250</u>	<u>\$ 770,411</u>
Percentage Increase/(Decrease) from Prior Year										
1976 1/2 Cent Sales Tax	1.7 %	9.7 %	8.4 %	6.1%	5.5%	6.9%	3.1 %	1.7 %	(0.7)%	14.6 %
2000 Measure A 1/2 Cent Sales Tax	1.5 %	9.7 %	8.8 %	6.2%	5.5%	7.2%	3.0 %	1.5 %	(0.4)%	14.4 %
2008 1/8 Cent BART Operating Sales Tax	N/A	N/A	N/A	N/A		6.1%	3.7 %	1.5 %	(0.5)%	16.5 %
2016 Measure B 1/2 Cent Sales Tax	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

¹Includes fares for bus and rail services only.

²Represents bus and rail ridership total boarding. Source: VTA Operations Division.

³The 1976 half-cent sales tax was approved by County voters in 1976 to fund VTA's transit operations and transportation improvement.

⁴The 2000 Measure A half-cent sales tax was approved by County voters in 2000 to fund specific transportation improvement projects. The collection of this half-cent tax measure started in April 2006.

⁵The 2008 1/8 cent Sales Tax was approved by County voters in 2008 to fund BART operating activities. The collection of this 1/8 cent tax measure started in July 2012.

⁶The 2016 Measure B half-cent Sales Tax was approved by County voters in 2016 to fund enhancement of transit, highways, expressways and active transportation.

The collection of this half-cent tax measure started in April 2017. However, sales tax was only recognized as revenues in FY 2019 as the litigation on the Measure was resolved to VTA's favor.

⁷VTA receives sales tax based on the total taxable sales activity in the County.

Table 9
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
 Revenue Capacity - Sales Tax Rates
 Ten Years Ended June 30, 2019

<u>Fiscal Year</u>	<u>State</u>	<u>City</u>	<u>VTA¹</u>	<u>Total</u>
2010	7.25%	1.00%	1.00%	9.25%
2011	7.25%	1.00%	1.00%	9.25%
2012 ²	6.25%	1.00%	1.00%	8.25%
2013 ³	6.63%	1.00%	1.12%	8.75%
2014	6.63%	1.00%	1.12%	8.75%
2015	6.63%	1.00%	1.12%	8.75%
2016 ⁴	6.38%	1.25%	1.12%	8.75%
2017 ⁵	6.12%	1.25%	1.63%	9.00%
2018	6.12%	1.25%	1.63%	9.00%
2019	6.12%	1.25%	1.63%	9.00%

¹ VTA has four specific sales tax measures approved by the voters. The 1976 half-cent sales tax measure was approved by voters in 1976 and does not have a sunset clause. The 2000 Measure A half-cent sales tax was approved in the 2000 General Election and became effective on April 1, 2006. The 30-year sales tax measure will sunset on March 31, 2036. On November 4, 2008, the voters of Santa Clara County approved 2008 Measure B. This 30-year eighth-cent sales and use tax is dedicated solely to providing the operating and maintenance expenses and capital reserve contribution for the Silicon Valley BART Extension, the Sales Tax became effective July 1, 2012. On April 1, 2017, half-cent sales tax became effective in Santa Clara county for Silicon Valley Transportation Solutions Tax, it is also known as 2016 Measure B Sales Tax.

² The 1% sales tax increase approved by the California state legislature in 2009 expired on July 1, 2011.

³ There was a 0.125% increase for Bart Operation and Maintenance tax effective July 1, 2012. Due to the approval of Proposition 30, the statewide base sales and use tax rate increased by 0.25% effective January 1, 2013. The higher tax rate will apply for four years- January 1, 2013 through December 31, 2016. Effective 4/1/2013, there was a 0.125% increase for Retail Transactions and Use tax.

⁴ Effective January 1, 2016, statewide base sales and use tax rate decreased by 0.25% to 6.38%, local sales and use tax under Bradley-Burns Uniform local Sales and Use Tax law increase to 1.25%

⁵ Beginning April 1, 2017, Santa Clara Transportation Solution Tax also known as 2016 Measure B Sales tax became effective.

Source: California Department of Tax and Fee Administration

Table 10
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Revenue Capacity - Principal Sales Tax Payers in Santa Clara County by Segments
(In millions)

Principal Revenue Payers	Fiscal Year 2018 ¹			Fiscal Year 2009		
	Rank	Percentage of Taxable Sales	Taxable Sales Amount	Rank	Percentage of Taxable Sales	Amount
Retail Trade	1	44.0%	\$ 19,391	1	40.1%	\$ 11,377
Total All Other Outlets ²	2	12.7%	5,587	2	22.6%	6,410
Wholesale Trade	3	12.0%	5,299	3	10.2%	2,906
Accommodation and Food Services	4	11.0%	4,868	5	8.6%	2,434
Manufacturing	5	10.3%	4,558	4	9.7%	2,754
Real Estate and Rental and Leasing	6	3.6%	1,584	6	2.7%	770
Construction	7	1.5%	680	7	1.3%	376
Information	8	1.5%	667	9	1.3%	364
Professional, Scientific, and Technical Services	9	1.2%	530	8	1.3%	366
Other Services (except Public Administration)	10	1.1%	466	10	1.1%	317
Administrative and Support and Waste Management and Remediation Services	11	0.5%	229	11	0.4%	118
Health Care and Social Assistance	12	0.3%	134	12	0.3%	98
Arts, Entertainment, and Recreation	13	0.3%	111	13	0.4%	72
Total		<u>100.0%</u>	<u>\$ 44,104</u>		<u>100.0%</u>	<u>\$ 28,362</u>

¹2019 data is not available at the time of printing

²This category is made up of diverse manufacturers and wholesalers, construction contractors, petroleum producer, and a multitude of professional services.

Source: MuniServices

Table 11
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
 Debt Capacity – Total Outstanding Debt by Type
 Ten Years Ended June 30, 2019
 (In thousands)

Fiscal Year	Silicon Valley Express Lanes State Route 237 Loan	1976 Sales Tax Revenue Bonds	2000 Sales Tax Revenue Bonds	Total Outstanding Debt
2010	\$ —	\$ 246,298	\$ 369,775	\$ 616,073
2011	—	237,817	1,036,892	1,274,709
2012	—	219,399	1,029,105	1,248,504
2013	—	209,007	1,021,127	1,230,134
2014	—	210,536	983,255	1,193,791
2015	—	199,054	961,711	1,160,765
2016	—	184,116	932,049	1,116,165
2017	—	168,877	901,545	1,070,422
2018	2,126	154,230	870,348	1,026,704
2019	15,287	145,182	838,218	998,687

Table 12
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
 Debt Capacity - Ratios of Outstanding Debt
 Ten Years Ended June 30, 2019

Fiscal Year	Total Outstanding Debt * (In thousands)	Total County Taxable Sales¹ (In thousands)	Total Debt as a % of Taxable Sales	Personal Income² (In thousands)	Total Debt as a % of Personal Income	Santa Clara County Population (In thousands)	Total Debt per Capita
2010	\$ 616,073	\$ 28,720,000	2.15%	\$ 103,636,350	0.59%	1,782	\$ 346
2011	1,274,709	32,238,000	3.95%	111,880,131	1.14%	1,782	715
2012	1,248,504	34,698,000	3.60%	122,259,021	1.02%	1,816	688
2013	1,230,134	37,013,000	3.32%	130,624,491	1.08%	1,842	668
2014	1,193,791	38,318,000	3.12%	141,873,705	0.84%	1,894	630
2015	1,160,765	40,617,475	2.86%	158,728,715	0.73%	1,918	605
2016	1,118,181	41,202,462	2.71%	170,672,534	0.66%	1,919	583
2017	1,070,422	41,951,812	2.55%	190,001,690	0.56%	1,938	552
2018	1,024,578	42,371,330	2.42%	191,901,707	0.53%	1,947	526
2019	983,400	44,322,468	2.25%	193,820,724	0.52%	1,954	503

¹Taxable sales data is available through Fiscal Year 2018 from MuniServices. FY2019 assumes a 1% increase over the previous year's number.

²Actual personal income is available through FY 2017. FY 2018 and FY 2019 assume a 1% increase over the prior year's number.

*The total outstanding debt excludes Santa Clara Express Lanes Program State Route 237 Phase 2 Project Financing secured by toll revenue

The total outstanding debt is pledged by VTA's sales tax revenues which were approved by Santa Clara County voters as follows: The 1976 ½-cent Sales Tax Measure and the 2000 Measure A ½-cent Sales Tax. Collection of the 2000 Measure A ½-cent Sales Tax began in April 2006. Above table does not include outstanding debt of \$15.3 million relating to Santa Clara Express Lanes Program State Route 237 - Phase 2 Project Financing, secured by toll revenues.

Table 13
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Debt Capacity – Direct and Overlapping Debt and Debt Limitation

Santa Clara Valley Transportation Authority does not have overlapping debt with other governments or a legal debt limit.

Table 14
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Debt Capacity – Pledged Revenue Coverage – 1976 Half-Cent Sales Tax
Revenue Bonds
Ten Years Ended June 30, 2019
(In thousands)

Fiscal Year	Available Revenue	Annual Debt Service ¹			Coverage
	Sales Tax Revenue	Principal	Interest²	Total	
2010	\$ 140,037	\$ 9,180 ³	\$ 7,025	\$ 16,205	8.6
2011	152,050	9,370	6,748	16,118	9.4
2012	166,567	10,215	8,153	18,368	9.1
2013	176,716	10,400	9,194	19,594	9.0
2014	186,431	10,435	9,766	20,201	9.2
2015	199,221	10,705	7,965	18,670	10.7
2016	205,418	14,310	7,485	21,795	9.4
2017	209,005	14,820 ⁴	7,325	22,145	9.4
2018	207,589	14,322	6,972	21,294	9.7
2019	237,869	11,403	13,060 ⁵	24,463	9.7

¹ This schedule includes Junior and Senior Lien debts.

² Interest is exclusive of interest earned from bond proceeds.

³ This does not include regular principal of \$2.9 million due for 1985 Equipment Trust Certificates as this debt was redeemed in FY 2009.

⁴ Restated to exclude \$10 million of principal payment due to refinancing activity in FY 2017.

⁵ This includes \$5.7 million of swap termination cost associated with the termination of three swap agreements hedging the 1976 Sales Tax 2008 bonds.

Table 15
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Debt Capacity – Pledged Revenue Coverage – 2000 Measure A Half-Cent Sales Tax
Revenue Bonds
Ten Years Ended June 30, 2019
(In thousands)

Fiscal Year	Available Revenue	Annual Debt Service		Total	Coverage²
	Sales Tax Revenue	Principal	Interest¹		
2010	\$ 139,305	\$ —	\$ 14,156	\$ 14,156	9.8
2011	151,518	2,430	33,490	35,920	4.2
2012	166,280	2,525	44,337	46,862	3.5
2013	176,533	2,625	44,262	46,887	3.8
2014	186,302	24,595	45,577	70,172	2.7
2015	199,653	25,775	45,086	70,861	2.8
2016	205,636	26,965	44,118	71,083	2.9
2017	208,672	28,160	43,783	71,943	2.9
2018	207,870	29,530	42,954	72,484	2.9
2019	237,874	30,575	40,866	71,441	3.3

¹This is exclusive of interest earned from bond proceeds.

²Bond indenture requires VTA to maintain coverage ratio of at least 1.3.

Table 16
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Debt Capacity - Projected Pledged Revenue Coverage
(Proforma and Unaudited)

The table below presents a five-year projection of debt service coverage based on estimates of the 1976 Sales Tax Revenues for the five years ending June 30, 2020 through 2024.

1976 Sales Tax Revenues and Senior Lien Debt Service Coverage
Fiscal Years Ending June 30, 2020 – 2024 (Proforma and Unaudited)

(\$ In thousands)

Fiscal Year Ending June 30	Projected Sales Tax Revenue	Percent Increase ^{1*}	Aggregate Debt Service ²	Projected Coverage ³
2020	\$ 225,886	(5.04)%	\$ 20,803	10.86
2021	229,254	1.49 %	20,761	11.04
2022	238,600	4.08 %	20,892	11.42
2023	248,320	4.07 %	20,831	11.92
2024	257,225	3.59 %	20,782	12.38

The table below presents a five-year projection of debt service coverage for the Measure A Bonds, based on estimates of the 2000 Measure A Sales Tax Revenues for the five years ending June 30, 2020 through 2024.

2000 Measure A Sales Tax Revenues and Debt Service Coverage
Fiscal Years Ending June 30, 2020 – 2024 (Proforma and Unaudited)

(\$ In thousands)

Fiscal Year Ending June 30,	Projected Sales Tax Revenue	Percent Increase ^{1*}	Aggregate Debt Service ⁴	Projected Coverage ³
2020	\$ 225,886	(5.04)%	\$ 73,034	3.09
2021	229,254	1.49%	73,036	3.14
2022	238,600	4.08%	72,758	3.28
2023	248,320	4.07%	72,404	3.43
2024	257,225	3.59%	72,041	3.57

¹Source: Growth rates provided by outside economists.

²Includes actual debt service on the 2017 Series A, 2017 Series B and 2018 Series A Bonds.

³Does not include any additional parity debt.

⁴Includes actual debt service on the 2010 and 2015 Bonds. Debt Service on the 2008 Bonds is calculated based on the rate established pursuant to the 2008 Swap Agreement, 3.765%.

*No assurance is given that actual results will meet the forecasts of VTA in any way.

TABLE 17
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Demographic and Economic Data - Population Trends

According to population estimates provided by the State of California, the number of residents in Santa Clara County is increasing gradually on a yearly basis. The County's population increased by approximately 9.69 % in 2019 Census compared to the 2010 Census.

A historical summary of population in the County and its incorporated cities is provided in the following table:

County of Santa Clara Population

	1960	1970	1980	1990	2000	2010	2019
Campbell	11,863	24,731	26,843	36,048	38,138	39,349	43,250
Cupertino	3,664	18,216	34,297	40,263	50,546	58,302	59,879
Gilroy	7,348	12,665	21,641	31,487	41,464	48,821	55,928
Los Altos	19,696	24,872	25,769	26,303	27,693	28,976	31,190
Los Altos Hills	3,412	6,862	7,421	7,514	7,902	7,922	8,785
Los Gatos	9,036	23,466	26,906	27,357	28,592	29,413	30,988
Milpitas	6,572	27,149	37,820	50,686	62,698	66,790	76,231
Monte Sereno	1,506	3,074	3,434	3,287	3,483	3,341	3,787
Morgan Hill	3,151	6,485	17,060	23,928	33,556	37,882	45,742
Mountain View	30,889	54,206	58,655	67,460	70,708	74,066	81,992
Palo Alto	52,475	55,999	55,225	55,900	58,598	64,403	69,397
San Jose	204,196	445,779	629,400	782,248	894,943	945,942	1,043,058
Santa Clara	58,880	87,717	87,700	93,613	102,361	116,468	128,717
Saratoga	14,861	27,199	29,261	28,061	29,843	29,926	31,407
Sunnyvale	51,898	95,408	106,618	117,229	131,760	140,081	155,567
Unincorporated	162,056	152,181	127,021	106,193	100,300	89,960	88,368
County Total ¹	<u>641,503</u>	<u>1,066,009</u>	<u>1,295,071</u>	<u>1,497,577</u>	<u>1,682,585</u>	<u>1,781,642</u>	<u>1,954,286</u>
California	<u>15,717,204</u>	<u>18,136,045</u>	<u>23,668,145</u>	<u>29,760,021</u>	<u>33,871,648</u>	<u>37,253,956</u>	<u>39,927,315</u>

¹Totals may not be precise due to independent rounding.

Source: U.S. Census; State of California, Department of Finance, Demographic Research Unit.

Table 18
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Demographic and Economic Data - Income and Unemployment Rates
Ten Years Ended June 30, 2019

Year	Santa Clara County Personal Income (In thousands) ^{1,2}	Santa Clara County Per Capita Personal Income ^{1,2}	Unemployment Rate ³
2010	\$ 103,636,350	\$ 58,018	11.3%
2011	111,880,131	61,833	10.3%
2012	122,259,021	66,535	8.7%
2013	130,624,491	70,151	6.8%
2014	141,873,705	74,883	5.2%
2015	158,728,715	82,756	3.9%
2016	170,672,534	88,920	4%
2017	190,001,690	98,032	3.5%
2018	191,901,707	99,012	2.9%
2019	193,820,724	100,002	2.7%

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

²Actual data is available through 2017. Years 2018 and 2019 data are preliminary and assume a 1% increase over prior year.

³California Employment Development Department. Not seasonally adjusted.

Table 19
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Demographic and Economic Data - Wage and Salary Employment by Industry (Annual Average)
Ten Years Ended June 30, 2018

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Civilian Labor Force¹ (In thousands)	879.8	871.6	894.8	910.9	924.0	993.7	1,018.4	1,026.5	1,041.7	1,048.8
Civilian Employment	777.5	774.0	804.6	830.6	857.5	942.3	976.1	987.9	1,008.0	1,021.5
Civilian Unemployment	102.2	97.6	90.2	80.3	66.5	51.4	42.3	38.6	33.7	27.3
Civilian Unemployment Rate										
County	11.6%	11.2%	10.1%	8.8%	7.2%	5.2%	4.2%	3.8%	3.2%	2.6%
State of California	11.6%	12.2%	12%	10.6%	8.5%	7.4%	6.2%	5.7%	4.4%	4.1%
Wage and Salary Employment² (In thousands)										
Total Farm Agriculture	\$ 3.6	\$ 3.6	\$ 3.4	\$ 3.5	\$ 5.1	\$ 3.6	\$ 3.6	\$ 3.9	\$ 3.5	\$ 3.5
Construction and Mining	32.9	32.3	30.9	35.6	37.6	38.6	42.3	47.9	48.5	48.0
Manufacturing	153.5	150.7	154.6	155.1	156.3	156.6	159.4	161.3	163.4	169.1
Transportation & Public Utilities	11.7	11.9	11.8	12.7	13.9	14.7	15.0	14.8	14.9	15.5
Wholesale Trade	36.0	34.7	35.0	34.4	36.2	36.2	36.0	37.4	35.2	31.4
Retail Trade	77.4	75.6	77.5	80.3	84.2	82.3	84.9	85.0	85.0	85.0
Finance, Insurance & Real Estate	31.5	30.8	31.2	33.6	33.9	35.1	35.0	35.2	35.8	36.8
Services	404.4	418.5	432.8	455.4	450.0	469.1	491.4	509.3	522.8	539.3
Government	95.0	93.4	88.6	90.2	93.5	92.4	89.9	91.2	92.8	94.0
Information	N/A	N/A	N/A	N/A	N/A	66.2	74.7	74.5	85.0	91.6
Total³	<u><u>\$846.0</u></u>	<u><u>\$851.5</u></u>	<u><u>\$865.8</u></u>	<u><u>\$900.8</u></u>	<u><u>\$910.7</u></u>	<u><u>\$994.8</u></u>	<u><u>\$1,032.2</u></u>	<u><u>\$1,060.5</u></u>	<u><u>\$1,086.9</u></u>	<u><u>\$1,114.2</u></u>

¹Labor force data are based upon place of residence. Employment includes self-employed, unpaid family, workers domestics, and workers involved in labor-management disputes. Data are benchmarked to 2018. FY 2018 is the most recent available data.

²Wage and salary employment is reported by place of work. Data are benchmarked to 2018.

³Totals may not be precise due to independent rounding.

Sources: State of California, Employment Development Department.
Department of Finance, Statistics & Demographic Research.

Table 20
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Demographic and Economic Data - Silicon Valley Major Employers
Current Year and Nine Years Ago

Company Name	Nature of Operations	FY 2019		FY 2010	
		Number of Employees*	Rank	Number of Employees	Rank
Apple Inc.	Computer electronics	25,000	1	10,000	5
Alphabet Inc./Google Inc.	Search, advertising and web software	24,626	2	6,000	11
County of Santa Clara	County government	18,806	3	15,000	2
Stanford University	Research university	16,919	4	11,979	4
Facebook Inc.	Online Social Networking Service	14,674	5		
Cisco System Inc.	Computer network equipment manufacturer	14,185	6	17,100	1
Kaiser Permanente Northern California	Integrated healthcare delivery plan	12,500	7	13,501	3
Stanford Health Care	Health System	10,034	8	7,294	9
Tesla Motors Inc.	Electric Vehicle Designer & Manufacturer	10,000	9		
University of California Santa Cruz	Public University	8,832	10	4,000	20
Applied materials Inc.	Semiconductor equipment manufacturer	8,500	11	3,500	22
Intel Corp.	Semiconductor	8,400	12	5,090	13
Safeway	Supermarket Chain	7,350	13		
Oracle Corp.	Hardware and software, cloud	6,781	14	8,000	6
City of San Jose	City Government	6,600	15	6,623	10
Nvidia Corp.	Graphics and digital media Processors	5,500	16		
San Mateo County	County Government	5,485	17	5,600	12
Stanford Children's Health	Specializes in the care of babies, children, adolescents, and expectant mothers	5,400	18	3,500	23
Gilead Sciences Inc.	Biotechnology Company	5,346	19		
Juniper Networks Inc.	Computer network equipment manufacturer	5,130	20		
LinkedIn Corp.	Online Professional Networking Service	4,625	21		
Lockheed Martin Space Systems Co.	Aerospace	4,610	22	7,845	7
Pajaro Valley Unified School District	Public School District	4,175	23		
Department of Veterans Affairs, Palo Alto Health Care System	Veterans hospital	3,900	24	3,464	24
Altaba Inc. (Formerly Yahoo)	Management investment company	3,877	25	4,895	14

*Estimate provided by the most recent city and county financial reports because the employer did not provide local employment figure.

Ranking is based on low end of range.

Source: Silicon Valley/San Jose Business Journal July 19, 2019

The concentration of Santa Clara County's productivity is derived primarily from numerous high-technology and healthcare systems. Public-sector employers continue to rank high among the largest employers in Silicon Valley. As depicted in the chart above, as an employer, Santa Clara County itself, continues to have the largest public-sector employee base with 18,806 workers.

The table above lists the largest employers in the Silicon Valley, which encompasses the County and surrounding areas.

Table 21
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
 Operating Information – Operating Indicators
 Ten Years Ended June 30, 2019

BUS

Fiscal Year	Total Ridership	Average Weekday Ridership	Scheduled Miles	Scheduled Hours	Vehicle Revenue Miles	Passenger Miles (000's)	Peak Buses	Active Buses	Bus Fleet
2010	31,983,494	103,575	17,739,605	1,322,661	15,130,519	142,754	333	412	424
2011	31,395,126	102,187	16,990,315	1,269,071	14,376,811	148,225	333	434	494
2012	32,053,755	104,583	17,099,227	1,191,992	14,374,343	169,321	345	426	445
2013	32,432,354	106,161	17,491,993	1,213,571	14,582,508	166,576	358	426	443
2014	32,475,527	105,969	17,835,921	1,367,433	14,817,700	173,539	371	432	443
2015	32,623,599	106,214	18,435,525	1,427,554	15,247,087	174,863	384	495	540
2016	32,195,504	104,009	18,629,140	1,461,553	15,517,448	190,321	388	499	500
2017	29,057,047	94,740	18,882,700	1,480,467	15,712,674	150,429	389	460	460
2018	28,048,405	91,270	19,063,629	1,487,575	15,883,914	136,902	384	472	472
2019	27,027,678	88,165	18,967,456	1,489,857	15,761,984	134,921	382	469	469

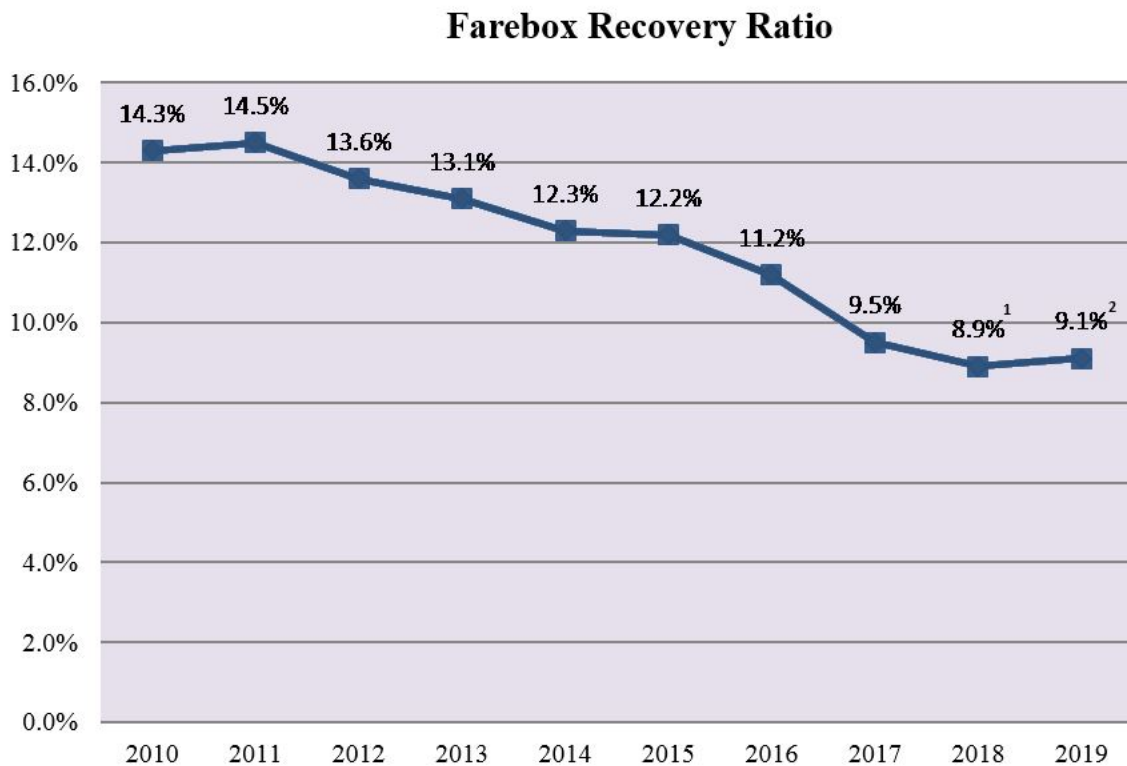
LIGHT RAIL

Fiscal Year	Total Ridership	Average Weekday Ridership	Scheduled Miles	Scheduled Hours	Train Revenue Miles	Passenger Miles (000's)	Peak Cars	Light Rail Fleet
2010	9,749,882	31,555	2,182,849	141,095	2,062,832	50,000	46	99
2011	10,014,504	31,871	2,190,140	132,452	2,055,872	54,048	49	99
2012	10,373,042	32,716	2,209,233	137,495	2,065,099	55,337	55	99
2013	10,742,292	34,242	2,199,018	137,134	2,055,418	58,116	57	99
2014	10,952,965	35,102	2,205,492	139,021	2,057,106	61,631	57	99
2015	11,320,497	34,935	2,232,077	152,821	2,081,092	60,717	59	99
2016	10,722,932	33,301	2,235,167	140,000	2,077,964	54,655	59	99
2017	9,132,084	29,262	2,243,377	139,489	2,081,289	47,937	59	99
2018	8,507,095	27,361	2,094,690	143,136	2,093,852	46,981	57	99
2019	8,437,926	27,090	2,157,184	146,197	2,156,537	49,402	57	98

Source: VTA Operations Division.

Table 22
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
 Operating Information - Farebox Recovery Ratio
 Ten Years Ended June 30, 2019

The farebox recovery ratio is a measure capturing the percentage of system operated expenses recovered by fare revenue. This ratio is calculated by fare revenue generated from directly operated service (motor bus and light rail) divided by expenses for these same services. Operating expenses consist of bus and light rail modal operating expenses reported annually in the National Transit Database.



	2010	2011	2012	2013	2014	2015	2016	2017	2018 ¹	2019 ²
Farebox Recovery Ratio	14.3%	14.5%	13.6%	13.1%	12.3%	12.2%	11.2%	9.5%	8.9%	9.1%
Farebox Revenue (In thousands)	\$ 36,857	\$ 38,106	\$ 37,744	\$ 38,331	\$ 38,372	\$ 39,108	\$ 37,663	\$ 33,719	\$ 34,511	\$ 35,773
Operating Expenses (In thousands)	257,954	263,322	278,532	293,447	311,287	319,978	335,140	354,494	387,109	392,480

¹ Based on audited NTD data.

² Based on proforma and unaudited NTD data.

Table 23
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
 Operating Information – Revenue Miles
 Ten Years Ended June 30, 2019

The following chart shows total vehicle miles in revenue service.

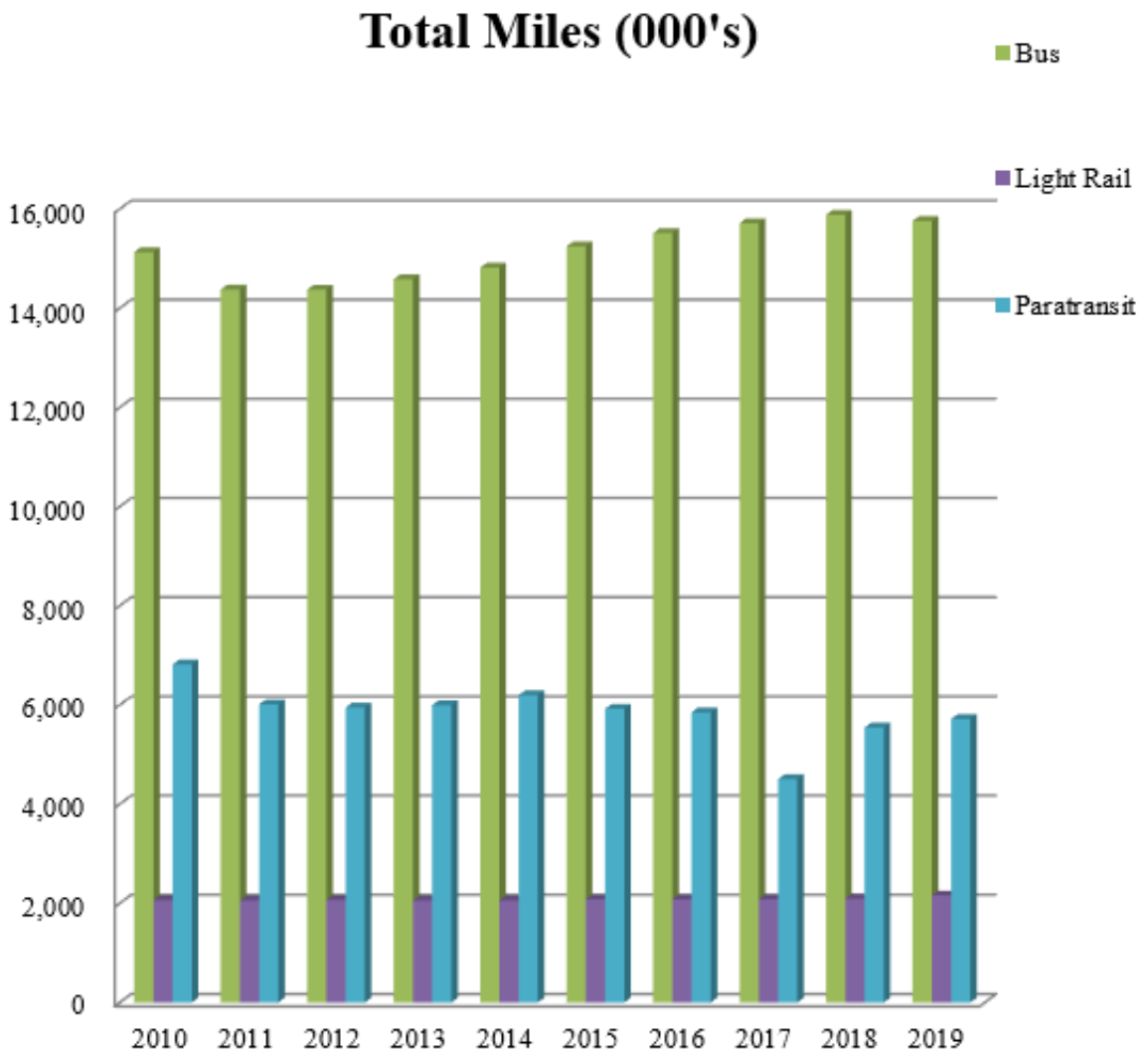


Table 24
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
 Operating Information – Passenger Miles
 Ten Years Ended June 30, 2019

Passenger mile statistics are presented in the chart below. In FY 2019 the total passenger miles have decreased by 0.07% from FY 2018.

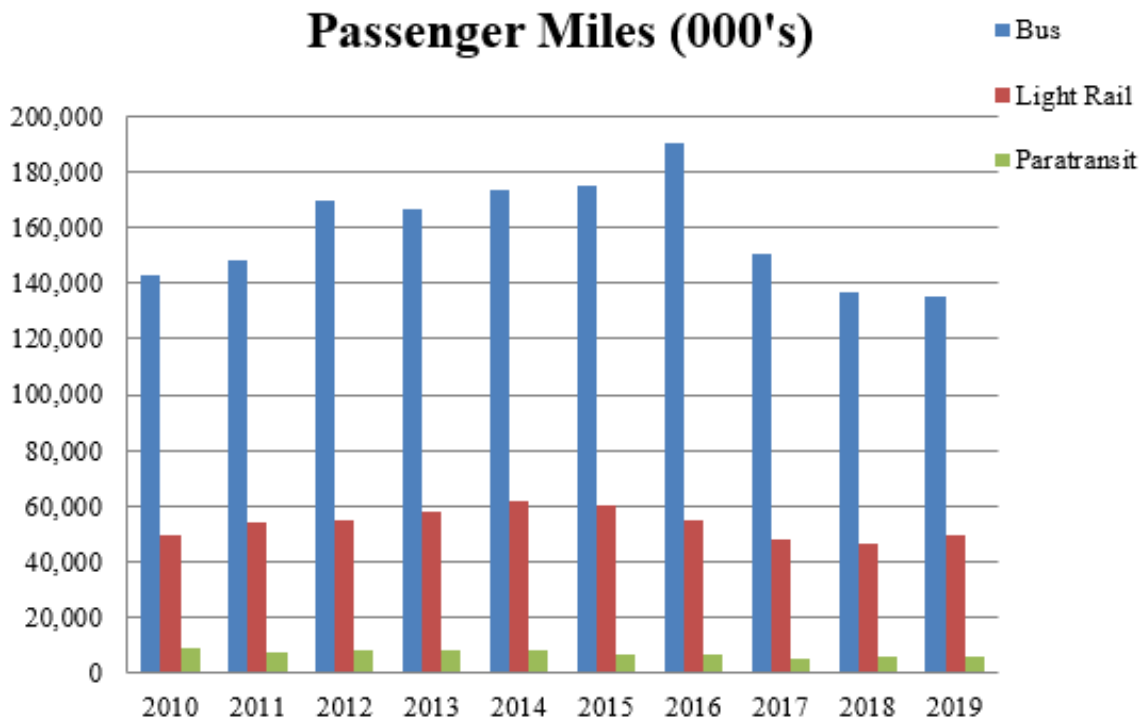


Table 25
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
 Operating Information – Selected Statistical Data
 Ten Years Ended June 30, 2019

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
FAREBOX REVENUE (\$000's)¹	\$ 36,857	\$ 38,106	\$ 37,744	\$ 38,331	\$ 38,372	\$ 39,108	\$ 37,663	\$ 34,783	\$ 36,555	\$ 35,773
VEHICLE REVENUE MILES (000's)										
BUS	15,131	14,377	14,374	14,583	14,818	15,247	15,517	15,713	15,884	15,761
LIGHT RAIL	2,063	2,056	2,065	2,056	2,057	2,081	2,078	2,081	2,094	2,156
PARATRANSIT	6,816	6,011	5,948	5,995	6,196	5,922	5,851	4,503	5,544	5,718
PASSENGER MILES (000's)										
BUS	142,754	148,225	169,321	166,576	173,539	174,863	190,321	150,429	136,902	134,921
LIGHT RAIL	50,000	54,048	55,337	58,116	61,632	60,717	54,980	47,937	46,981	49,402
PARATRANSIT	9,005	8,017	8,133	8,205	8,097	6,827	6,493	5,318	6,338	5,760
FLEET SIZE										
BUS	424	494	445	443	443	540	500	460	472	469
LIGHT RAIL	99	99	99	99	99	99	99	99	99	98
CASH FARE SINGLE RIDE										
ADULT	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.25	\$ 2.50
YOUTH	\$ 1.75	\$ 1.75	\$ 1.75	\$ 1.75	\$ 1.75	\$ 1.75	\$ 1.75	\$ 1.75	\$ 1.00	\$ 1.25
SENIOR	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00

¹Includes fare revenue from motor bus, light rail and shuttle services; Starting FY 2017, this includes paratransit fare revenue recognized by VTA.

Table 26
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
 Operating Information - System Data
 As of June 30, 2019

URBANIZED AREA (UZA):

346 Square Miles

ROUTES

<u>Type of Route</u>	<u>Number of Routes</u>
Local	34
Limited Stop	4
Express	13
Rapid	1
Community	18
Light Rail	3
Special Event	1
Total	<u>74</u>

HOURS OF OPERATION

Monday-Sunday	24 hours
---------------	----------

PARK AND RIDE LOTS:

	<u>Number of Lots</u>	<u>Number of Parking Spaces</u>
Bus	4	633
Light Rail	22	6,242
Caltrain	15	4,817
Total	<u>41</u>	<u>11,692</u>

FACILITIES

<u>Type of Facility</u>	<u>Number of Facilities</u>
Bus Stops	3,802
Shelters	633
Benches	1,925
Trash Receptacles	826
Transit Centers	23

Table 27
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
 Operating Information – Employee Headcount¹
 Ten Years Ended June 30, 2019

Fiscal Year	Operations	Planning & Programming²	Office of the Deputy GM/CFO³	Planning & Engineering⁴	SVRT Program⁵	External Affairs⁶	Office of the Chief of Staff⁶	Business Services⁷	Safety & Compliance⁸	General Counsel	General Manager	Total
2010	1,588	50	95	97	4	57	NA	100	NA	8	18	2,017
2011	1,576	50	90	90	5	53	NA	102	NA	8	11	1,985
2012	1,599	52	93	86	6	51	NA	103	NA	9	13	2,012
2013	1,614	51	88	90	6	55	NA	99	NA	11	13	2,027
2014	1,687	42	69	79	6	37	25	138	NA	12	5	2,100
2015	1,724	43	74	81	NA	4	55	135	30	13	5	2,164
2016	1,758	50	75	74	NA	26	NA	192	33	13	11	2,232
2017	1,761	50	76	74	NA	30	41	196	NA	14	2	2,244
2018	1,795	48	73	86	NA	4	75	173	NA	13	10	2,277
2019	1,690	NA	251	96	NA	54	NA	NA	24	14	16	2,145

¹Employee headcount as provided by Human Resources department. In FY 2019, 5 long-term-leave and 261 vacant positions were excluded in headcount.

²As a result of the change of the organization in FY2019, Planning & Programming is now combined with Engineering & Transportation Program Delivery, and the division is renamed to Planning & Engineering.

³Due to reorganization in FY2019, Finance & Budget was renamed Office of the Asst. GM/CFO, which also encompasses Information Technology, Risk Management, Grants, and HR and Procurement.

⁴Previously called Engineering & Transportation Program Delivery prior to the FY2019 reorganization.

⁵In FY2015, Engineering & Construction Program merged with SVRT Program to form Engineering & Transportation Infrastructure Development, which became the Planning & Engineering division in FY2019.

⁶In FY2019, Government Affairs was renamed to External Affairs. The Office of the Chief of Staff was moved to External Affairs in FY2019.

⁷Previously referred to as Administrative Service Division, as a result of the reorganization in FY 2014. In September 2015 reorganization, some personnel from the Chief of Staff Division and Operations Division were transferred to Business Services. Due to the FY2019 reorganization, Business Services, which included HR, Procurement, and Information Technology were shifted to the Office of the Deputy GM/CFO.

⁸Due to reorganization in FY2019, Safety & Compliance was removed from Chief of Staff and became a separate division.

Table 28
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Operating Information - Capital Assets
Ten Years Ended June 30, 2019
(In thousands)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<i>Capital assets, not being depreciated:</i>										
Land and right of way	\$1,123,321	\$1,122,805	\$1,122,495	\$1,122,368	\$1,126,373	\$1,124,646	\$1,126,359	\$1,126,872	\$1,126,872	\$1,126,796
Construction in Progress	814,241	902,026	1,107,386	1,347,410	1,728,066	2,177,750	2,611,823	2,906,098	3,131,777	3,353,507
Total capital assets, not being depreciated	<u>1,937,562</u>	<u>2,024,831</u>	<u>2,229,881</u>	<u>2,469,778</u>	<u>2,854,439</u>	<u>3,302,396</u>	<u>3,738,182</u>	<u>4,032,970</u>	<u>4,258,649</u>	<u>4,480,303</u>
<i>Capital assets, being depreciated:</i>										
Intangible Assets	—	—	—	—	—	—	—	2,203	2,203	2,203
Buildings, improvements, furniture and fixtures	495,436	504,531	511,853	508,345	516,184	548,139	569,079	586,041	592,244	600,054
Vehicles	435,652	485,590	481,014	486,460	488,229	566,821	553,886	586,754	618,806	661,753
Light-rail tracks and electrification	402,622	403,831	403,394	413,674	415,905	415,905	418,195	418,195	418,194	418,194
Caltrain – Gilroy extension	53,307	53,307	53,307	43,072	43,072	43,072	43,072	43,072	43,072	43,072
Other operating equipment	42,610	46,065	46,152	45,876	46,062	47,156	47,289	47,561	48,890	50,035
Leasehold Improvement	9,686	9,686	9,686	9,686	9,686	9,686	9,686	9,686	9,686	9,686
Total capital assets, being depreciated	<u>1,439,313</u>	<u>1,503,010</u>	<u>1,505,406</u>	<u>1,507,113</u>	<u>1,519,138</u>	<u>1,630,779</u>	<u>1,641,207</u>	<u>1,693,512</u>	<u>1,733,095</u>	<u>1,784,997</u>
<i>Less accumulated depreciation</i>										
Total accumulated depreciation	<u>(565,012)</u>	<u>(618,061)</u>	<u>(657,113)</u>	<u>(706,428)</u>	<u>(768,364)</u>	<u>(833,095)</u>	<u>(881,683)</u>	<u>(950,005)</u>	<u>(1,006,414)</u>	<u>(1,069,031)</u>
Total capital assets, being depreciated, net	<u>874,301</u>	<u>884,949</u>	<u>848,293</u>	<u>800,685</u>	<u>750,774</u>	<u>797,684</u>	<u>759,524</u>	<u>743,507</u>	<u>726,681</u>	<u>715,966</u>
Total capital assets, net	<u>\$2,811,863</u>	<u>\$2,909,780</u>	<u>\$3,078,174</u>	<u>\$3,270,463</u>	<u>\$3,605,213</u>	<u>\$4,100,080</u>	<u>\$4,497,706</u>	<u>\$4,776,477</u>	<u>\$4,985,330</u>	<u>\$5,196,269</u>

Source: Comprehensive Annual Financial Report

¹FY 2017 was restated due to change of 2000 Measure A Program Fund from enterprise to governmental in FY 2018.

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