REMARKETING MEMORANDUM DATED FEBRUARY 15, 2019

REMARKETED ISSUE – BOOK-ENTRY ONLY

Ratings:
S&P: "AA+"/"A-1+" (expected)
Moody's: "Aa2"/"VMIG 1"
See "Ratings" herein.

$235,875,000
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
2000 MEASURE A SALES TAX REVENUE REFUNDING BONDS

$58,950,000	$58,975,000	$58,975,000	$58,975,000
2008 Series A	**2008 Series B**	**2008 Series C**	**2008 Series D**
(CUSIP No.: 80168N DQ9)	(CUSIP No.: 80168N DR7)	(CUSIP No.: 80168N EG0)	(CUSIP No.: 80168N EJ4)

Dated: June 25, 2008 **Price: 100%** **Due: April 1, 2036**

The Santa Clara Valley Transportation Authority 2000 Measure A Sales Tax Revenue Refunding Bonds, 2008 Series A, 2008 Series B, 2008 Series C and 2008 Series D (hereinafter collectively referred to as the "2008 Series Bonds") were issued by the Santa Clara Valley Transportation Authority (the "Authority") on June 25, 2008 pursuant to an Indenture, dated as of August 1, 2006 (as supplemented and amended, the "Indenture"), between the Authority and U.S. Bank National Association, successor trustee under the Indenture (the "Trustee").

The 2008 Series Bonds were issued as fully registered bonds in denominations of $100,000 and any integral multiple of $5,000 in excess thereof and were registered in the name of Cede & Co., as holder of the 2008 Series Bonds and nominee for The Depository Trust Company ("DTC"), New York, New York.

Pursuant to a Standby Letter of Credit and Reimbursement Agreement, dated as of February 1, 2019 (the "Reimbursement Agreement") between the Authority and The Toronto-Dominion Bank, New York Branch ("Toronto-Dominion" or the "Liquidity Facility Provider"), Toronto-Dominion will deliver, on or about February 20, 2019, an irrevocable standby letter of credit (the "Liquidity Facility"), pursuant to which Toronto-Dominion will provide funds for the purchase of the 2008 Series Bonds that are tendered for optional or mandatory purchase but are not remarketed. The Liquidity Facility will expire on February 18, 2022, unless extended or earlier terminated upon the occurrence of certain events (in accordance with its terms) including termination at the direction of the Authority. See "THE LIQUIDITY FACILITY PROVIDER AND THE REIMBURSEMENT AGREEMENT" herein.

The 2008 Series Bonds are subject to optional and mandatory tender for purchase and optional and mandatory redemption prior to maturity, as more fully described herein.

The 2008 Series Bonds are limited obligations of the Authority secured solely by a pledge of Revenues (as defined in the Indenture), which consist of the receipts from the imposition in the County of Santa Clara of a one-half of one percent retail transactions and use tax authorized in 2000 which took effect April 1, 2006 (the "2000 Measure A Sales Tax"), less certain administrative fees paid to the California Department of Tax and Fee Administration, as described herein, plus amounts held by the Trustee in certain funds and accounts established under the Indenture. The 2000 Measure A Sales Tax was approved by more than two-thirds of the electorate of the County of Santa Clara voting on the ballot measure in November 2000 and is scheduled to expire March 31, 2036. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" herein.

The 2008 Series Bonds are secured on a parity with certain other bonds and obligations secured by the 2000 Measure A Sales Tax. The Authority may also issue additional bonds and incur other obligations secured by the 2000 Measure A Sales Tax on a parity with the 2008 Series Bonds, subject to compliance with the provisions set forth in the Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" herein.

This Remarketing Memorandum provides information with respect to the 2008 Series Bonds while bearing interest at Daily or Weekly Rates only. Owners and prospective purchasers of the 2008 Series Bonds should not rely on this Remarketing Memorandum for information concerning 2008 Series Bonds bearing interest at rates other than the Daily or Weekly Rates.

Each Series of the 2008 Series Bonds will be remarketed independently of each other Series. The definitions and provisions described herein shall apply generally to each Series of the 2008 Series Bonds while bearing interest at Daily or Weekly Rates unless otherwise noted.

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE COUNTY OF SANTA CLARA, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION OR PUBLIC AGENCY THEREOF, OTHER THAN THE AUTHORITY, TO THE EXTENT OF THE PLEDGE OF THE 2000 MEASURE A SALES TAX REVENUES AND OTHER AMOUNTS HELD UNDER THE INDENTURE, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, REDEMPTION PREMIUM, IF ANY, OR INTEREST ON THE 2008 SERIES BONDS. THE PLEDGE OF 2000 MEASURE A SALES TAX REVENUES DOES NOT SECURE PAYMENT OF THE PURCHASE PRICE OF THE 2008 SERIES BONDS.

This cover page contains certain information for general reference only. It is not a summary of the security or terms of this issue. Investors must to read this entire Remarketing Memorandum to obtain information essential to making an informed investment decision with respect to the 2008 Series Bonds.

On the original issuance date of the 2008 Series Bonds, Orrick, Herrington & Sutcliffe LLP rendered its opinion that based upon an analysis of existing laws, regulations, rulings, and court decisions, interest on the 2008 Series Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. The opinion of Orrick, Herrington & Sutcliffe LLP has not been updated since its date of delivery. A copy of the approving opinion of Orrick, Herrington & Sutcliffe LLP delivered in connection with the original issuance of the 2008 Series Bonds is attached hereto as Appendix F. Norton Rose Fulbright US LLP is currently serving as Bond Counsel and Disclosure Counsel to the Authority. As Bond Counsel to the Authority, Norton Rose Fulbright US LLP is not providing any opinion to the Owners with respect to the validity and enforceability of the 2008 Series Bonds or with respect to any tax matters in connection with 2008 Series Bonds. Certain legal matters will be passed on for the Authority by its General Counsel and for the Liquidity Facility Provider by Chapman and Cutler LLP.

Goldman Sachs & Co. LLC	**BofA Merrill Lynch**	**J.P. Morgan**	**Morgan Stanley**
Remarketing Agent	Remarketing Agent	Remarketing Agent	Remarketing Agent
2008 Series A Bonds	2008 Series B Bonds	2008 Series C Bonds	2008 Series D Bonds
(Weekly Mode)	(Weekly Mode)	(Daily Mode)	(Daily Mode)

No dealer, salesman or any other person has been authorized by the Santa Clara Valley Transportation Authority (the "Authority") to give any information or to make any statements or representations, other than those contained in this Remarketing Memorandum, and, if given or made, such other information, statements or representations must not be relied upon as having been authorized. The information set forth herein has been obtained from the Authority and other sources which are believed to be reliable. This Remarketing Memorandum does not constitute an offer to sell or solicitation of an offer to buy any of the 2008 Series Bonds in any jurisdiction in which such offer or solicitation is not authorized, or in which any person making such offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction.

This Remarketing Memorandum is not to be construed as a contract with the purchasers of the 2008 Series Bonds. Statements contained in this Remarketing Memorandum which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact.

The Remarketing Agents have provided the following sentence for inclusion in the Remarketing Memorandum. The Remarketing Agents have reviewed the information in this Remarketing Memorandum in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Remarketing Agents do not guarantee the accuracy or completeness of such information.

CUSIP is a registered trademark of the American Bankers Association. CUSIP data on the cover hereof and herein is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. None of the Authority, the Remarketing Agents (as defined herein) or Ross Financial, the Municipal Advisor, is responsible for the selection or correctness of the CUSIP numbers set forth herein.

The Liquidity Facility Provider has not prepared or assisted in the preparation of this Remarketing Memorandum, including any financial information included herein or attached hereto and the Liquidity Facility Provider has no responsibility for the form and content of this Remarketing Memorandum or any information omitted herefrom, other than solely with respect to the information describing the Liquidity Facility Provider set forth under the heading "THE LIQUIDITY FACILITY PROVIDER AND THE REIMBURSEMENT AGREEMENT—The Liquidity Facility Provider" and has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Remarketing Memorandum or any information or disclosure contained herein or any information omitted herefrom, other than solely with respect to the information describing the Liquidity Facility Provider set forth under this heading "THE LIQUIDITY FACILITY PROVIDER AND THE REIMBURSEMENT AGREEMENT—The Liquidity Facility Provider." Accordingly, the Liquidity Facility Provider disclaims responsibility for the other information in this Remarketing Memorandum or otherwise made in connection with the remarketing of the 2008 Series Bonds.

FORWARD-LOOKING STATEMENTS

Certain statements included or incorporated by reference in this Remarketing Memorandum constitute forward-looking statements. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "project," "budget" or other similar words. **The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. No assurance is given that actual results will meet the forecasts of the Authority in any way. The Authority does not plan to issue any updates or revisions to those forward-looking statements if or when any of its expectations, or events, conditions or circumstances on which such statements are based occurs.**

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Board of Directors

Teresa O'Neill, *Chairperson*
Larry Carr
Magdalena Carrasco
Dave Cortese
Lan Diep
Charles "Chappie" Jones

Cindy Chavez, *Vice Chairperson*
Sam Liccardo
John McAlister
Raul Peralez
Rob Rennie
Rich Tran

Jeannie Bruins, *Ex-Officio*

Alternate Board Members

Marie Blankley
Devora "Dev" Davis
Adrian Fine
Glenn Hendricks
Howard Miller
Susan Ellenberg

Administrative Staff

Nuria I. Fernandez, General Manager
Evelynn Tran, General Counsel
Chris Augenstein, Director of Planning & Programming
Inez P. Evans, Chief Operating Officer
Angelique Gaeta, Chief of System Safety and Security
Carolyn M. Gonot, Director of Engineering and Transportation Infrastructure Development
Alberto Lara, Director of Business Services
Jim Lawson, Director of Government Affairs
Raj Srinath, Chief Financial Officer

SPECIAL SERVICES

Municipal Advisor

Ross Financial
San Francisco, California

Bond Counsel and Disclosure Counsel

Norton Rose Fulbright US LLP
Los Angeles, California

Trustee

U.S. Bank National Association
San Francisco, California

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INTRODUCTION

General

This Remarketing Memorandum, which includes the cover page and the appendices hereto, sets forth certain information in connection with the remarketing by the Santa Clara Valley Transportation Authority (the "Authority") of $235,875,000 of Santa Clara Valley Transportation Authority 2000 Measure A Sales Tax Revenue Refunding Bonds, 2008 Series A, 2008 Series B, 2008 Series C and 2008 Series D (hereinafter collectively referred to as the "2008 Series Bonds"). The 2008 Series Bonds were issued pursuant to the Indenture, dated as of August 1, 2006, between the Authority and U.S. Bank National Association, as successor trustee (the "Trustee"), as supplemented and amended, including by a First Supplemental Indenture, dated as of August 1, 2006 (the "First Supplemental Indenture"), a Second Supplemental Indenture, dated as September 1, 2007 (the "Second Supplemental Indenture"), and a Third Supplemental Indenture, dated as of June 1, 2008 (the "Third Supplemental Indenture"), a Fourth Supplemental Indenture, dated as of November 1, 2010 (the "Fourth Supplemental Indenture") and a Fifth Supplemental Indenture, dated as of January 1, 2015 (the "Fifth Supplemental Indenture"), each between the Authority and the Trustee. The Indenture, as so supplemented and amended and as further supplemented and amended from time to time pursuant to its terms is hereinafter referred to as the "Indenture." All capitalized terms used and not otherwise defined herein shall have the meanings assigned to such terms in APPENDIX D – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE," or, if not defined therein, shall have the meanings assigned to such terms in the Indenture.

Authority for Issuance

The 2008 Series Bonds, were issued by the Authority under and pursuant to the Santa Clara Valley Transportation Authority Act, being Sections 100000 *et seq.* of the California Public Utilities Code and the provisions of the Revenue Bond Law of 1941, being Section 54300 *et seq.* of the California Government Code as referenced in the Santa Clara Valley Transportation Authority Act (collectively, the "Act").

Purpose and Application of Proceeds

The 2008 Series Bonds were issued to refund on a current basis $58,950,000 aggregate principal amount of the Santa Clara Valley Transportation Authority 2000 Measure A Sales Tax Revenue Bonds, 2006 Series A (the "2006 Series A Bonds"), $58,975,000 aggregate principal amount of the Santa Clara Valley Transportation Authority 2000 Measure A Sales Tax Revenue Bonds, 2006 Series B (the "2006 Series B Bonds"), $58,975,000 aggregate principal amount of the Santa Clara Valley Transportation Authority 2000 Measure A Sales Tax Revenue Bonds, 2006 Series C (the "2006 Series C Bonds"), and $58,975,000 aggregate principal amount of the Santa Clara Valley Transportation Authority 2000 Measure A Sales Tax Revenue Bonds, 2006 Series D (the "2006 Series D Bonds" and, together with the 2006 Series A Bonds, the 2006 Series B Bonds and the 2006 Series C Bonds, hereinafter collectively referred to as the "Prior Bonds"). In addition, a portion of the proceeds of the 2008 Series Bonds were used to pay the costs of issuance of the 2008 Series Bonds.

Security

The 2008 Series Bonds are limited obligations of the Authority secured by a pledge of sales tax revenues (herein called the "2000 Measure A Sales Tax Revenues") derived from a one-half of one percent (0.5%) retail transactions and use tax (the "2000 Measure A Sales Tax"), imposed in accordance with the Act and the California Transactions and Use Tax Law (Revenue and Taxation Code Section 7251 *et seq.),* net of an administrative fee paid to the California Department of Tax and Fee Administration (the "CDTFA") in connection with the collection and disbursement of the 2000 Measure A Sales Tax. The Taxpayer Transparency and Fairness Act of 2017 restructured the California State Board of Equalization (the "Board of Equalization") into three separate entities: the State Board of Equalization, the CDTFA and the Office of Tax Appeals. The CDTFA handles most of the taxes and fees previously collected by the State Board of Equalization, including, as of July 1, 2017, the 2000 Measure A Sales Tax.

The 2000 Measure A Sales Tax was approved by more than two-thirds of the electorate of the County of Santa Clara (the "County") voting on the ballot measure in November 2000 and is scheduled to expire March 31, 2036. The 2008 Series Bonds are further secured by a pledge of certain amounts held by the Trustee under the Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Pledge of 2000 Measure A Sales Tax Revenues and Certain Amounts Held by Trustee" herein.

The 2008 Series Bonds are secured on a parity under the Indenture with the Authority's 2000 Measure A Sales Tax Revenue Bonds, 2010 Series A (Taxable Build America Bonds) (the "2010 Series A Bonds") and 2000 Measure A Sales Tax Revenue Bonds, 2010 Series B (Tax-Exempt) (the "2010 Series B Bonds" and, together with the 2010 Series A Bonds, the "2010 Series Bonds"), currently outstanding in the aggregate principal amount of $526,070,000, and the Authority's 2000 Measure A Sales Tax Revenue Refunding Bonds, 2015 Series A (the "2015 Series Bonds"), currently outstanding in the aggregate principal amount of $86,640,000.

Additional Bonds and other obligations secured by a pledge of the 2000 Measure A Sales Tax Revenues on a parity with the 2008 Series Bonds, the 2010 Series Bonds and the 2015 Series Bonds may hereafter be issued or incurred. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Additional Bonds and Parity Obligations" herein. The 2008 Series Bonds, the 2010 Series Bonds, the 2015 Series Bonds and any additional bonds hereafter authorized by, and at any time Outstanding under, the Indenture are referred to collectively herein as the "Bonds."

Limited Obligations

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE COUNTY OF SANTA CLARA, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION OR PUBLIC AGENCY THEREOF, OTHER THAN THE AUTHORITY TO THE EXTENT OF THE PLEDGE OF THE 2000 MEASURE A SALES TAX REVENUES AND OTHER AMOUNTS PLEDGED UNDER THE INDENTURE, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE BONDS.

The Liquidity Facility

Pursuant to a Standby Letter of Credit and Reimbursement Agreement, dated as of February 1, 2019 (the "Reimbursement Agreement") between the Authority and The Toronto-Dominion Bank, New York Branch ("Toronto-Dominion" or the "Liquidity Facility Provider"), Toronto-Dominion will deliver, on or about February 20, 2019, an irrevocable standby letter of credit (the "Liquidity Facility"), pursuant to which Toronto-Dominion will provide funds for the purchase of the 2008 Series Bonds that are tendered for optional or mandatory purchase but are not remarketed. The Liquidity Facility will expire on February 18, 2022, unless extended or earlier terminated in accordance with its terms. See "THE LIQUIDITY FACILITY PROVIDER AND THE REIMBURSEMENT AGREEMENT" herein.

On or about February 20, 2019, the Authority intends to substitute the Liquidity Facility for the standby letters of credit that currently support the 2008 Series Bonds. In connection with this substitution, the 2008 Series Bonds are subject to a mandatory tender and remarketing as described in this Remarketing Memorandum. The proceeds of this remarketing will pay the purchase price of the tendered 2008 Series Bonds.

On or about February 20, 2019, the Authority intends to effect a change in the Interest Rate Mode of the 2008 Series C Bonds and the 2008 Series D Bonds, from a Weekly Mode (the "Current Mode") to a Daily Mode (the "New Mode").

References

The descriptions and summaries of various documents hereinafter set forth do not purport to be comprehensive or definitive, and reference is made to each such document for the complete details of all terms and conditions. All statements herein are qualified in their entirety by reference to each such document, copies of which are available for inspection at the offices of the Authority.

THE AUTHORITY

The Authority is an independent public agency responsible for bus and light rail operations in the County, regional commuter and inter-city rail service, ADA paratransit service, congestion management, specific highway improvement and other transportation projects, and countywide transportation planning and funding. A map showing the Authority's bus and rail transit service area is set forth on the page prior to the table of contents to this Remarketing Memorandum. The Authority was created in 1972 pursuant to the Santa Clara County Transit District Act. Prior to January 1, 1995, the County Board of Supervisors served as the Board of Directors of the Authority. Effective January 1, 1995, pursuant to State of California legislation, the Authority has operated under a separate Board of Directors composed of County and city representatives. On January 1, 2000, pursuant to State of California legislation, the Authority's name was officially changed from the Santa Clara County Transit District.

For a more complete description of the Authority and its operations, see APPENDIX A – "SANTA CLARA VALLEY TRANSPORTATION AUTHORITY."

THE 2008 SERIES BONDS

General

The 2008 Series Bonds are dated their date of delivery (June 25, 2008), and will mature on April 1, 2036, subject to prior redemption. The 2008 Series A Bonds and the 2008 Series B Bonds currently bear interest at Weekly Rates. During a Weekly Rate Period, interest on the 2008 Series A Bonds and the 2008 Series B Bonds shall be payable on the first Business Day of each month and shall be computed on the basis of a 365 or 366-day year, as applicable, for the actual number of days elapsed. Effective February 20, 2019, the 2008 Series C Bonds and the 2008 Series D Bonds will bear interest at Daily Rates. During a Daily Rate Period, interest on the 2008 Series C Bonds and the 2008 Series D Bonds shall be payable on the first Business Day of each month and shall be computed on the basis of a 365 or 366-day year, as applicable, for the actual number of days elapsed. The 2008 Series Bonds were issued in fully registered form without coupons and are registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC") New York, New York, the initial Securities Depository for the 2008 Series Bonds. Under the Indenture, the Authority may appoint a successor Securities Depository or may choose to discontinue the use of a book-entry only system.

The 2008 Series Bonds are in book-entry only form pursuant to a book-entry system (the "Book-Entry System"). While the 2008 Series Bonds are in the Book-Entry System, the provisions described in APPENDIX E – "BOOK-ENTRY ONLY SYSTEM" shall apply and the term "Owner" as used herein shall refer to DTC or its nominee as the registered owner of the 2008 Series Bonds. Payments to beneficial owners of the 2008 Series Bonds, including payment of Purchase Price to the beneficial owners of the 2008 Series Bonds, will be made in accordance with the provisions described in APPENDIX E – "BOOK-ENTRY ONLY SYSTEM."

Unless otherwise specified herein, all references to a particular time are to New York City Time.

Certain Defined Terms

The following terms are defined in the Indenture.

Alternate Rate means, on any Rate Determination Date, for any 2008 Series Bond in a Daily Mode, a Weekly Mode, a Flexible Rate Mode or a Term Rate Mode, a rate per annum equal to (a) the SIFMA Swap Index (such rate being hereinafter referred to as the "SIFMA Rate") most recently available as of the date of determination; (b) if such index is no longer available, or if the SIFMA Rate is no longer published, the Kenny Index (as such term is defined in the 1992 ISDA U.S. Municipal Counterparty Definitions) ; or (c) if neither the SIFMA Rate nor the Kenny Index is published, the index determined to equal the prevailing rate determined by the applicable Remarketing Agent for tax-exempt state and local government bonds meeting criteria determined in good faith by such Remarketing Agent to be comparable under the circumstances to the criteria used by Securities Industry & Financial Markets Association ("SIFMA") to determine the SIFMA Rate just prior to when SIFMA stopped publishing the SIFMA Rate. If there is no Remarketing Agent for the affected Series of 2008 Series Bonds, if such Remarketing Agent fails to make any such determination or if such Remarketing Agent has suspended its remarketing efforts in accordance with the Remarketing Agreement entered into by such Remarketing Agent, then the Trustee shall make the determinations required by this definition, or if the Trustee shall decline to make such determination, a financial advisor, investment banker or other qualified party shall make such determination at the expense of the Authority.

Authorized Denominations means, with respect to 2008 Series Bonds in a Daily Mode or Weekly Mode, $100,000 and any integral multiple of $5,000 in excess thereof.

Beneficial Owner means, so long as the 2008 Series Bonds are held in the Book-Entry System, any Person who acquires a beneficial ownership interest in a 2008 Series Bond held by the Securities Depository. If at any time the 2008 Series Bonds are not held in the Book-Entry System, Beneficial Owner shall mean the registered owner.

Business Day means for any Series of 2008 Series Bonds any day other than (i) a Saturday or Sunday; (ii) a day on which the Trustee or applicable Remarketing Agent are required or authorized to be closed; or (iii) a day on which the office of the Insurer, if any, or applicable Liquidity Facility Provider at which draws or advances will be paid is required or authorized to be closed or (iv) a day on which The New York Stock Exchange is closed.

Daily Rate means the per annum interest rate on any 2008 Series Bond in the Daily Mode determined pursuant to the provisions of the Indenture described below.

Daily Rate Period means the period during which a 2008 Series Bond in the Daily Mode shall bear a Daily Rate, which shall be from the Business Day upon which a Daily Rate is set to but not including the next succeeding Business Day.

Electronic means telecopy, facsimile transmission, e-mail transmission or other similar electronic means of communication providing evidence of transmission, including a telephonic communication confirmed by any other method set forth in this definition.

Expiration Date means the stated expiration date of a Liquidity Facility, as it may be extended from time to time as provided in such Liquidity Facility, or any earlier date on which the Liquidity Facility shall terminate at the direction of the Authority, expire or be cancelled (other than the date on which a Liquidity Facility shall terminate as a result of an event of default under the Reimbursement Agreement entered into in connection with such Liquidity Facility). See "THE LIQUIDITY FACILITY PROVIDER AND THE REIMBURSEMENT AGREEMENT" herein.

Interest Accrual Period means the period during which a 2008 Series Bond accrues interest payable on the next Interest Payment Date applicable thereto. Each Interest Accrual Period shall commence on (and include) the last Interest Payment Date to which interest has been paid (or, if no interest has been paid, from the date of original authentication and delivery of the 2008 Series Bonds) to, but not including, the Interest Payment Date on which interest is to be paid. If, at the time of authentication of any 2008 Series Bond, interest is in default or overdue on the 2008 Series Bonds, such 2008 Series Bond shall bear interest from the date to which interest has previously been paid in full or made available for payment in full on Outstanding 2008 Series Bonds.

Mandatory Purchase Date means (i) any Mode Change Date (except a change in Mode between the Daily Mode and the Weekly Mode if the then-existing Liquidity Facility provides for the payment of the Purchase Price of the affected Series of 2008 Series Bonds in both the Daily Mode and the Weekly Mode); (ii) any Substitution Date; (iii) the fifth Business Day prior to the Expiration Date; (iv) with respect to the affected Series of 2008 Series Bonds, the date specified by the Trustee following the occurrence of an event of default under the applicable Reimbursement Agreement, which date shall be a Business Day not less than 20 days after the Trustee's receipt of notice of such event of default from the applicable Liquidity Facility Provider and in no event later than the Business Day preceding the termination date specified in the notice of event of default delivered to the Trustee by such Liquidity Facility Provider; and (v) for 2008 Series Bonds in the Daily Mode or Weekly Mode, any Business Day specified by the Authority not less than 20 days after the Trustee's receipt of such notice from the Authority.

Maximum Rate means, with respect to all 2008 Series Bonds, other than Liquidity Facility Bonds, a rate of interest of 12% per annum, and, with respect to Liquidity Facility Bonds, such rate as is specified in the applicable Reimbursement Agreement, which rate shall not exceed the highest rate then permitted by law.

Mode Change Date means, with respect to all of any Series of the 2008 Series Bonds in a particular Mode, the day on which another Mode for all of such Series of the 2008 Series Bonds begins.

Notice Parties means the Authority, the Trustee, the Liquidity Facility Provider, if any, the Remarketing Agent, if any, and the Credit Enhancement Provider, if any.

Purchase Date means (i) for a 2008 Series Bond in the Daily Mode or the Weekly Mode, any Business Day selected by the Beneficial Owner for which a Tender Notice is given prior to the Tender Notice Deadline in accordance with the provisions of the Indenture; and (ii) any Mandatory Purchase Date.

Rate Determination Date means any date on which the interest rate on 2008 Series Bonds shall be determined, which (i) in the case of the Daily Mode, shall be each Business Day commencing with the first day (which must be a Business Day) any of the 2008 Series Bonds become subject to the Daily Mode; and (ii) in the case of a Weekly Mode, shall be each Wednesday (or if Wednesday is not a Business Day, then the next succeeding Business Day), provided that upon the issuance of the 2008 Series Bonds, the Weekly Rate for the first Weekly Rate Period shall be determined no later than the Business Day prior to issuance of the 2008 Series Bonds and in the case of a subsequent conversion to the Weekly Mode, the Weekly Rate shall be determined no later than the Business Day prior to the Mode Change Date for the Series of 2008 Series Bonds being converted.

SIFMA means the Securities Industry and Financial Markets Association (formerly the Bond Market Association).

SIFMA Swap Index means, on any date, a rate determined on the basis of the seven-day high grade market index of tax-exempt variable rate demand obligations, as produced by Municipal Market Data and published or made available by SIFMA or any Person acting in cooperation with or under the sponsorship of SIFMA and acceptable to the Trustee and effective from such date.

Substitution Date means, with respect to any Series of 2008 Series Bonds, the date upon which an Alternate Liquidity Facility is substituted for the Liquidity Facility then in effect.

Tender Notice means a notice delivered by Electronic Means or in writing that states (i) the principal amount of the 2008 Series Bond to be purchased pursuant to provisions of the Indenture relating to optional tender of 2008 Series Bonds; (ii) the Purchase Date on which such 2008 Series Bond is to be purchased; (iii) applicable payment instructions with respect to such 2008 Series Bonds being tendered for purchase; and (iv) an irrevocable demand for such purchase.

Tender Notice Deadline means (i) during the Daily Mode, 11:00 a.m. on any Business Day; and (ii) during the Weekly Mode, 5:00 p.m. on the Business Day seven days prior to the applicable Purchase Date.

Weekly Rate means the per annum interest rate on any 2008 Series Bonds in the Weekly Mode determined pursuant to the provisions of the Indenture described below.

Weekly Rate Period means the period during which a Series of 2008 Series Bonds bears interest at a Weekly Rate, which shall be the period commencing on Thursday of each week to and including Wednesday of the following week, except (i) the first Weekly Rate Period which shall be from the date of issuance of the 2008 Series Bonds to and including the Wednesday of the following week; (ii) the first Weekly Rate Period following a subsequent change in Mode for a Series of 2008 Series Bonds which shall be from the Mode Change Date for such Series of 2008 Series Bonds to and including the Wednesday of the following week; and (iii) the last Weekly Rate Period which shall be from and including the Thursday of the week prior to the Mode Change Date to and including the day next preceding the Mode Change Date.

Determination of Interest Rate on 2008 Series Bonds

Interest on the 2008 Series A Bonds and the 2008 Series B Bonds is currently calculated based on a Weekly Rate. Effective February 20, 2019, interest on the 2008 Series C Bonds and the 2008 Series D Bonds will be calculated based on a Daily Rate. From time to time, the Authority may convert 2008 Series Bonds from one interest rate mode (each, a "Mode") to a different Mode, which may be a Daily Mode, a Flexible Mode, a Term Rate Mode, a Fixed Rate Mode or an ARS Mode. As set forth below under "Conversion to Other Interest Rate Modes," the Authority may effect a change in Mode with respect to all of any 2008 Series Bonds by following the procedures set forth in the Indenture and described under this caption. The interest rate during any particular period (an "Interest Period") will be determined by the applicable Remarketing Agent as described below and will be in effect for, and adjust at the expiration of, the applicable Interest Period.

Determination of Interest Rates During the Daily Mode and the Weekly Mode

The interest rate for 2008 Series Bonds in the Daily Mode or Weekly Mode shall be the rate of interest per annum determined by the applicable Remarketing Agent on and as of the applicable Rate Determination Date as the minimum rate of interest which, in the opinion of the applicable Remarketing Agent under then-existing market conditions, would result in the sale of such 2008 Series Bonds in the Daily Rate Period or Weekly Rate Period, as applicable, at a price equal to 100% of the principal amount thereof. The interest rate shall not exceed the Maximum Rate.

During the Daily Mode, the applicable Remarketing Agent shall establish the Daily Rate by 10:00 a.m. on each Rate Determination Date. The Daily Rate for any day during the Daily Mode which is not a Business Day shall be the Daily Rate established on the immediately preceding Rate Determination Date. The applicable Remarketing Agent shall make the Daily Rate available no less frequently than once each week by telephone or Electronic Means to the Authority, each other Notice Party and to any Beneficial Owner requesting such rate.

During the Weekly Mode, the applicable Remarketing Agent shall establish the Weekly Rate by 5:00 p.m. on each Rate Determination Date. The Weekly Rate shall be in effect during the applicable Weekly Rate Period. The Remarketing Agent shall make the Weekly Rate available no later than 5:00 p.m. on the Business Day following the Rate Determination Date by telephone or Electronic Means to the Authority, each other Notice Party and to any Beneficial Owner requesting such rate.

In the event (i) the applicable Remarketing Agent fails or is unable to determine the interest rate for any 2008 Series Bond; (ii) the method by which the applicable Remarketing Agent determines the interest rate with respect to any 2008 Series Bond shall be held to be unenforceable by a court of law of competent jurisdiction; or (iii) the applicable Remarketing Agent suspends its remarketing effort in accordance with the applicable Remarketing Agreement, then the affected 2008 Series Bonds shall bear interest during each subsequent Interest Period at the Alternate Rate in effect on the first day of such

Interest Period. The provisions of the Indenture described in the immediately preceding sentence shall continue to apply to the affected 2008 Series Bonds until such time as the events described in clauses (i), (ii) or (iii) above are no longer applicable to such 2008 Series Bonds and the applicable Remarketing Agent again determines the interest rate. In the case of clause (ii) above, the applicable Remarketing Agent shall again make such determination at such time as there is delivered to the applicable Remarketing Agent and the Authority an opinion of Bond Counsel to the effect that there are no longer any legal prohibitions against such determination.

Conversion to Other Interest Rate Modes

General. The 2008 Series Bonds were issued initially bearing interest at a Weekly Rate. The Indenture provides that the Authority may elect to adjust the interest rate on any 2008 Series Bonds to a Daily Rate, a Flexible Rate, a Term Rate, a Fixed Rate or an ARS Rate, in each case in accordance with the provisions set forth in the Indenture.

The 2008 Series A Bonds and the 2008 Series B Bonds continue to bear interest at a Weekly Rate. Effective February 20, 2019, the 2008 Series C Bonds and the 2008 Series D Bonds will bear interest at a Daily Rate.

Notice to Owners. Notice of the proposed change in Mode, unless otherwise specified in the Indenture, shall be given by the Trustee to the Owners of the affected 2008 Series Bonds not less than the tenth day next preceding the applicable Mode Change Date; provided that no notice need be given for a Mode Change Date occurring on the first Business Day following the last day of a Flexible Rate Period or a Term Rate Mode or on a Substitution Date. Such notice shall state the Mode to which the conversion will be made (hereinafter referred to as the "New Mode") and the proposed Mode Change Date and, if applicable, shall be combined with the notice of mandatory purchase required to be delivered by the Trustee pursuant to the provisions of the Indenture. If the Book-Entry System is no longer in effect, such notice shall also provide information with respect to required delivery of 2008 Series Bond certificates and procedures for payment of Purchase Price.

Determination of Interest Rates. The New Mode shall commence on the Mode Change Date and the interest rate(s) (together, in the case of a change to the Flexible Mode, with the Interest Period(s)) shall be determined by the applicable Remarketing Agent (or the Authority in the case of the Interest Period for 2008 Series Bonds being converted to the Term Rate Mode) in the manner provided in the Indenture.

Conditions Precedent. In the case of a change from the Daily or Weekly Mode, the Mode Change Date shall be any Business Day.

The following items shall have been delivered to the Authority, the Trustee and the applicable Remarketing Agent on or prior to the Mode Change Date:

(1) in the case of a change from any Mode other than a change from a Daily Mode to a Weekly Mode or a change from a Weekly Mode to a Daily Mode, a Favorable Opinion of Bond Counsel, dated the Mode Change Date; and

(2) if there is to be a Liquidity Facility delivered in connection with such change, evidence that such Alternate Liquidity Facility is in an amount equal to the Required Stated Amount and meets such other requirements as are specified in the Indenture.

The Liquidity Facility does not support the 2008 Series Bonds while they bear interest at Daily Rates without the consent of the Liquidity Facility Provider.

Failure to Satisfy Conditions Precedent to a Mode Change. In the event the conditions described above have not been satisfied by the applicable Mode Change Date, then the New Mode shall not take effect (although any mandatory purchase shall be made on such date if notice has been sent to the Owners stating that such 2008 Series Bonds would be subject to mandatory purchase on such date). If the failed change in Mode was from the Daily Mode, the affected 2008 Series Bonds shall remain in the Daily Mode, and if the failed change in Mode was from the Weekly Mode, the affected 2008 Series Bonds shall remain in the Weekly Mode, in each case with interest rates established in accordance with the applicable provisions of the Indenture on and as of the failed Mode Change Date.

Rescission of Election. Notwithstanding anything in the Indenture to the contrary, the Authority may rescind any election made by the Authority to change a Mode as described above prior to the Mode Change Date by giving written notice thereof to the Notice Parties prior to such Mode Change Date. If the Trustee receives notice of such rescission prior to the time the Trustee has given notice to the Owners of the Converted Portion, then such notice of change in Mode shall be of no force and effect. If the Trustee receives notice from the Authority of rescission of a Mode change after the Trustee has given notice thereof to the Owners of the affected 2008 Series Bonds, then if the proposed Mode Change Date would have been a Mandatory Purchase Date, such date shall continue to be a Mandatory Purchase Date. If the proposed change in Mode was from the Daily Mode, the affected 2008 Series Bonds shall remain in the Daily Mode, and if the proposed change in Mode was from the Weekly Mode, the affected 2008 Series Bonds shall remain in the Weekly Mode, in each case with interest rates established in accordance with the applicable provisions of the Indenture on and as of the proposed Mode Change Date. If the applicable Remarketing Agent is unable to determine the interest rate on the proposed Mode Change Date, the provisions, of the Indenture describing the determination of interest rates in the event of the failure of the applicable Remarketing Agent to set the interest rate shall apply. See "Determination of Interest Rate on 2008 Series Bonds" above.

Optional Tender and Mandatory Purchase Provisions

Book-Entry Tenders. All tenders for purchase during any period in which the 2008 Series Bonds are registered in the name of Cede & Co. (or the nominee of any successor Securities Depository) shall be subject to the terms and conditions set forth in the Representations Letter delivered by the Authority to DTC and to any regulations promulgated by DTC (or any successor Securities Depository). Beneficial Owners will not have any rights to tender 2008 Series Bonds directly to the Trustee.

Optional Tender. Subject to the provisions of the Indenture relating to Book-Entry Tenders described above, Beneficial Owners of 2008 Series Bonds in a Daily Mode or a Weekly Mode may elect to have their 2008 Series Bonds (or portions of those 2008 Series Bonds in amounts equal to Authorized Denominations) purchased on any Business Day at a price equal to the Purchase Price, upon delivery of a Tender Notice to the Trustee by the Tender Notice Deadline. Immediately upon receipt of a Tender Notice, the Trustee shall notify the applicable Remarketing Agent and provide the applicable Remarketing Agent with a copy of such Tender Notice.

Mandatory Purchase on Mandatory Purchase Date. Subject to the provisions of the Indenture relating to Book-Entry Tenders described above, the 2008 Series Bonds shall be subject to mandatory purchase on each Mandatory Purchase Date. The Trustee shall give notice of such mandatory purchase by mail to the Owners of the 2008 Series Bonds subject to mandatory purchase no less than 15 days prior to the applicable Mandatory Purchase Date.

Any notice shall state the Mandatory Purchase Date, the Purchase Price, and shall identity which Series of the 2008 Series Bonds are to be purchased. Such notice shall also state that interest on 2008 Series Bonds subject to mandatory purchase shall cease to accrue from and after the Mandatory Purchase Date. The failure to mail such notice with respect to any 2008 Series Bond shall not affect the validity of the mandatory purchase of any other 2008 Series Bond with respect to which notice was so mailed. Any notice mailed will be conclusively presumed to have been given, whether or not actually received by any Owner.

Source of Funds for Purchase of 2008 Series Bonds

The Trustee shall purchase tendered 2008 Series Bonds from the tendering Owners at the applicable Purchase Price by wire transfer in immediately available funds. Funds for the payment of such Purchase Price shall be derived solely from the following sources in the order of priority indicated and neither the Trustee nor the applicable Remarketing Agent shall be obligated to provide funds from any other source:

(a) immediately available funds on deposit in the Remarketing Proceeds Account;

(b) immediately available funds on deposit in the Liquidity Facility Account; and

(c) in the Authority's sole discretion, moneys of the Authority that may lawfully be used for such purpose.

Insufficient Funds for Tenders

If sufficient funds are not available to pay the Purchase Price of all tendered 2008 Series Bonds to be purchased on any Purchase Date (such 2008 Series Bonds being hereinafter referred to as the "Tendered Variable Rate Bonds"), then (i) no purchase shall be consummated on such Purchase Date; (ii) all such Tendered Variable Rate Bonds shall be returned to the Owners thereof; (iii) all remarketing proceeds shall be returned to the applicable Remarketing Agent for return to the Persons providing such moneys; and (iv) such insufficiency shall not constitute an Event of Default under the Indenture.

All such Tendered Variable Rate Bonds of the applicable Series shall bear interest at the Maximum Rate during the period of time (such period being hereinafter referred to as a "Delayed Remarketing Period") from and including the applicable Purchase Date to (but not including) the date that all such Tendered Variable Rate Bonds are successfully remarketed.

The Authority may direct the conversion of such Tendered Variable Rate Bonds to a different Mode during the Delayed Remarketing Period in accordance with the provisions of the Indenture described above under the caption "Conversion to Other Interest Rate Modes;" provided that the Authority shall not be required to comply with the notice requirements set forth in the Indenture and described herein under such caption.

During a Delayed Remarketing Period, the applicable Remarketing Agent shall continue to use its best efforts to remarket such Tendered Variable Rate Bonds. Once the applicable Remarketing Agent has advised the Trustee that the Remarketing Agent has a good faith belief that it is able to remarket all of the Tendered Variable Rate Bonds, the Trustee will give notice by mail to the Owners of such Tendered Variable Rate Bonds not later than 5 Business Days prior to the Purchase Date, which notice will state: (i) that such Tendered Variable Rate Bonds will be subject to mandatory tender for purchase on the proposed Purchase Date; (ii) the proposed Purchase Date; (iii) the Mode to be applicable to such Tendered Variable Rate Bonds from and after the proposed Purchase Date; (iv) the procedures for such mandatory tender for purchase; (v) the Purchase Price applicable to such Tendered Variable Rate Bonds; and (vi) the consequences of a failed remarketing.

During the Delayed Remarketing Period, the Trustee may, upon direction of the Authority, apply amounts on deposit in the Redemption Fund to the redemption of such Tendered Variable Rate Bonds, as a whole or in part on any Business Day during the Delayed Remarketing Period, at a redemption price equal to the principal amount thereof, together with interest accrued thereon to the date fixed for redemption, without premium. Notwithstanding any provisions of the Indenture to the contrary, the Trustee shall give five Business Days' notice of such redemption to the Owners of the 2008 Series Bonds to be redeemed.

During the Delayed Remarketing Period, interest on such Tendered Variable Rate Bonds shall be paid to the Owners thereof (i) on the first Business Day of each calendar month occurring during such Delayed Remarketing Period and (ii) on the day after the last day of such Delayed Remarketing Period.

Redemption

Optional Redemption of 2008 Series Bonds in the Daily Mode or the Weekly Mode. While in the Daily Mode or the Weekly Mode, 2008 Series Bonds are subject to optional redemption by the Authority, in whole or in part, in Authorized Denominations on any Business Day, at a redemption price equal to the principal amount thereof, plus, accrued interest, if any, to the date fixed for redemption of such 2008 Series Bonds.

Mandatory Sinking Fund Redemption. The 2008 Series A Bonds shall be redeemed by mandatory sinking fund redemption, without premium, on April 1 in each of the years and in the principal amounts set forth below:

Year	Principal Amount
2033	$13,925,000
2034	14,450,000
2035	15,025,000
2036*	15,550,000

*Maturity.

The 2008 Series B Bonds shall be redeemed by mandatory sinking fund redemption, without premium, on April 1 in each of the years and in the principal amounts set forth below:

Year	Principal Amount
2033	$13,925,000
2034	14,475,000
2035	15,000,000
2036*	15,575,000

*Maturity.

The 2008 Series C Bonds shall be redeemed by mandatory sinking fund redemption, without premium, on April 1 in each of the years and in the principal amounts set forth below:

Year	Principal Amount
2033	$13,950,000
2034	14,450,000
2035	15,000,000
2036*	15,575,000

*Maturity.

The 2008 Series D Bonds shall be redeemed by mandatory sinking fund redemption, without premium, on April 1 in each of the years and in the principal amounts set forth below:

Year	Principal Amount
2033	$13,950,000
2034	14,450,000
2035	15,000,000
2036*	15,575,000

*Maturity.

No notice of redemption is required to be given with respect to any redemption occurring on a Mandatory Purchase Date.

Notice of Redemption; Conditional Notice. Notice of redemption shall be mailed by the Trustee, not less than 15 nor more than 30 days prior to the redemption date, to each Owner and each of the Repositories. A copy of such notice shall also be provided to each of the Notice Parties. Notice of redemption to the Owners, the Repositories and the applicable Notice Parties shall be given by first class mail. Failure by the Trustee to give notice to any Notice Party or anyone or more of the Repositories or failure of any Owner, any Notice Party or any Repository to receive notice or any defect in any such notice shall not affect the sufficiency or validity of the proceedings for redemption.

With respect to any notice of optional redemption of 2008 Series Bonds, unless, upon the giving of such notice, such 2008 Series Bonds shall be deemed to have been paid in accordance with the provisions of the Indenture, such notice shall state that such redemption shall be conditional upon the receipt by the Trustee on or prior to the date fixed for such redemption of amounts sufficient to pay the principal of, and premium, if any, and interest on, such 2008 Series Bonds to be redeemed, and that if such amounts shall not have been so received said notice shall be of no force and effect and the Authority shall not be required to redeem such 2008 Series Bonds. In the event that such notice of redemption contains such a condition and such amounts are not so received, the redemption shall not be made and the Trustee shall within a reasonable time thereafter give notice to the Owners to the effect that such amounts were not so received and such redemption was not made, such notice to be given by the Trustee in the manner in which the notice of redemption was given.

Any notice of redemption may be rescinded by written notice given to the Trustee by the Authority and the Trustee shall give notice of such rescission as soon thereafter as practicable in the same manner, and to the same parties, as notice of such redemption was given.

Effect of Redemption. Notice of redemption having been duly given as aforesaid, and moneys for payment of the Redemption Price of, together with interest accrued to the redemption date on, the 2008 Series Bonds (or portions thereof) so called for redemption being held by the Trustee, on the redemption date designated in such notice, the 2008 Series Bonds (or portions thereof) so called for redemption shall become due and payable at the Redemption Price specified in such notice together with interest accrued thereon to the date fixed for redemption, interest on the 2008 Series Bonds so called for redemption shall cease to accrue, said 2008 Series Bonds (or portions thereof) shall cease to be entitled to any benefit or security under the Indenture, and the Owners of said 2008 Series Bonds shall have no rights in respect thereof except to receive payment of said Redemption Price and accrued interest to the redemption date.

All 2008 Series Bonds redeemed pursuant to the provisions of the Indenture shall be cancelled upon surrender thereof.

Mandatory Purchase in Lieu of Redemption. Each Owner, by purchase and acceptance of any 2008 Series Bond irrevocably grants to the Authority the option to purchase such 2008 Series Bond, on any date such 2008 Series Bond is subject to optional redemption provided in the Indenture at a purchase price equal to the Redemption Price then applicable to such 2008 Series Bond plus accrued interest thereon to the date of purchase. In order to exercise such option, the Authority shall deliver to the Trustee a Favorable Opinion of Bond Counsel and shall direct the Trustee to provide notice of mandatory purchase in lieu of redemption, such notice to be provided, as and to the extent applicable, in accordance with the provisions of the Indenture relating to the mandatory purchase of 2008 Series Bonds on Mandatory Purchase Dates. On the date fixed for purchase of any 2008 Series Bond pursuant to the provisions of the Indenture described herein, the Authority shall pay the Purchase Price of such 2008 Series Bond to the Trustee in immediately available funds and the Trustee shall pay the same to the Owners of 2008 Series Bonds being purchased against delivery thereof. Following such purchase, the Trustee shall register such 2008 Series Bonds in accordance with the written instructions of the Authority. No Owner may elect to retain a 2008 Series Bond subject to mandatory purchase pursuant to the provisions of the Indenture described herein.

In the event that the Authority lacks sufficient funds to pay the purchase price of any 2008 Series Bond subject to mandatory purchase in lieu of redemption on the date fixed for such purchase, the Authority shall cancel such mandatory purchase in lieu of redemption and shall return each such 2008 Series Bond to the Owner who shall have tendered such 2008 Series Bond for mandatory purchase in lieu of redemption. The Trustee shall give notice that such mandatory purchase was not effected promptly following the date fixed for such purchase. Any failure to pay the Purchase Price of any 2008 Series Bond subject to mandatory purchase in lieu of redemption shall not constitute an Event of Default under the Indenture.

Remarketing Agent Practices and Procedures

The remaining information under this caption "Remarketing Agent Practices and Procedures," to the extent it reflects its internal practices and procedures, has been provided by the Remarketing Agents for inclusion in this Remarketing Memorandum and the Authority makes no representation regarding its completeness or accuracy. See APPENDIX D – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE." The Remarketing Agents are paid by the Authority.

The Remarketing Agents' responsibilities include determining the interest rate from time to time and remarketing 2008 Series Bonds that are optionally or mandatorily tendered by the owners thereof (subject, in each case, to the terms of the applicable Remarketing Agreements), all as further described in this Remarketing Memorandum. The Remarketing Agents are appointed by the Authority and are paid by the Authority for their services. As a result, the interests of the Remarketing Agents may differ from those of existing holders and potential purchasers of 2008 Series Bonds.

Under Certain Circumstances, the Remarketing Agents May Be Removed, Resign or Cease Remarketing the 2008 Series Bonds, Without Successors Being Named

Under certain circumstances the Remarketing Agents may be removed or have the ability to resign or cease their remarketing efforts, without successors having been named, subject to the terms of the applicable Remarketing Agreements.

The Remarketing Agents Routinely Purchase 2008 Series Bonds for Their Own Accounts

The Remarketing Agents act as remarketing agents for a variety of variable rate demand obligations and, in their sole discretion, routinely purchase such obligations for their own accounts in order to achieve a successful remarketing of the obligations (i.e., because there are otherwise not enough buyers to purchase the obligations) or for other reasons. The Remarketing Agents are permitted, but not obligated, to purchase tendered 2008 Series Bonds for their own accounts and, if they do so, they may cease doing so at any time without notice. The Remarketing Agents may also make a market in the 2008 Series Bonds by routinely purchasing and selling 2008 Series Bonds other than in connection with an optional or mandatory tender and remarketing. Such purchases and sales may be at or below par. However, the Remarketing Agents are not required to make a market in the 2008 Series Bonds. The Remarketing Agents may also sell any 2008 Series Bonds they have purchased to one or more affiliated investment vehicles for collective ownership or enter into derivative arrangements with affiliates or others in order to reduce their exposure to the 2008 Series Bonds. The purchase of 2008 Series Bonds by the Remarketing Agents may create the appearance that there is greater third party demand for the 2008 Series Bonds in the market than is actually the case. The practices described above also may result in fewer 2008 Series Bonds being tendered in a remarketing.

2008 Series Bonds May be Offered at Different Prices on Any Date Including an Interest Rate Determination Date

Pursuant to the applicable Remarketing Agreements, the Remarketing Agents are required to determine the applicable rate of interest that, in their judgment, is the lowest rate that would permit the sale of the 2008 Series Bonds bearing interest at the applicable interest rate at par plus accrued interest, if any, on and as of the applicable Rate Determination Date. The interest rate will reflect, among other factors, the level of market demand for the 2008 Series Bonds (including whether the Remarketing Agents are willing to purchase 2008 Series Bonds for their own accounts). There may or may not be Bonds tendered and remarketed on a rate determination date, the Remarketing Agents may or may not be able to remarket any 2008 Series Bonds tendered for purchase on such date at par and the Remarketing Agents may sell 2008 Series Bonds at varying prices to different investors on such date or any other date. The Remarketing Agents are not obligated to advise purchasers in a remarketing if they do not have third party buyers for all of the 2008 Series Bonds at the remarketing price. If the Remarketing Agents own any 2008 Series Bonds for their own accounts, they may, in their sole discretion in a secondary market transaction outside the tender process, offer such 2008 Series Bonds on any date, including the rate determination date, at a discount to par to some investors.

The Ability to Sell the 2008 Series Bonds other than through Tender Process May Be Limited

The Remarketing Agents may buy and sell 2008 Series Bonds other than through the tender process. However, they are not obligated to do so and may cease doing so at any time without notice and may require holders that wish to tender their 2008 Series Bonds to do so through the Trustee with appropriate notice. Thus, investors who purchase the 2008 Series Bonds, whether in a remarketing or otherwise, should not assume that they will be able to sell their 2008 Series Bonds other than by tendering the 2008 Series Bonds in accordance with the tender process. The Liquidity Facility is not available to purchase 2008 Series Bonds other than those tendered in accordance with a sale of 2008 Series Bonds by the bondholder to the applicable Remarketing Agent. The Liquidity Facility will only be drawn when such 2008 Series Bonds have been properly tendered in accordance with the terms of the Indenture.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

Limited Obligations

The Bonds are limited obligations of the Authority secured by a pledge of 2000 Measure A Sales Tax Revenues and certain amounts held by the Trustee in the funds and accounts established under the Indenture. The Authority shall not be required to advance any moneys derived from any source other than Revenues, which include all 2000 Measure A Sales Tax Revenues, and amounts held by the Trustee in the funds and accounts established under the Indenture, excluding amounts in the Rebate Fund and any Purchase Fund for Bonds subject to purchase, and pledged under the Indenture, including interest earnings on such amounts, whether for the payment of the principal or Redemption Price of or interest on the Bonds or for any other purpose of the Indenture.

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE COUNTY OF SANTA CLARA, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION OR PUBLIC AGENCY THEREOF, OTHER THAN THE AUTHORITY, TO THE EXTENT OF THE 2000 MEASURE A SALES TAX REVENUES AND OTHER AMOUNTS HELD UNDER THE INDENTURE, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, REDEMPTION PREMIUM, IF ANY, OR INTEREST ON, THE 2008 SERIES BONDS. THE PLEDGE OF 2000 MEASURE A SALES TAX REVENUES DOES NOT SECURE PAYMENT OF THE PURCHASE PRICE OF THE 2008 SERIES BONDS.

Pledge of 2000 Measure A Sales Tax Revenues and Certain Amounts Held by Trustee

All 2000 Measure A Sales Tax Revenues are irrevocably pledged by the Authority to secure the punctual payment of the principal of, premium, if any, and interest on the Bonds and Parity Obligations, each in accordance with their terms, and the 2000 Measure A Sales Tax Revenues shall not be used for any other purpose while any of the Bonds or Parity Obligations remain Outstanding, except as permitted by the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein, as described below. Pursuant to the Indenture, the pledge of 2000 Measure A Sales Tax Revenues constitutes a first lien to secure the Bonds and Parity Obligations. The pledge of 2000 Measure A Sales Tax Revenues is irrevocable until all Bonds issued under the Indenture, including the 2008 Series Bonds, and all Parity Obligations are no longer Outstanding.

The 2000 Measure A Sales Tax Revenues pledged to the payment of the Bonds and Parity Obligations shall be applied without priority or distinction of one over the other and the 2000 Measure A Sales Tax Revenues shall constitute a trust fund for the security and payment of the Bonds and Parity Obligations; but nevertheless, out of 2000 Measure A Sales Tax Revenues certain amounts may be applied for other purposes as provided in the Indenture.

For a more detailed description of the 2000 Measure A Sales Tax and projected receipts of 2000 Measure A Sales Tax Revenues, see "THE 2000 MEASURE A SALES TAX" herein.

Additionally, there are pledged to secure the payment of the principal of, redemption premium, if any, and interest on the Bonds in accordance with their terms all amounts held by the Trustee under the Indenture (except for amounts held in the Rebate Fund and any Purchase Fund), subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein.

Revenue Fund; Allocation of 2000 Measure A Sales Tax Revenues

As long as any Bonds are Outstanding or any Parity Obligations remain unpaid, the Authority has assigned the 2000 Measure A Sales Tax Revenues to the Trustee and shall cause the CDTFA to transmit the same directly to the Trustee each month, less the CDTFA administrative fee which is deducted quarterly. The 2000 Measure A Sales Tax Revenues shall be received and held in trust by the Trustee for the benefit of the Owners of the Bonds and Parity Obligations. The Trustee shall forthwith deposit all 2000 Measure A Sales Tax Revenues in the Revenue Fund, maintained and held in trust by the Trustee, when and as such 2000 Measure A Sales Tax Revenues are received by the Trustee. See APPENDIX D – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Allocation of 2000 Measure A Sales Tax Revenues." Investment income on amounts held by the Trustee (other than amounts held in the Rebate Fund or any Purchase Fund or for which particular instructions are provided) shall also be deposited in the Revenue Fund.

So long as any Bonds remain Outstanding, following receipt and deposit of the 2000 Measure A Sales Tax Revenues in the Revenue Fund in each month, the Trustee is required to set aside such Measure A Sales Tax Revenues in the following respective funds, amounts and order of priority (provided that deficiencies in any previously required deposit may be made up prior to the deposit to a fund subsequent in priority and further provided that set asides or transfers required with respect to outstanding Parity Obligations shall be made on a parity basis each month, as provided in the Indenture):

1. Interest Fund. The Indenture requires the Trustee to make monthly deposits in the Interest Fund in an amount equal to (a) one-sixth of the aggregate half-yearly amount of interest becoming due and payable on Outstanding fixed interest rate bonds during the ensuing six-month period, plus (b) the aggregate amount of interest to accrue during that month on Outstanding variable rate bonds calculated, if the actual rate of interest is not known, at the interest rate specified by the Authority, or if the Authority has not specified an interest rate, at the maximum interest rate borne by such variable rate bonds during the month prior to the date of deposit plus one hundred (100) basis points; subject to such adjustments as are provided pursuant to the provisions of the Indenture. See APPENDIX D – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Allocation of 2000 Measure A Sales Tax Revenues."

2. Principal Fund; Sinking Accounts. The Indenture also requires the Trustee to make monthly deposits in the Principal Fund in an amount equal to at least (a) one-sixth of the aggregate semiannual amount of Bond Obligation becoming due and payable on the Outstanding Serial Bonds of all Series having semiannual maturity dates within the next six (6) months, plus (b) one-twelfth of the aggregate yearly amount of Bond Obligation becoming due and payable on the Outstanding Serial Bonds of all Series having annual maturity dates within the next twelve (12) months, plus (c) one-sixth of the aggregate of the Mandatory Sinking Account Payments to be paid during the next six-month period into the respective Sinking Accounts for the Term Bonds of all Series for which Sinking Accounts have been created and for which semiannual mandatory redemption is required from said Sinking Accounts, plus (d) one-twelfth of the

aggregate of the Mandatory Sinking Account Payments to be paid during the next 12-month period into the respective Sinking Accounts for the Term Bonds of all Series for which Sinking Accounts shall have been created and for which annual mandatory redemption is required from such Sinking Accounts; provided that if the Authority certifies to the Trustee that any principal payments are expected to be refunded on or prior to their respective due dates or paid from amounts on deposit in a Bond Reserve Fund that would be in excess of the Bond Reserve Requirement applicable to such Bond Reserve Fund upon such payment, no amounts need be set aside towards such principal to be so refunded or paid.

No deposit need be made into the Principal Fund so long as there shall be in such fund (i) moneys sufficient to pay the Bond Obligations of all Serial Bonds then Outstanding and maturing by their terms within the next twelve (12) months, plus (ii) the aggregate of all Mandatory Sinking Account Payments required to be made in such 12-month period, but less any amounts deposited into the Principal Fund during such 12-month period and theretofore paid from the Principal Fund to redeem or purchase Term Bonds during such 12-month period; provided that if the Authority certifies to the Trustee that any principal payments are expected to be refunded on or prior to their respective clue dates or paid from amounts on deposit in a Bond Reserve Fund that would be in excess of the Bond Reserve Requirement applicable to such Bond Reserve Fund upon such payment, no amounts need be on deposit with respect to such principal payments. See APPENDIX D – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Allocation of 2000 Measure A Sales Tax Revenues."

3. Bond Reserve Funds. The Indenture also requires the Trustee to make deposits to any of the Bond Reserve Funds established pursuant to the provisions of the Indenture. See APPENDIX D – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Allocation of 2000 Measure A Sales Tax Revenues."

4. Subordinate Obligations Fund. In the event the Authority issues subordinate obligations, the Authority may direct the Trustee to establish a Subordinate Obligations Fund. The Trustee shall deposit in the Subordinate Obligations Fund in each month such amount as the Authority shall specify in writing is necessary to pay principal of and interest due and payable during the following month with respect to Subordinate Obligations then outstanding.

5. Fees and Expenses Fund. After the transfers described above have been made, the Trustee shall deposit as soon as practicable in each month in the Fees and Expenses Fund amounts necessary for payment of fees, expenses and similar charges owing in such month or the following month by the Authority in connection with the Bonds or any Parity Obligation (excluding termination payments on Interest Rate Swap Agreements).

See APPENDIX D – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Allocation of 2000 Measure A Sales Tax Revenues" for a more complete discussion.

After making the foregoing allocations, all remaining 2000 Measure A Sales Tax Revenues shall be transferred to the Authority and may be applied by the Authority for all lawful Authority purposes.

Application of 2008 Series Bond Reserve Fund

The Indenture establishes the 2008 Series Bond Reserve Fund to be held by the Trustee. The Authority is not required to fund the 2008 Series Bond Reserve Fund unless a "Bond Reserve Funding Event" occurs. A "Bond Reserve Funding Event," as defined under the Indenture, occurs when the amount of 2000 Measure A Sales Tax Revenues received during the Fiscal Year immediately preceding a

Bond Reserve Fund Calculation Date does not at least equal two (2) times Maximum Annual Debt Service. "Bond Reserve Requirement" means, with respect to the 2008 Series Bonds, as of any Bond Reserve Fund Calculation Date, an amount equal to fifty percent (50%) of Maximum Annual Debt Service on the 2008 Series Bonds. "Bond Reserve Fund Calculation Date" means October 15 of each year, or if October 15 is not a Business Day, the first Business Day following October 15.

If for a period of two consecutive fiscal years subsequent to funding the 2008 Series Bond Reserve Fund, the amount of 2000 Measure A Sales Tax Revenues during the Fiscal Year immediately preceding a Bond Reserve Fund Calculation Date equals at least two (2) times Maximum Annual Debt Service, then the Trustee shall transfer the amount then on deposit to the Authority upon receipt of a Request of the Authority (the "Bond Reserve Fund Release Request"), a copy of which Bond Reserve Fund Release Request shall be accompanied by the calculations of the Authority demonstrating compliance with the requirements for release of the 2008 Series Bond Reserve Fund established in the Indenture.

There are currently no amounts on deposit in the 2008 Series Bond Reserve Fund.

To the extent not released pursuant to a Bond Reserve Fund Release Request, all amounts in the 2008 Series Bond Reserve Fund (including all amounts which may be obtained from any Reserve Facility deposited therein, see APPENDIX D – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE") shall be used and withdrawn by the Trustee solely for the purpose of making up any deficiency in the Interest Fund or the Principal Fund related to the 2008 Series Bonds or (together with any other moneys available therefor) for the payment or redemption of all 2008 Series Bonds then Outstanding or, for the payment of the final principal and interest payment of the 2008 Series Bonds. No amounts on deposit in the 2008 Series Bond Reserve Fund (including any amounts which may be obtained from any Reserve Facility deposited therein) may be applied for any other purpose nor shall any such amounts secure any other Bonds.

Additional Bonds and Parity Obligations

The Authority may issue additional Bonds and may issue or incur other obligations secured in whole or in part by a pledge of 2000 Measure A Sales Tax Revenues on a parity with the 2008 Series Bonds and the regularly scheduled payments on the Swap Agreements, subject to compliance with the terms and provisions set forth in the Indenture. See APPENDIX D – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Issuance of Additional Bonds and Other Obligations."

Issuance of Additional Series of Bonds. Subsequent to the issuance of the 2008 Series Bonds, the Authority may by Supplemental Indenture establish one or more Series of Bonds payable from 2000 Measure A Sales Tax Revenues and secured by the pledge made under the Indenture equally and ratably with Bonds previously issued, but only upon compliance by the Authority with the provisions of the Indenture. Certain of the applicable provisions of the Indenture are described below:

(a) No Event of Default shall have occurred and then be continuing.

(b) If a Bond Reserve Fund is required in connection with the issuance of an additional Series of Bonds, the Supplemental Indenture providing for the issuance of such Series of additional Bonds may require either (i) the establishment of a Bond Reserve Fund for such Series of Bonds or (ii) that the balance in an existing Bond Reserve Fund, forthwith upon the receipt of the proceeds of the sale of Bonds of such Series, be increased to an amount at least equal to the Bond Reserve Requirement with respect to such Series of Bonds and all other Bonds secured by such Bond Reserve Fund to be considered Outstanding upon the issuance of such additional Series of Bonds. Said deposit may be made from the proceeds of the sale of Bonds of such Series or from other funds of the Authority or from both such sources or in the form of a letter of credit or surety bond or insurance policy as described under APPENDIX D – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Establishment and Application of Funds and Accounts – Funding and Application of Bond Reserve Funds."

(c) The Authority shall have placed on file with the Trustee a certificate of the Authority, certifying that the lesser of (i) the amounts of 2000 Measure A Sales Tax Revenues for a period of twelve (12) consecutive months (selected by the Authority) during the eighteen (18) months immediately preceding the date on which such Bonds will become Outstanding; or (ii) the estimated 2000 Measure A Sales Tax Revenues for the Fiscal Year in which the Bonds are to be issued, shall have, or will, as applicable, equal at least one and three-tenths (1.3) times Maximum Annual Debt Service on all Series of Bonds and Parity Obligations then Outstanding and the additional Series of Bonds then proposed to be issued.

Nothing in the Indenture shall prevent or be construed to prevent the Supplemental Indenture providing for the issuance of an additional Series of Bonds from pledging or otherwise providing, in addition to the security given or intended to be given by the Indenture, additional security for the benefit of such additional Series of Bonds or any portion thereof.

Issuance of Refunding Bonds. Refunding Bonds may be authorized and issued by the Authority without compliance with the provisions of the Indenture summarized above under the caption "Issuance of Additional Series of Bonds"; provided that Maximum Annual Debt Service on all Bonds and Parity Obligations Outstanding following the issuance of such Refunding Bonds is less than or equal to Maximum Annual Debt Service on all Bonds and Parity Obligations Outstanding prior to the issuance of such Refunding Bonds. The 2008 Series Bonds are Refunding Bonds.

Parity Obligations. As defined in the Indenture, "Parity Obligations" means any indebtedness, installment sale obligation, lease obligation or other obligation of the Authority for borrowed money or any Interest Rate Swap Agreement (excluding fees and expenses and termination payments on Interest Rate Swap Agreements which fees and expenses and termination payments shall be secured by a lien and charge on the 2000 Measure A Sales Tax Revenues subordinate to the lien and charge upon the 2000 Measure A Sales Tax Revenues which secures the Bonds, Parity Obligations and payment of principal and interest on Subordinate Obligations) entered into in connection with a Series of Bonds, in each case incurred in accordance with the provisions of the Indenture described herein and having an equal lien and charge upon the 2000 Measure A Sales Tax Revenues and therefore payable on a parity with the Bonds (whether or not any Bonds are Outstanding). See "OUTSTANDING 2000 MEASURE A SALES TAX OBLIGATIONS" herein. The Authority may issue or incur additional Parity Obligations which will have, when issued, an equal lien and charge upon the 2000 Measure A Sales Tax Revenues; provided, that the conditions to the issuance of such Parity Obligations set forth in the Indenture are satisfied, including satisfaction of the coverage test described in subsection (c) above under the caption "Issuance of Additional Series of Bonds," unless such Parity Obligations are being issued for refunding purposes, in which case the coverage test shall not apply.

Subordinate Obligations

The Authority may also issue obligations which are payable as to principal, premium, interest and reserve fund requirements, if any, only out of 2000 Measure A Sales Tax Revenues after the prior payment of all amounts then required to be paid from 2000 Measure A Sales Tax Revenues for principal, premium, interest and reserve fund requirements for the Bonds and all Parity Obligations, as the same become due and payable. Currently, there are no Subordinate Obligations outstanding.

OUTSTANDING 2000 MEASURE A SALES TAX OBLIGATIONS

Parity Bonds

As of February 1, 2019, the aggregate principal amount of 2000 Measure A Bonds outstanding was $848,585,000, consisting of $235,875,000 aggregate principal amount of 2008 Series Bonds, $526,070,000 aggregate principal amount of fixed rate 2010 Series Bonds (which includes $469,730,000 aggregate principal amount of 2010 Series A Build America Bonds) and $86,640,000 aggregate principal amount of fixed rate 2015 Series Bonds. See "DEBT SERVICE SCHEDULE" herein.

Swap Agreements

There are currently four separate interest rate swap agreements outstanding in connection with the 2008 Series Bonds (each, a "Swap Agreement" and, collectively referred to herein as the "Swap Agreements") with Bank of America, N.A., Citibank, N.A., Goldman Sachs Mitsui Marine Derivative Products, L.P. and Morgan Stanley Capital Services, Inc. (each, a "Counterparty" and, collectively referred to herein as the "Counterparties"). Each Swap Agreement is scheduled to terminate on April 1, 2036.

The Authority has agreed to pay to the Counterparties under the Swap Agreements a fixed rate of interest and the Counterparties have agreed to pay the Authority a floating rate of interest. The Authority's obligation to make regularly scheduled payments of interest to the counterparties under the Swap Agreements is payable from and secured by 2000 Measure A Sales Tax Revenues on a parity basis with all 2008 Series Bonds issued under the Indenture. The fixed interest rate paid by the Authority pursuant to each of the Swap Agreements has been used in computing debt service on the 2008 Series Bonds.

The terms of the Swap Agreements do not alter or affect any of the obligations of the Authority with respect to the payment of principal of or interest on the 2008 Series Bonds. Neither the Owners nor the Beneficial Owners of the 2008 Series Bonds have any rights under the Swap Agreements or against the Counterparties. Payments due to the Authority from the Counterparties are not pledged to the payment of principal of or interest on the 2008 Series Bonds.

Under certain circumstances, one or more of the Swap Agreements may be terminated, at which time the Authority may be required to make a termination payment to the applicable Counterparty. If the Swap Agreements were terminated as of January 31, 2019, the Authority would owe the respective Counterparties an aggregate amount of approximately $61,743,848. Any termination payments made pursuant to the Swap Agreements are secured by a lien on 2000 Measure A Sales Tax Revenues subordinate to the lien which secures the Bonds, Parity Obligations and Subordinate Obligations. The Authority is unable to predict what the amount of termination payments owed by the Authority in the future would be if any of the Swap Agreements actually were terminated; however, such termination payments could be substantial. To the extent that the Authority has insufficient funds on hand to make any such payment, the Authority may borrow such amounts through the issuance of additional Bonds or otherwise.

In addition, the Swap Agreements all contain provisions that require the Authority to post collateral at specific fair value amounts based on the Authority's unenhanced long-term credit ratings on the 2008 Series Bonds. Collateral generally consists of cash, U.S. government securities and U.S. agency securities. The Authority has posted $2,900,000 of collateral with Citibank, N.A. pursuant to the Swap Agreement with that Counterparty.

For a further discussion regarding the Authority's existing swaps (including swaps that have liens on the Authority's 1976 Sales Tax) and potential risks in connection therewith, see APPENDIX B – "AUTHORITY AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 2018, Note 7(d)."

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DEBT SERVICE SCHEDULE

The following table shows the annual debt service requirements on the 2008 Series Bonds (with principal and interest shown separately), the 2010 Series Bonds and the 2015 Series Bonds.

Fiscal Year Ending June 30	2008 Series Bonds Principal[1]	2008 Series Bonds Interest[1][2]	2008 Series Bonds Debt Service	2010 Series Bonds Debt Service[1][3]	2015 Series Bonds Debt Service	Combined Debt Service
2019	–	$8,880,694	$8,880,694	$57,139,501	$7,412,000	$73,432,195
2020	–	8,880,694	8,880,694	57,141,151	7,413,000	73,434,845
2021	–	8,880,694	8,880,694	57,138,901	7,411,250	73,430,845
2022	–	8,880,694	8,880,694	56,895,951	7,411,500	73,188,145
2023	–	8,880,694	8,880,694	56,625,216	7,408,250	72,914,160
2024	–	8,880,694	8,880,694	56,301,159	7,411,250	72,593,103
2025	–	8,880,694	8,880,694	55,943,629	7,414,750	72,239,073
2026	–	8,880,694	8,880,694	55,578,851	7,413,250	71,872,795
2027	–	8,880,694	8,880,694	55,191,537	7,411,500	71,483,731
2028	–	8,880,694	8,880,694	54,781,986	7,414,000	71,076,680
2029	–	8,880,694	8,880,694	54,360,204	7,410,000	70,650,897
2030	–	8,880,694	8,880,694	53,910,313	7,414,250	70,205,257
2031	–	8,880,694	8,880,694	53,447,027	7,410,750	69,738,471
2032	–	8,880,694	8,880,694	52,953,861	7,409,250	69,243,805
2033	$55,750,000	8,880,694	64,630,694	–	7,409,000	72,039,694
2034	57,825,000	6,781,706	64,606,706	–	7,414,250	72,020,956
2035	60,025,000	4,604,595	64,629,595	–	7,414,000	72,043,595
2036	62,275,000	2,344,654	64,619,654	–	7,407,750	72,027,404
Total	$235,875,000	$146,941,262	$382,816,262	$777,409,289	$133,410,000	$1,293,635,651

(1) Includes mandatory sinking fund payments.

(2) Debt Service on the 2008 Series Bonds is calculated based on the per annum rate established pursuant to the Swap Agreements, 3.765%. See "OUTSTANDING 2000 MEASURE A SALES TAX OBLIGATIONS – Swap Agreements."

(3) Does not reflect the Authority's receipt of any Subsidy Payments with respect to the 2010 Series A Bonds, which are Build America Bonds.

THE LIQUIDITY FACILITY PROVIDER AND THE REIMBURSEMENT AGREEMENT

The Liquidity Facility Provider

The information under this caption "The Liquidity Facility Provider" has been supplied by the Liquidity Facility Provider, The Toronto-Dominion Bank, New York Branch. Neither the Authority nor the Remarketing Agents have verified the accuracy or adequacy of the information provided herein. Neither the Authority nor the Remarketing Agents have made any attempt to determine whether, and no assurance can be given that, the Liquidity Facility Provider is or will be capable of fulfilling its obligations under the Liquidity Facility.

Toronto-Dominion Bank. The Toronto-Dominion Bank ("Toronto-Dominion") and its subsidiaries are collectively known as TD Bank Group. Toronto-Dominion is a Schedule 1 chartered bank subject to the provisions of the Bank Act (Canada), and its head office is located in Toronto, Ontario. Toronto-Dominion is duly licensed to operate its New York branch located at 31 West 52nd Street, New York, NY 10019.

TD Bank Group is the sixth largest bank in North America by branches and serves more than 25 million customers in three key businesses operating in a number of locations in financial centers around the globe: Canadian Retail; U.S. Retail; and Wholesale Banking. Toronto-Dominion had CDN $1.3 trillion in assets on October 31, 2018. Toronto-Dominion also ranks among the world's leading online financial services firms, with approximately 12 million active online and mobile customers. The Toronto-Dominion Bank trades on the Toronto and New York stock exchanges under the symbol "TD."

Toronto-Dominion is "a foreign private issuer" that files certain reports and other public information ("SEC Filings") with the SEC. Copies of SEC Filings can be obtained from Toronto-Dominion by contacting Shareholder Relations, The Toronto-Dominion Bank, P.O. Box 1, Toronto-Dominion Centre, Toronto, Ontario M5K 1A2 (telephone: 416-944-6367 or 1-866-756-8936) or at the SEC's website at www.sec.gov.

The delivery of the information contained in this section shall not create any implication that there has been no change in the affairs of TD Bank Group since the date hereof or that the information contained or referred to in this section is correct as of any time subsequent to its date. The information of TD Bank Group contained herein is furnished solely to provide limited introductory information and does not purport to be comprehensive.

The Reimbursement Agreement

General. The Liquidity Facility Provider has agreed to issue, in favor of the Trustee on behalf of the owners of the 2008 Series Bonds, and pursuant to the Standby Letter of Credit and Reimbursement Agreement, dated as of February 1, 2019 (the "*Reimbursement Agreement*"), by and between the Authority and the Liquidity Facility Provider, an irrevocable standby letter of credit (the "*Liquidity Facility*").

The Liquidity Facility is available solely to pay the Purchase Price of the 2008 Series Bonds that have been tendered, but not remarketed (subject to certain conditions described in the Liquidity Facility), not available for, and does not guarantee, the payment of principal of or interest or redemption premium, if any, of any of the 2008 Series Bonds in the event of non-payment of such principal, interest or redemption premium, if any, by the Authority.

The Liquidity Facility is available to support the 2008 Series Bonds described therein while the 2008 Series A Bonds and 2008 Series B Bonds bear interest at the Weekly Rate and the 2008 Series C Bonds and 2008 Series D Bonds bear interest at the Daily Rate.

The following summary of the Reimbursement Agreement and the Liquidity Facility does not purport to be comprehensive or definitive and is subject to all the terms and provisions of the Reimbursement Agreement and the Liquidity Facility to which reference is made hereby. Investors are urged to obtain and review copies of the Reimbursement Agreement and the Liquidity Facility in order to understand all of the terms of those documents. Copies of the Reimbursement Agreement and the Liquidity Facility may be obtained from the Authority. Capitalized terms used in the following summary which are not otherwise defined in this Remarketing Memorandum shall have the meanings given such terms in the Reimbursement Agreement, as applicable. In the event of any conflict between a definition set forth herein and the corresponding definition set forth in the Reimbursement Agreement or Liquidity Facility, as applicable, the definition set forth in the Reimbursement Agreement or Liquidity Facility, as applicable, shall control for purposes of this section "THE LIQUIDITY FACILITY PROVIDER AND THE REIMBURSEMENT AGREEMENT."

Summary of Certain Terms of the Reimbursement Agreement. Subject to the terms and conditions of the Reimbursement Agreement and the Liquidity Facility, the Liquidity Facility Provider agrees from time to time during the Commitment Period to lend money to pay the Purchase Price of Eligible Bonds that have been tendered, but not remarketed on certain optional and mandatory tender dates, as provided in the Third Supplemental Indenture, but only to the extent that the proceeds of remarketing of such Eligible Bonds are not available therefor. The Liquidity Facility Provider will use its own funds for such purposes. Subject to the extension of the Liquidity Facility pursuant to the Reimbursement Agreement and the Liquidity Facility, the Liquidity Facility Provider's obligation with respect to the related 2008 Series Bonds will end on the earliest of (a) February 18, 2022 (as extended from time to time, the *"Stated Expiration Date"*); (b) the date specified in a certificate in the form set forth in the Liquidity Facility when (i) there are no 2008 Series Bonds outstanding under the Indenture, (ii) on the date specified by the Liquidity Facility Provider in the Notice of Termination Date (which date shall not be sooner than the thirtieth (30^{th}) day (or if such day is not a Business Day, the next following Business Day) after such Notice of Termination Date is received by the Trustee), so long as the Liquidity Facility Provider has provided the funds necessary to pay the Purchase Price of Eligible Bonds tendered solely as a result of such Notice of Termination Date, (iii) the close of business on the Business Day immediately succeeding the date that a Substitute Facility becomes effective under the Supplemental Indenture, so long as the Liquidity Facility Provider has honored any advance of funds to purchase Bonds resulting solely from such substitution, or (iv) the close of business on the Business Day immediately following the date that the interest mode on all of the 2008 Series Bonds has been converted to a mode not covered by the Liquidity Facility; and (c) the date of payment of a Drawing not subject to reinstatement that causes the Available Amount to be reduced to zero; each such date shall be a "Termination Date."

The Liquidity Facility will be issued initially in the amount not exceeding $238,511,631 (as such amount may be reduced or reinstated from time to time). The Available Amount of the Liquidity Facility set forth in the immediately preceding sentence represents the principal amount of the 2008 Series Bonds Outstanding on the date the Liquidity Facility becomes effective plus interest thereon calculated on the basis of 34 days of interest at a rate of 12.00% based on a year comprised of 365 days. The Available Amount may be adjusted from time to time as follows: (a) downward in an amount equal to the amount of any Drawing under the Liquidity Facility; (b) upward in an amount equal to the amount of principal on any Drawing under the Liquidity Facility, or Bank Bond, as applicable, that is repaid and accrued and unpaid interest on such principal that is repaid, including upon the sale of Bank Bonds pursuant to the Reimbursement Agreement; (c) downward in an amount equal to any reduction thereof effected at the option of the Authority pursuant to the Reimbursement Agreement; and (d) downward to zero upon the expiration or termination of the Liquidity Facility in accordance with the terms thereof; provided that at no time shall the Available Amount exceed the Commitment.

The aggregate principal amount of all Drawings made on the date of any such Drawing shall not exceed the Available Amount set forth in the Liquidity Facility (calculated without giving effect to any Drawing made on such date) at 9:00 a.m. (New York City time) on such date. The Principal Component of each Drawing made pursuant to the Liquidity Facility shall constitute an advance to the Authority; provided however, the Interest Component of each Drawing shall be due and payable as set forth in the Reimbursement Agreement.

If, on any Purchase Date during the Commitment Period, the Liquidity Facility Provider receives prior to or at 12:00 p.m. (New York City time), a Drawing from the Trustee, the Liquidity Facility Provider shall, subject to the conditions set forth in the Reimbursement Agreement and described below, pay to the Trustee not later than 2:30 p.m. (New York City time), on such Purchase Date, in immediately available funds, an amount equal to the aggregate Purchase Price of all Eligible Bonds tendered or deemed tendered for purchase on such date but not remarketed as specified in such Drawing.

The obligation of the Liquidity Facility Provider to make an Advance on any date during the Commitment Period is subject to the condition precedent that, on the date of such Advance, the Liquidity Facility Provider shall have timely received a properly presented and conforming Drawing.

Events of Default. The occurrence of any of the following events (whatever the reason for such event and whether voluntary, involuntary, or effected by operation of law) shall be an "*Event of Default*" under the Reimbursement Agreement, unless waived in writing by the Liquidity Facility Provider:

(i) the Authority shall fail to pay when due (A) any principal or sinking fund requirement due on any 2008 Series Bond (including any Bank Bond prior to the commencement of the Bank Bond Amortization Period) or any interest on any 2008 Series Bond (including any Bank Bond) or (B) any principal payment due on any Bank Bond during the Bank Bond Amortization Period pursuant to the Reimbursement Agreement; or

(ii) one or more final, unappealable judgment(s) against the Authority for the payment of money, which judgment(s) is not covered by insurance, and which judgment(s) is to be enforced pursuant to a lien upon, or an attachment against, any or all of the Sales Tax Revenues, the operation or result of which judgment(s), individually or in the aggregate, equal or exceed $10,000,000 and which judgment(s) shall remain unpaid, undischarged, unbonded or undismissed for a period of sixty (60) days; or

(iii) (A) the Authority shall institute, or take any action for the purpose of instituting, a proceeding in a court having jurisdiction in the premises seeking an order for relief, rehabilitation, reorganization, conservation, liquidation or dissolution in respect to the Authority or for any substantial part of its property under any applicable bankruptcy, insolvency or other similar law now or in effect after the effective date of the Reimbursement Agreement, or for the appointment of a receiver, liquidator, assignee, custodian, trustee or sequestrator (or other similar official), (B) the Authority shall become insolvent within the meaning of the Bankruptcy Code, shall state in writing that it is unable generally to pay its debts as they become due, or shall make a general assignment for the benefit of creditors, (C) a moratorium, debt restructuring, debt adjustment or comparable extraordinary restriction with respect to the payment of principal or interest on the 2008 Series Bonds (including Bank Bonds) or any other Parity Obligations of the Authority is imposed or declared by any Governmental Authority of competent jurisdiction pursuant to a final, non-appealable judgment, or (D) the Authority shall impose or declare a moratorium, debt restructuring, debt adjustment, or comparable extraordinary restriction with respect to the payment of principal of or interest on the 2008 Series Bonds (including Bank Bonds) or any other Parity Obligations of the Authority, or shall take any action in furtherance of any of the foregoing; or

(iv) (A) any material provision of the Act, the Reimbursement Agreement or any of the Related Documents shall, at any time, and for any reason, cease to be valid and binding, or shall be declared to be null and void, illegal, invalid or unenforceable; or any Governmental Authority shall contest any such material provision; or any Governmental Authority shall deny that the Authority has any further liability or obligation under any such material provision; (B) any Authorized Representative shall (1) publicly contest or contest in writing, including, without limitation, in an administrative or judicial proceeding, that the Act, the Reimbursement Agreement or any of the other Related Documents is not valid or binding on it, as applicable, (2) repudiate or otherwise deny (including, without limitation, authorizing the filing of a claim to such effect in an administrative or judicial proceeding) (x) its obligations under the Act, the Reimbursement Agreement or any of the other Related Documents, as applicable, or (y) the legality, validity or enforceability of any provision thereof and/or (3) initiate any legal proceedings to seek an adjudication that the Act, the Reimbursement Agreement or any of the other Related Documents or the obligation to repay any Indebtedness secured on a parity with the 2008 Series Bonds under the Indenture is not valid or binding on it; or

(v) any of Moody's, Standard & Poor's, Fitch (in each case, to the extent then rating the Bonds or any Parity Obligation) or any other Rating Agency then rating the 2008 Series Bonds and any Parity Obligation shall have (A) assigned the 2008 Series Bonds or any Parity Obligation a long-term rating below "A2" by Moody's, "A" by Standard & Poor's or "A" by Fitch (or comparable rating in the case of another Rating Agency), (B) withdrawn their long-term ratings of the 2008 Series Bonds or any Parity Obligation for any credit related reasons or (C) suspended their long-term ratings of the 2008 Series Bonds or any Parity Obligation for any credit related reasons; *provided, however*, that any downgrade, withdrawal or suspension described in any of the foregoing provisions of this sub-section (a)(v) shall not be deemed an Event of Default under the Reimbursement Agreement if said downgrade, withdrawal or suspension, as the case may be, shall be attributable to the downgrade, withdrawal or suspension of the long-term ratings assigned to any bond insurance or other credit enhancement provided by a Person other than the Authority; or

(vi) the Authority shall fail to make any payment in respect of principal or interest on any Parity Obligation, issued and outstanding or to be issued, when due (i.e., whether upon said Parity Obligation's scheduled maturity, required prepayment, acceleration, upon demand or otherwise, except as such payments may be accelerated, demanded or required to be prepaid under the Reimbursement Agreement), and such failure shall continue after the applicable grace period, if any, specified in the agreement or instrument relating to such Parity Obligation; or

(vii) a proceeding is instituted in a court having jurisdiction in the premises seeking an order for relief, rehabilitation, reorganization, conservation, liquidation or dissolution in respect to the Authority or for any substantial part of its property under any applicable bankruptcy, insolvency or other similar law now or in effect after the effective date of the Reimbursement Agreement, or for the appointment of a receiver, liquidator, assignee, custodian, trustee or sequestrator (or other similar official) and such proceeding is not dismissed, vacated, discharged or stayed within sixty (60) days of commencement or such court enters an order granting the relief sought in such proceeding; or

(viii) a debt moratorium or comparable extraordinary restriction on repayment of principal or interest on the Authority's Indebtedness shall have been declared or imposed by the State or any other Governmental Authority with jurisdiction over the Authority (whether or not in writing);

(ix) except as otherwise provided in sub-section (i) above, nonpayment of any amounts payable by the Authority to the Liquidity Facility Provider when and as due under the Reimbursement Agreement or under the Fee Letter and such nonpayment shall continue for five (5) Business Days; or

(x) any representation or warranty made by the Authority in the Reimbursement Agreement (or incorporated in the Reimbursement Agreement by reference) or in any of the other Related Documents or in any certificate, document, instrument, opinion or financial or other statement contemplated by or made or delivered pursuant to or in connection with the Reimbursement Agreement or with any of the other Related Documents, shall prove to have been incorrect or untrue in any material respect when made or deemed to have been made; or

(xi) default in the due observance or performance by the Authority of any of the certain covenants specified in the Reimbursement Agreement; or

(xii) default in the due observance or performance by the Authority of any other term, covenant or agreement set forth (or incorporated by reference) in the Reimbursement Agreement or the Fee Letter (other than any term, covenant or agreement specified in this section entitled "Events of Default") and the continuance of such default for thirty (30) days after the occurrence thereof; or

(xiii) excluding any Default or Event of Default otherwise specified in this section entitled "Events of Default," the occurrence of an "event of default" under any Remarketing Agreement, the Indenture, any Parity Obligations or the 2008 Series Bonds which, if not cured, would give rise to remedies available under the applicable Remarketing Agreement or the Indenture, as case may be, after the lapse of any cure period available therefor; or

(xiv) the Authority shall default in the observance or performance of any other agreement or condition relating to any Parity Obligation (other than by virtue of an Event of Default under the Reimbursement Agreement) or contained in any instrument or agreement evidencing, securing or relating thereto, or any other event shall occur or condition exist, the effect of which default or other event or condition is to cause, or to permit the holder or holders of such Parity Obligation (or a trustee or agent on behalf of such holder or holders or beneficiary or beneficiaries) to cause such Parity Obligation to become due and payable; or

(xv) except as otherwise provided in this section entitled "Events of Default," and the section entitled "Remedies" below, an event of default shall occur and be continuing under any other agreement between the Authority and the Liquidity Facility Provider related to the Sales Tax Revenues or under any other obligation owed by the Authority to the Liquidity Facility Provider that is payable from and/or secured by the Sales Tax Revenues; or

(xvi) dissolution or termination of the existence of the Authority if an appropriate Governmental Authority does not, contemporaneously with the dissolution or termination of the existence of the Authority, assume the obligations of the Authority under the Reimbursement Agreement and the other Related Documents to which it is a party related to paying principal of or interest on the 2008 Series Bonds, the Bank Bonds and other Parity Obligations from the 2000 Measure A Sales Tax Revenues.

Remedies.

Upon the occurrence of any Event of Default, the Liquidity Facility Provider shall have all remedies provided at law or equity including, without limitation, specific performance; and in addition, the Liquidity Facility Provider, in its sole discretion, may do one or more of the following: (i) declare all obligations of the Authority to the Liquidity Facility Provider under the Reimbursement Agreement and under the Fee Letter (other than payments of principal and redemption price of and interest on the Bank Bonds unless said Bank Bonds have otherwise become subject to acceleration pursuant to the Indenture) to be immediately due and payable, and the same shall thereupon become due and payable without demand, presentment, protest, notice of intent to accelerate, notice of acceleration or further notice of any kind, all of which are expressly waived in the Reimbursement Agreement; *provided, however*, that any acceleration of the Bank Bonds shall be subject to the limitations thereon set forth in the Indenture; (ii) the Liquidity Facility Provider may give written notice of such Event of Default and termination of the Commitment, the Available Amount and the Liquidity Facility then outstanding (a "*Notice of Termination Date*") to the Trustee, the Authority and the Remarketing Agents requesting a Default Tender; provided, that the obligation of the Liquidity Facility Provider to make Advances to the Trustee to purchase Eligible Bonds shall terminate on the thirtieth (30th) day (or if such day is not a Business Day, the next following Business Day) after such Notice of Termination Date is received by the Trustee and, on such date, the Commitment, the Available Amount and the Liquidity Facility then outstanding shall terminate and the Liquidity Facility Provider shall be under no obligation under the Reimbursement Agreement to make Advances to the Trustee to purchase Eligible Bonds; (iii) exercise any right or remedy available to it under any other provision of the Reimbursement Agreement; or (iv) exercise any other rights or remedies available under the Indenture and any other Related Document, any other agreement or at law or in equity; *provided, further, however*, that the Liquidity Facility Provider shall not have the right to terminate its obligation to make Advances to the Trustee to purchase Eligible Bonds except as provided in this section entitled "Remedies." Notwithstanding anything to the contrary in the Reimbursement Agreement, no failure or delay by the Liquidity Facility Provider in exercising any right, power or privilege under the Reimbursement Agreement, the Indenture and any other Related Document or under the 2008 Series Bonds and no course of dealing between the Authority and the Liquidity Facility Provider shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies provided in the Reimbursement Agreement shall be cumulative and not exclusive of any rights or remedies which the Liquidity Facility Provider would otherwise have.

In addition to the foregoing, upon the occurrence of any Event of Default under the Reimbursement Agreement, all Obligations due and payable under the Reimbursement Agreement and under the Fee Letter shall bear interest at the Default Rate.

Liquidity Facility; Substitution of Alternate Liquidity Facility

The Authority shall maintain a Liquidity Facility in accordance with the provisions of the Indenture with respect to each Series of 2008 Series Bonds; and shall not voluntarily terminate a Liquidity Facility without providing at least 30 days' written notice to the Trustee and each of the other Notice Parties. Pursuant to the provisions of the Indenture, the Authority may provide an Alternate Liquidity

Facility with respect to any 2008 Series Bonds. The Authority shall give at least 30 days' written notice to the Trustee and each of the other Notice Parties of its intent to furnish an Alternate Liquidity Facility to the Trustee. The applicable 2008 Series Bonds shall be subject to mandatory purchase on the Substitution Date.

Certain Notices Relating to a Liquidity Facility

As soon as practicable after receipt of notice from a Liquidity Facility Provider of the termination of a Liquidity Facility, the Trustee shall provide written notice of such termination to the Holders of the affected Series of 2008 Series Bonds. The Trustee shall give written notice to the Holders of the Bonds and each of the Notice Parties of the extension of the Expiration Date of any Liquidity Facility, such notice to be given by mail as promptly as possible upon receipt by the Trustee of notification of such extension.

THE 2000 MEASURE A SALES TAX

2000 Measure A Sales Tax

In November of 2000, more than 70% of the voters in the County voting on such ballot measure approved Measure A ("2000 Measure A") implementing a 30-year half-cent sales tax that became effective on April 1, 2006 and is scheduled to expire on March 31, 2036. The 2000 Measure A Sales Tax is a special retail transactions and use tax of one-half of one percent (0.5%) of the gross receipts of retailers from the sale of all tangible personal property sold at retail in the County and a use tax at the same rate upon the storage, use or other consumption in the County of such property purchased from any retailer for storage, use or other consumption in the County, subject to certain exceptions. Revenues from the 2000 Measure A Sales Tax may be used to finance the transit projects and operations listed in 2000 Measure A, the ordinance which imposed the 2000 Measure A Sales Tax (the "2000 Measure A Ordinance") and in the Authority's Valley Transportation Plan, which was formulated to provide a balanced transportation system consisting of transit, roadway, bicycle and pedestrian improvements. See "The 2000 Measure A Program" herein.

Collection of the 2000 Measure A Sales Tax is administered by the CDTFA. The Authority has authorized the CDTFA to make payment of 2000 Measure A Sales Tax Revenues directly to the Trustee. Pursuant to its procedures, the CDTFA projects receipts of the 2000 Measure A Sales Tax on a quarterly basis and remits an advance of such receipts to the Trustee on a monthly basis based on such projection. During the last month of each quarter, the CDTFA adjusts the amount remitted to reflect the actual receipts of the 2000 Measure A Sales Tax for the prior quarter and to deduct the full amount of the administrative fee for the prior quarter. Upon receipt of the 2000 Measure A Sales Tax Revenues, the Trustee retains an amount necessary to meet debt service requirements and make the other deposits required by the Indenture and the balance is then forwarded to the Authority.

The 2000 Measure A Sales Tax is generally imposed upon the same transactions and items subject to the 7.25% sales and use tax levied statewide by the State (hereinafter collectively referred to as the "State Sales Tax"), with generally the same exceptions. In general, the State Sales Tax applies to the gross receipts of retailers from the sale of tangible personal property. The State use tax is imposed on the storage, use or other consumption in the State of property purchased from a retailer for such storage, use or other consumption. Since the use tax does not apply to cases where the sale of the property is subject to the sales tax, the application of the use tax generally is to purchases made outside of the State for use within the State.

Many categories of transactions are exempt from the State Sales Tax and the 2000 Measure A Sales Tax. The most important of these exemptions are: sales of food products for home consumption, prescription medicine, edible livestock and their feed, seed and fertilizer used in raising food for human consumption, and gas, electricity and water when delivered to consumers through mains, lines and pipes. In addition, "Occasional Sales" (*i.e.*, sales of property not held or used by a seller in the course of activities for which he or she is required to hold a seller's permit) are generally exempt from the State Sales Tax and from the 2000 Measure A Sales Tax; however, the "Occasional Sales" exemption does not apply to the sale of an entire business or other sales of machinery and equipment used in a business. Sales of property to be used outside the county which are shipped to a point outside the county, pursuant to the contract of sale, by delivery to such point by the retailer, or by delivery by the retailer to a carrier for shipment to a consignee, at such point, are exempt from the State Sales Tax and from the 2000 Measure A Sales Tax.

Action by the State Legislature or by voter initiative or judicial interpretation of state law could change the transactions and items upon which the State Sales Tax and the 2000 Measure A Sales Tax are imposed. Such changes or amendments could have either an adverse or beneficial effect on 2000 Measure A Sales Tax Revenues. The Authority is not currently aware of any proposed legislative change which would have a material adverse effect on 2000 Measure A Sales Tax Revenues. See also "INVESTMENT CONSIDERATIONS – Proposition 218" herein.

1976 Sales Tax

In addition to the 2000 Measure A Sales Tax, the Authority levies another retail transactions and use tax of one-half of one percent (0.5%) for transportation purposes (the "1976 Sales Tax"). The 1976 Sales Tax, also approved by the voters, is levied against the same sales tax base as the 2000 Measure A Sales Tax. Collection of the 1976 Sales Tax is also administered by the CDTFA and is remitted to the trustee for the senior lien obligations secured by the 1976 Sales Tax pursuant to a separate agreement between the Authority and the CDTFA in the same manner and subject to payment of a separate administrative charge in the same manner as the 2000 Measure A Sales Tax. **The 1976 Sales Tax Revenues do not secure the 2008 Series Bonds.**

2008 Measure B Sales Tax

In November of 2008, over two-thirds of the voters in the County approved Measure B, implementing a one-eighth of one percent (0.125%) sales tax that became effective July 1, 2012 and continues for 30 years (the "2008 Measure B Sales Tax"). The 2008 Measure B Sales Tax is levied against the same sales tax base as the 2000 Measure A Sales Tax, and is dedicated to support the operation and maintenance of the BART to Silicon Valley Project. Collection of the 2008 Measure B Sales Tax is administered by the CDTFA in virtually the same manner as the 2000 Measure A Sales Tax. **The 2008 Measure B Sales Tax Revenues do not secure the 2008 Series Bonds.**

2016 Measure B Sales Tax

In November of 2016, over two-thirds of the voters in the County approved Measure B, implementing a one-half of one percent (0.5%) sales tax (the "2016 Measure B Sales Tax") that became effective April 2017 and continues for 30 years, expiring on March 31, 2047. The 2016 Measure B Sales Tax is levied against the same sales tax base as the 2000 Measure A Sales Tax, and will help fund a series of transportation related projects including local streets and roads repair, bicycle/pedestrian improvements, Caltrain grade separations, and Phase II of the BART extension. **The 2016 Measure B Sales Tax Revenues do not secure the 2008 Series Bonds.**

In January 2017, a County resident individually filed a lawsuit against the Authority challenging the validity of the 2016 Measure B Sales Tax. (*Cheriel Jensen v. Santa Clara Valley Transportation Authority, et al.*, Santa Clara County Superior Court Case No. 17-CV-304960). As a result of the litigation and pursuant to Section 7270(c) of the California Revenue and Taxation Code, the Authority has been required to keep all 2016 Measure B Sales Tax collections (approximately $374,000,000) in an escrow account until the legality of the tax is resolved by a final and non-appealable decision. On October 18, 2018, the Sixth District Court of Appeal issued a decision to uphold the validity of the 2016 Measure B Sales Tax, holding the measure enforceable as written. On January 23, 2019, the California Supreme Court denied the Plaintiff's petition for further review. The Authority is currently pursuing a final order from the trial court to release the funds in the escrow account.

Other Sales Taxes Levied within the County

In addition to the sales taxes described above, in November 2012, over two-thirds of the voters in the County approved a one-eighth of one percent (0.125%) sales tax for general purposes that became effective April 1, 2013 and continues for ten years. In addition, the cities of Campbell ("Campbell"), and San Jose ("San Jose"), each located within the County, approved a one-quarter of one percent (0.25%) sales tax. The Campbell sales tax does not expire. **These sales taxes do not secure any of the Bonds, including the 2008 Series Bonds.**

Accounting for all the various sales taxes described above, transactions in the County are being taxed at an effective rate of 9.00% outside of Campbell and San Jose and 9.25% within Campbell and San Jose.

Historical Sales Tax Revenues

The following table shows 2000 Measure A Sales Tax Revenues reported by the Authority during the ten Fiscal Years ended June 30, 2018.

Fiscal Years Ended June 30, 2009 – 2018

Fiscal Year Ended June 30	2000 Measure A Sales Tax	Rate of Change
2009	$137,260,570	(14.5)%
2010	139,305,038	1.5
2011	152,855,102	9.7
2012	166,279,983	8.8
2013	176,533,671	6.2
2014	186,301,711	5.5
2015	199,652,765	7.2
2016	205,635,594	3.0
2017	208,671,692	1.5
2018	207,870,177	(0.4)[1]

[1] Decrease was attributable to the CDTFA's delayed transfer of 2000 Measure A Sales Taxes to the Authority.
Source: The Authority.

For a summary of historical taxable retail sales within the County see the table entitled "County of Santa Clara, Taxable Transactions by Sector" in APPENDIX C – "COUNTY OF SANTA CLARA DEMOGRAPHIC AND ECONOMIC INFORMATION."

2000 Measure A Sales Tax Revenues

Based on 2000 Measure A Sales Tax Revenues for Fiscal Year ended June 30, 2018, which amounted to $207,870,177, 2000 Measure A Sales Tax Revenues are anticipated to equal at least 2.83 times Maximum Annual Debt Service on the Bonds through April 1, 2036, the final maturity of the 2008 Series Bonds, assuming such Maximum Annual Debt Service amounts as are shown in the table "DEBT SERVICE SCHEDULE" herein.

THE 2000 MEASURE A PROGRAM

General

Revenues from the 2000 Measure A Sales Tax may be used to finance the transit projects and the increased cost of operations as described in the 2000 Measure A Ordinance and the Authority's Valley Transportation Plan (see APPENDIX A – "SANTA CLARA VALLEY TRANSPORTATION AUTHORITY – Authority Capital Improvement Programs" and "– Valley Transportation Plan"), which was formulated to provide a balanced transportation system consisting of transit, roadway, bicycle and pedestrian improvements.

The 2000 Measure A Transit Improvement Program

The 2000 Measure A Transit Improvement Program, which represents the transit portion of the Authority's Valley Transportation Plan and is funded primarily by 2000 Measure A Sales Tax Revenues, consists of those projects and increased operations included in the 2000 Measure A Ordinance, as noted below.

- Extend San Francisco Bay Area Rapid Transit District service ("BART") from Fremont through Milpitas to Downtown San Jose and the Santa Clara Caltrain Station (the "Silicon Valley Rapid Transit Project" or "SVRT");
- Provide connections from the San Jose International Airport to BART, Caltrain commuter rail service ("Caltrain") and the Authority's light rail system;
- Extend the Authority's light rail system from Downtown San Jose to the East Valley portion of the County ("DTEV Extension");
- Purchase low floor light rail vehicles to better serve the disabled, senior and other segments of the ridership;
- Improve Caltrain by extending the system's double track to Gilroy and providing funds to electrify the system;
- Increase Caltrain service;
- Construct a new Palo Alto Intermodal Transit Center;
- Improve bus service in major bus corridors;
- Upgrade the Altamont Commuter Express ("ACE") service;
- Improve the Highway 17 express bus service;
- Connect Caltrain with the Dumbarton Rail Corridor (serving Alameda and San Mateo County);
- Purchase zero emission buses and construct service facilities;

- Provide funds to develop new light rail corridors;
- Fund operating and maintenance costs associated with increased bus, rail and paratransit service.

The Authority intends to implement as many of the projects included in the 2000 Measure A Ordinance as feasible within a framework of projected revenues, including 2000 Measure A Sales Tax Revenues. Projects that have been identified for advancement during the next ten years are included in the Authority's Measure A Capital Improvement Programs (see APPENDIX A – "SANTA CLARA VALLEY TRANSPORTATION AUTHORITY – Authority Capital Improvement Programs – Short Range Transportation Plan"). The Authority publishes a semi-annual status report as a periodic update regarding the implementation of the 2000 Measure A Transit Improvement Program (the most current copy of which may be requested through the Authority).

Future Financing Plans

The 2000 Measure A Transit Improvement Program anticipates significant capital expenditures to be incurred over approximately the next ten Fiscal Years. The Authority expects to fund these projects with a combination of monies including a Full Funding Grant Agreement ("FFGA"), State transportation grant funds and 2000 Measure A Sales Tax Revenues and bond proceeds. The Authority currently plans to issue additional bonds secured by 2000 Measure A Sales Tax Revenues to finance these projects, in particular to finance a portion of the cost of Phase 2 of the BART to Silicon Valley Project. Such financing is currently anticipated to occur in Fiscal Year 2023 or later, depending on availability of other funding sources. The Authority manages the implementation of its 2000 Measure A Transit Improvement Program based on project readiness and the availability of funding and may advance or slow down delivery of projects in response to current conditions. To the extent additional projects are identified for implementation within this timeframe, there could be additional bonding needs. The issuance of additional bonds or other obligations is subject to the requirements of the Indenture and Authority Board approval. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Additional Bonds and Parity Obligations" herein.

INVESTMENT CONSIDERATIONS

The following information should be considered by prospective investors in evaluating the 2008 Series Bonds. However, the following does not purport to be an exhaustive listing of risks and other considerations which may be relevant to investing in the 2008 Series Bonds. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such consideration.

Economy of the County and the State

The 2008 Series Bonds are secured by a pledge of 2000 Measure A Sales Tax Revenues, which consist of the 2000 Measure A Sales Tax less an administrative fee paid to the CDTFA. The level of 2000 Measure A Sales Tax Revenues collected at any time is dependent upon the level of retail sales within the County, which is, in turn, dependent upon the level of economic activity in the County and in the State generally. As a result, any substantial deterioration in the level of economic activity within the County or in the State could have a material adverse impact upon the level of 2000 Measure A Sales Tax Revenues and therefore upon the ability of the Authority to pay principal of and interest on the 2008 Series Bonds. See "THE 2000 MEASURE A SALES TAX – Historical Sales Tax Revenues" herein.

For information relating to economic conditions within the County and the State, see APPENDIX C – "COUNTY OF SANTA CLARA DEMOGRAPHIC AND ECONOMIC INFORMATION."

The 2000 Measure A Sales Tax

With limited exceptions, the 2000 Measure A Sales Tax is imposed upon the same transactions and items subject to the sales tax levied statewide by the State. The State Legislature or the voters within the State, through the initiative process, or judicial decisions interpreting State law, could change or limit the transactions and items upon which the State Sales Tax and the 2000 Measure A Sales Tax are imposed. Any such change or limitation could have an adverse impact on the 2000 Measure A Sales Tax Revenues collected. For a further description of the 2000 Measure A Sales Tax, see "THE 2000 MEASURE A SALES TAX" herein.

Proposition 218

On November 5, 1996, voters in the State approved an initiative known as the Right to Vote on Taxes Act ("Proposition 218"). Proposition 218 added Articles XIIIC and XIIID to the California Constitution. Article XIIIC requires majority voter approval for the imposition, extension or increase of general taxes and two-thirds voter approval for the imposition, extension or increase of special taxes by a local government, which is defined to include local or regional governmental agencies such as the Authority. The 2000 Measure A Sales Tax received the approval of more than two-thirds of the voters as required by Article XIIIC. However, Article XIIIC also removes limitations that may have applied to the voter initiative power with regard to reducing or repealing previously authorized taxes. In the opinion of the Authority, however, any attempt by the voters to use the initiative provisions under Proposition 218 to rescind or reduce the levy and collection of the 2000 Measure A Sales Tax in a manner which would prevent the payment of debt service on the 2008 Series Bonds or the other Bonds would violate the Impairment Clause of the United States Constitution and, accordingly, would be precluded. However, it is likely that the interpretation and application of Proposition 218 will ultimately be determined by the courts.

Further Initiatives

Proposition 218 was adopted as measures that qualified for the ballot pursuant to California's initiative process. From time to time other initiative measures could be adopted, which may affect the Authority's ability to levy and collect the 2000 Measure A Sales Tax.

Limitations of Liquidity Facility and Related Risks

The ability to obtain funds under any Liquidity Facility, including the Liquidity Facility issued by the Liquidity Facility Provider, in accordance with its respective terms may be limited by federal or state law. Bankruptcy, conservatorship, receivership and similar laws governing financial institutions may prevent or restrict payment under a Liquidity Facility, including the Liquidity Facility issued by Toronto-Dominion. If funds are not provided to pay Purchase Price of any tendered 2008 Series Bond pursuant to a draw on a Liquidity Facility, the Authority may, but is not obligated to, provide funds to pay such Purchase Price. To the extent the short-term rating on the principal of and interest on any 2008 Series Bonds depends in any manner on the rating of the Liquidity Facility Provider then providing the Liquidity Facility for such 2008 Series Bonds, the short-term ratings on such 2008 Series Bonds could be downgraded or withdrawn if such Liquidity Facility Provider was downgraded, placed on credit watch or had its credit suspended or withdrawn or refused to perform under its Liquidity Facility.

Investment Considerations Related to Variable Rate Bonds and Interest Rate Swaps

The 2008 Series Bonds are variable rate bonds. Each Series of 2008 Series Bonds may be converted to fixed rate bonds. However, the Authority's protection against rising interest rates is limited because the Authority would be required to continue to pay interest at variable rates until such time as the Authority is permitted to convert 2008 Series Bonds to fixed rate bonds pursuant to the provisions of the Indenture.

As described above under the caption "OUTSTANDING 2000 MEASURE A SALES TAX OBLIGATIONS – Swap Agreements," the Authority has entered into the Swap Agreements to manage its interest rate exposure with respect to the 2008 Series Bonds. The total notional amount of the Swap Agreements is equal to the aggregate principal amount of the 2008 Series Bonds, excluding the amount of 2008 Series A Bonds that were subject to mandatory sinking fund redemption on April 1, 2009. In accordance with the provisions of the Swap Agreements, the Authority will pay a fixed rate of interest to the Counterparties and will receive a variable rate of interest from the Counterparties, the effect of which is intended to achieve a synthetic fixed interest rate.

The variable rate of interest received by the Authority on the Swap Agreements may be less than the variable rate of interest on the 2008 Series Bonds, which would effectively increase the borrowing costs of the Authority. Debt service on the 2008 Series Bonds shown in the debt service schedule set forth above under the caption, "DEBT SERVICE SCHEDULE" has been calculated based on the fixed rate of interest payable by the Authority to the Counterparties established pursuant to the Swap Agreements. Actual debt service on the 2008 Series Bonds may be higher or lower than the debt service shown in the Debt Service Schedule. In addition, if one or more of the Swap Agreements were to be terminated for any reason, the Authority would have variable interest rate exposure. For a discussion of additional investment considerations relating to the Swap Agreements, see also "OUTSTANDING 2000 MEASURE A SALES TAX OBLIGATIONS – Swap Agreements."

No Acceleration Provision

The Indenture does not contain a provision allowing for the acceleration of the 2008 Series Bonds in the event of a default in the payment of principal and interest on the 2008 Series Bonds when due. In the event of a default by the Authority, each Owner of a 2008 Series Bond will have the rights to exercise the remedies, subject to the limitations thereon, set forth in the Indenture. See APPENDIX D – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE."

Impact of Bankruptcy of the Authority

The Authority may be authorized to file for Chapter 9 municipal bankruptcy under certain circumstances. Should the Authority file for bankruptcy, there could be adverse effects on the holders of the 2008 Series Bonds.

If the 2000 Measure A Sales Tax Revenues are "special revenues" under the Bankruptcy Code, then 2000 Measure A Sales Tax Revenues collected after the date of the bankruptcy filing should be subject to the lien of the Indenture. "Special revenues" are defined to include taxes specifically levied to finance one or more projects or systems, excluding receipts from general property, sales, or income taxes levied to finance the general purposes of the governmental entity. The 2000 Measure A Sales Tax was levied to finance the Expenditure Plan, which includes a number of projects, including the Project, and some of these projects are described in broad terms. If a court determined that the 2000 Measure A Sales Tax was levied to finance the general purposes of the Authority, rather than specific projects, then 2000 Measure A Sales Tax Revenues would not be special revenues. No assurance can be given that a court would not hold that the 2000 Measure A Sales Tax Revenues are not special revenues or are not subject to the lien of the Indenture. Were the 2000 Measure A Sales Tax Revenues determined not to be "special revenues," then 2000 Measure A Sales Tax Revenues collected after the commencement of a bankruptcy case would likely not be subject to the lien of the Indenture. The holders of the 2008 Series Bonds may not be able to assert a claim against any property of the Authority other than the 2000 Measure A Sales Tax Revenues, and were these amounts no longer subject to the lien of the Indenture following commencement of a bankruptcy case, then there could thereafter be no amounts from which the holders of the 2008 Series Bonds are entitled to be paid.

The Bankruptcy Code provides that special revenues can be applied to necessary operating expenses of the project or system from which the special revenues are derived, before they are applied to other obligations. This rule applies regardless of the provisions of the transaction documents. The law is not clear as to whether, or to what extent, 2000 Measure A Sales Tax Revenues would be considered to be "derived" from the Project. To the extent that 2000 Measure A Sales Tax Revenues are determined to be derived from the Project, the Authority may be able to use 2000 Measure A Sales Tax Revenues to pay necessary operating expenses of the Project, before the remaining 2000 Measure A Sales Tax Revenues are turned over to the Trustee to pay amounts owed to the holders of the 2008 Series Bonds. It is not clear precisely which expenses would constitute necessary operating expenses.

If the Authority is in bankruptcy, the parties (including the holders of the 2008 Series Bonds) may be prohibited from taking any action to collect any amount from the Authority or to enforce any obligation of the Authority, unless the permission of the bankruptcy court is obtained. These restrictions may also prevent the Trustee from making payments to the holders of the 2008 Series Bonds from funds in the Trustee's possession. The procedure pursuant to which 2000 Measure A Sales Tax Revenues are paid directly by the CDTFA to the Trustee may no longer be enforceable, and the Authority may be able to require the CDTFA to pay 2000 Measure A Sales Tax Revenues directly to the Authority.

The Authority as a debtor in bankruptcy may be able to borrow additional money that is secured by a lien on any of its property (including 2000 Measure A Sales Tax Revenues), which lien could have priority over the lien of the Indenture, or to cause some 2000 Measure A Sales Tax Revenues to be released to it, free and clear of lien of the Indenture, in each case provided that the bankruptcy court determines that the rights of the Trustee and the holders of the 2008 Series Bonds will be adequately protected. The Authority may also be able, without the consent and over the objection of the Trustee and the holders of the 2008 Series Bonds, to alter the priority, interest rate, payment terms, collateral, maturity dates, payment sources, covenants (including tax-related covenants), and other terms or provisions of the Indenture and the 2008 Series Bonds, provided that the bankruptcy court determines that the alterations are "fair and equitable."

There may be delays in payments on the 2008 Series Bonds while the court considers any of these issues. There may be other possible effects of a bankruptcy of the Authority that could result in delays or reductions in payments on the 2008 Series Bonds, or result in losses to the holders of the 2008 Series Bonds. Regardless of any specific adverse determinations in an Authority bankruptcy proceeding, the fact of an Authority bankruptcy proceeding could have an adverse effect on the liquidity and value of the 2008 Series Bonds.

For a description of the Authority's finances and operations, see APPENDIX A – "SANTA CLARA VALLEY TRANSPORTATION AUTHORITY" and APPENDIX B – AUDITED FINANCIAL STATEMENTS OF THE AUTHORITY FOR THE FISCAL YEAR ENDED JUNE 30, 2018."

Ratings

The Authority has furnished to S&P's Global Ratings ("S&P") and Moody's Investors Service, Inc. ("Moody's") certain information respecting the 2008 Series Bonds and the Authority. See "RATINGS." Generally, rating agencies base their ratings on such information and materials and their own investigations, studies and assumptions. Such ratings are subject to revision or withdrawal at any time by the applicable rating agency, and there is no assurance that any rating will continue for any period of time or that they will not be lowered or withdrawn. Any reduction or withdrawal of any rating on the 2008 Series Bonds may have an adverse effect on the market price of the 2008 Series Bonds.

LIBOR Risk Factors

Portions of the definition of "Debt Service" in the Indenture use LIBOR as a proxy for interest on variable rate bonds. Regulators and law enforcement agencies from a number of governments have been conducting investigations relating to the calculation of LIBOR across a range of maturities and currencies, and certain financial institutions that are member banks surveyed by the British Bankers' Association (the "BBA") in setting daily LIBOR have entered into agreements with the U.S. Department of Justice, the U.S. Commodity Futures Trading Commission and/or the Financial Services Authority in order to resolve the investigations. Further, LIBOR and other indices which are deemed "benchmarks" are the subject of recent national, international, and other regulatory guidance and proposals for reform. Some of these reforms are already effective while others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past, or have other consequences which cannot be predicted.

The Authority notes that the United Kingdom's Finance Conduct Authority ("FCA"), a regulator of financial services firms and financial markets in the United Kingdom, has stated that they will plan for a phase out of LIBOR with a target end to the indices in 2021. It is not possible to predict the effect of the FCA announcement, any changes in the method in which LIBOR rates are determined, or any other reforms to LIBOR that will be enacted in the United Kingdom and elsewhere. Changes announced by the FCA in the method pursuant to which LIBOR rates are determined may result in a sudden or prolonged increase or decrease in LIBOR rates, and may affect the Authority through references to LIBOR in the 2008 Series Bonds documents such as the Indenture and payments received by the Authority under four Swap Agreements. Furthermore, uncertainty about LIBOR and the nature and timing of adoption of LIBOR alternatives may adversely impact the current and future trading market for, and the market price of, LIBOR-based financial instruments, such as the four Swap Agreements.

Partial Federal Government Shutdown

The Authority receives substantial federal funds for assistance payments and other programs. On December 22, 2018, the United States federal government entered a partial shutdown due to Congressional failure to enact a regular budget or a continuing resolution for the 2019 fiscal year. On January 25, 2019, legislation was enacted to temporarily re-open the federal government until February 15, 2019. The shutdown resulted in the furlough of certain federal workers and suspension of certain services not exempted by law, and all routine, ongoing operational and administrative activities relating to contract or grant administration (including payment processing) were suspended. During the shutdown, federal discretionary grants that are administered to local governments, including local transportation authorities such as the Authority, from unfunded federal agencies were unavailable for reimbursement to local governments.

If federal appropriations, budgets or debt ceiling increases are not enacted on a timely basis in the future, such events could have a material adverse effect on the financial markets and economic conditions in the United States and an adverse impact on the Authority's finances. The Authority cannot predict the outcome of future federal budget deliberations and the impact that such budgets or subsequent shutdowns will have on the Authority's finances and operations.

FINANCIAL STATEMENTS

The financial statements of the Authority for the Fiscal Year ended June 30, 2018, included in APPENDIX B of this Remarketing Memorandum have been audited by Vavrinek, Trine, Day & Co., LLP, independent auditors, as stated in their report therein. Vavrinek, Trine, Day & Co., LLP was not requested to consent to the inclusion of its report in APPENDIX B, nor has it undertaken to update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Remarketing Memorandum, and no opinion is expressed by Vavrinek, Trine, Day & Co., LLP with respect to any event subsequent to the date of its report. The Authority represents that there has been no material adverse change in its financial position since June 30, 2018.

LITIGATION

There is not now pending or, to the knowledge of the Authority, threatened, any litigation concerning or affecting the validity of the 2000 Measure A Sales Tax or the original issuance of the 2008 Series Bonds. Neither the creation, organization or existence of the Authority, nor the title of the present members of the Authority to their respective offices is being contested. See APPENDIX A – "SANTA CLARA VALLEY TRANSPORTATION AUTHORITY – Litigation."

TAX MATTERS

On the original issuance date of the 2008 Series Bonds, Orrick, Herrington & Sutcliffe LLP, bond counsel, rendered its opinion that based upon an analysis of existing laws, regulations, rulings, and court decisions, interest on the 2008 Series Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. A complete copy of such opinion is attached as APPENDIX F hereto. Such opinion will not be updated in connection with the remarketing of the 2008 Series Bonds hereunder.

LEGAL MATTERS

On the original issuance date of the 2008 Series Bonds, Orrick, Herrington & Sutcliffe LLP, rendered its opinion as to the validity and enforceability of the 2008 Series Bonds. The opinion of Orrick, Herrington & Sutcliffe LLP has not been updated as of the date of this Remarketing Memorandum. A copy of the approving opinion of Orrick, Herrington & Sutcliffe LLP delivered in connection with the original issuance of the 2008 Series Bonds is attached as APPENDIX F hereto. Norton Rose Fulbright US LLP is currently serving as Bond Counsel and Disclosure Counsel to the Authority. As Bond Counsel to the Authority, Norton Rose Fulbright US LLP is not providing any opinion to the Owners with respect to the validity and enforceability of the 2008 Series Bonds or with respect to any tax matters in connection with 2008 Series Bonds. Certain legal matters will be passed on for the Authority by its General Counsel and for the Liquidity Facility Provider by Chapman and Cutler LLP.

RATINGS

S&P and Moody's have assigned long-term ratings of "AA+" and "Aa2," respectively, to the 2008 Series Bonds.

S&P is expected to assign its short-term rating of "A-1+" to the 2008 Series Bonds, and Moody's has assigned its short-term rating of "VMIG 1" to the 2008 Series Bonds, in each case based on the delivery of the Liquidity Facility. These ratings reflect only the views of the rating agencies, and do not constitute a recommendation to buy, sell or hold securities. The Authority has furnished to the rating agencies certain information respecting the 2008 Series Bonds and the Authority. Generally, rating agencies base their ratings on such information and materials and their own investigations, studies and assumptions. The ratings are subject to revision or withdrawal at any time by the rating agencies, and there is no assurance that the ratings will continue for any period of time or that they will not be lowered or withdrawn. Any reduction or withdrawal of the ratings may have an adverse effect on the market price of the 2008 Series Bonds.

MUNICIPAL ADVISOR

The Authority has retained Ross Financial, San Francisco, California, as municipal advisor (the "Municipal Advisor") in connection with the remarketing of the 2008 Series Bonds. The Municipal Advisor has not undertaken to make an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in this Remarketing Memorandum.

RELATIONSHIPS AMONG THE PARTIES

The Authority has entered into separate Swap Agreements with Goldman Sachs Mitsui Marine Derivative Products, L.P., Bank of America, N.A., and Morgan Stanley Capital Services, Inc. Goldman Sachs Mitsui Marine Derivative Products, L.P. is an affiliate of Goldman, Sachs & Co. LLC, which is the remarketing agent for the 2008 Series A Bonds. Bank of America, N.A. is an affiliate of Merrill Lynch, Pierce, Fenner & Smith Incorporated, which is the remarketing agent for the 2008 Series B Bonds, and both are wholly-owned, indirect subsidiaries of the Bank of America Corporation. Morgan Stanley Capital Services Inc. is an affiliate of Morgan Stanley & Co. LLC, which is the remarketing agent for the 2008 Series D Bonds.

CONTINUING DISCLOSURE

The remarketing of the 2008 Series Bonds is exempt from the continuing disclosure requirements set forth in Securities and Exchange Commission Rule 15c2-12 (the "Rule"), issued under the Securities Exchange Act of 1934, as amended. However, if the Authority has no fixed rate obligations outstanding that is subject to the Rule, the Authority has covenanted to continue to provide continuing disclosure information of the type provided in connection with its fixed rate obligations. Additionally, in accordance with the provisions of the Indenture, upon the conversion of a 2008 Series Bonds to an interest rate mode requiring a continuing disclosure undertaking under the Rule, the Authority has covenanted to comply with the applicable requirements promulgated under the Rule, as it may from time to time hereafter be amended or supplemented, and to incur all costs associated with such continuing disclosure undertaking. Since 2007, the Authority has contracted with Digital Assurance Certification, L.L.C. to assist the Authority with its disclosure filings.

MISCELLANEOUS

The references herein to the Act and the Indenture are brief summaries of certain provisions thereof. Such summaries do not purport to be complete or definitive. For full and complete statements of such provisions reference is made to the Act or said documents, as the case may be. Copies of the Indenture are available for inspection at the Authority and following delivery of the 2008 Series Bonds will be on file at the offices of the Trustee in San Francisco, California.

Any statements in this Remarketing Memorandum involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Remarketing Memorandum is not to be construed as a contract or agreement between the Authority and the purchasers or Owners of any of the 2008 Series Bonds.

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The execution and delivery of this Remarketing Memorandum has been duly authorized by the Authority.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

By: /s/ Raj Srinath
Chief Financial Officer

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APPENDIX A

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

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APPENDIX A

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

All capitalized terms used and not defined in this Appendix A shall have the meanings assigned to such terms in the forepart of the Official Statement to which this Appendix A is attached. Unless otherwise specifically noted herein, source data for tables is provided by the Santa Clara Valley Transportation Authority (the "Authority" or "VTA").

Administration

VTA is an independent special district governed by its own Board of Directors (the "Board"). Board members are elected governing board officials appointed by the jurisdictions they represent, and all jurisdictions within the County of Santa Clara (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 José)	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, Sunnyvale and Santa Clara
Group 6	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 José. (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.)

Current members of the Board and the jurisdictions each Board member represents are set forth below.

As of January 31, 2019
Teresa O'Neill, Chairperson
Cindy Chavez, Vice Chairperson

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

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* These individuals also serve on the MTC.

The Board has established five standing committees, each consisting of four Board members: Administration and Finance Committee, Governance and Audit Committee, Congestion Management Program and Planning Committee, Transit Planning and Operations Committee, and Silicon Valley Rapid Transit Program Working Committee. Several advisory committees have also been formed to make recommendations to the Board on technical and policy issues.

Certain key members of the Authority's administrative staff include the following:

NURIA I. FERNANDEZ – General Manager since December 2013. Ms. Fernandez is a Senior Executive with over 30 years of experience in the transportation field and a professional career that includes, planning, design and construction of mass transit systems, airport operations and policy development of federal transportation programs. Ms. Fernandez previously served as Chief Operating Officer for the State of New York Metropolitan Transportation Authority ("MTA") where she was responsible for the overall security of the MTA system, development of its capital and environmental sustainability programs, federal and state government affairs and management oversight of the five operating agencies and its capital construction.

EVELYNN TRAN – General Counsel since October 2018. Ms. Tran is an executive level legal advisor, litigator, and trial attorney with 20 years of legal experience. Ms. Tran previously served as the Deputy General Counsel from 2015 through 2018 and a Senior Assistant Counsel from 2006 through 2015. Prior to joining VTA, Ms. Tran was a litigation associate at McGrane Greenfield, LLP and Huber Samuelson, APC. Ms. Tran graduated from UC Hastings College of the Law, where she was the Executive Editor of the Hastings Constitutional Law Quarterly; an extern for Federal Magistrate Judge James Larson; and a clerk for the California Attorney General's Office.

CHRIS AUGENSTEIN – Director of Planning & Programming since July 2017. Mr. Augenstein is a Senior Executive with over 28 years of planning experience in the public sector; he was most recently the Deputy Director of Planning at VTA. Prior to joining VTA in 1997, Mr. Augenstein served eight years as Project Manager/Transportation Planner at the Metropolitan Transit Development Board ("MTDB") in San Diego, CA. He earned his Master's Degree in City Planning from San Diego University. Mr. Augenstein is a member of the American Planning Association ("APA") and is certified by the American Institute of Certified Planners ("AICP").

INEZ P. EVANS – Chief Operating Officer since September 2015. Ms. Evans is a Senior Executive with over 20 years of experience in the transportation field that include mass transit operations, design and construction of transit system infrastructure and rail systems and planning. Ms. Evans previously served as Chief Operating Officer for the Southwest Ohio Regional Transit Authority ("SORTA") where she was responsible for the overall day to day operation of fixed-route and paratransit bus operations, fleet maintenance, facilities maintenance and rail services.

ANGELIQUE GAETA – Chief of System Safety and Security since January 2019. Previously Ms. Gaeta served as Chief of Staff since October 2016. Ms. Gaeta is a Senior Executive with over 15 years of experience in the public sector which includes serving as an Interim Assistant City Manager for the City of Half Moon Bay and serving as both an Assistant to the City Manager and a Deputy City Attorney for the City of San Jose. In these roles, Ms. Gaeta has overseen complex regulatory programs and land development projects. She has also served as legal counsel for police departments, fire departments, departments of transportation, and public works departments.

CAROLYN M. GONOT – Director, Engineering and Transportation Infrastructure Development since October 2014. Prior to holding this position, Ms. Gonot served as Chief Silicon Valley Rapid Transit ("SVRT") Program Officer from June 2007 to October 2014. Prior to her appointment as Chief SVRT Program Officer, Ms. Gonot served as Chief Development Officer and as the Deputy Director of the Congestion Management Program. Ms. Gonot has been employed by the Authority since July 1996. Ms. Gonot worked for transportation consulting firms before joining the Authority.

ALBERTO LARA – Director of Business Services since September 2015. Alberto is a senior level executive with many years of experience in the public sector, mainly focused in Human Resources. Mr. Lara spent over 20 years in Washington State working in HR, Risk Management, Customer Service and Technology, primarily as a C-suite level executive. Most recently, Alberto worked for Pierce Transit in Lakewood, WA., as Chief Administrative Officer for the transit authority. Originally from Mexico City, Alberto is fluent in Spanish and English.

JIM LAWSON – Director, Government Affairs. Mr. Lawson joined the Authority as a staff member nine years ago after serving as a Board Member and Chair of the Board of Directors of the Authority. He served as Board Member and Chair of Caltrain, Board Member of Altamont Commuter Express and Capitol Corridor Commuter Rail. Mr. Lawson has over 25 years' experience in transportation and government affairs.

RAJ SRINATH – Chief Financial Officer since October 2014. Mr. Srinath is responsible for the Fiscal Resources division, which include capital program financing, debt administration, financial reporting, accounting, budgeting, investment services, fare-box revenue services, enterprise risk management, and property development. In addition, Mr. Srinath serves as a trustee on the defined benefit plan.

Prior to joining VTA, Mr. Srinath was the Treasurer of Washington Metropolitan Area Transit Authority, and was responsible for managing investments, debt management, custody and distribution of all fare media, and risk management. As the Treasurer of WMATA, Mr. Srinath successfully arranged over a $1.0 billion of financings for infrastructure improvements and railcar acquisition.

As the Associate Treasurer for the District of Columbia and prior to that as the Senior Director of Corporate Finance at Amtrak, he successfully executed over $3.0 billion of financings to fund infrastructure projects and acquisition of rail cars. Mr. Srinath holds a Bachelor of Science degree in Engineering from Bangalore (India) and a Master's degree in Business Administration from Clarion University of Pennsylvania.

Employees

The Authority has approximately 2,220 employees of which approximately 93.9% are represented by unions. The remaining employees are non-represented.

The Amalgamated Transit Union, Division 265 ("ATU"), represents approximately 1,567 employees (70.6% of total Authority employees), including mechanics and maintenance personnel, bus and light rail operators, dispatchers, and customer service representatives. The current agreement between the ATU and the Authority was executed in 2015 and expired on September 30, 2018.

The remaining represented employees consist of: members of Service Employees International Union, Local 521 ("SEIU"), representing approximately 252 employees in technical, paraprofessional and administrative positions; members of American Federation of State, County and Municipal Employees, Local 101 ("AFSCME"), representing approximately 227 employees in managerial, supervisory and other professional level positions; and members of Transit Authority Engineers and Architects ("TAEA"), representing 38 employees in engineering and architect positions. The contract with AFSCME expires on June 19, 2019; SEIU expired on August 5, 2018; and TAEA expires on June 30, 2019.

Contracts are automatically continued beyond their expiration date to facilitate continuation of work during contract negotiations and to date, the Authority has not experienced any strikes by its unionized employees. The Authority began negotiating the terms of successor agreements with SEIU and ATU beginning July and August of 2018, respectively. Contract negotiations with SEIU have concluded with a tentative three-year term successor agreement reached January 15, 2019. SEIU membership's ratification of the negotiated agreement occurred on January 23, 2019 and the VTA Board approved the agreement at its February 7, 2019 meeting.

The Authority's Transit System

The Authority's transit system consists of bus, light rail and other services that are funded from a variety of revenues, but primarily from sales tax revenues (see "Authority Revenues" herein).

Bus Transit Service. The Authority presently operates a bus system providing service to the approximately 346-square-mile urbanized portion of the County, a county of 1,265 square miles with a population of approximately 1.9 million. The Authority currently maintains an active fleet of 457 buses, consisting of 165 diesel-powered, 287 hybrid-diesel-powered buses and 5 electric buses. The average age of these buses is 9.39 years

Buses are operated and maintained from three operating divisions and an Overhaul and Repair ("O&R") facility: Cerone Operating Division, Don Pedro Chaboya Operating Division, North Operating Division and Cerone O&R Division. Along the bus routes, there are approximately 3,800 bus stops, 608 of which have bus shelters. The Authority also maintains nine park and ride lots – two owned by the Authority and the rest provided under a lease, permit or joint use agreement with other agencies.

Light Rail Transit Service. The Authority currently operates and maintains a 42-mile light rail system (the "LRT System") connecting areas of Mountain View, Sunnyvale, Santa Clara, North San José and Milpitas to areas in South San José and Campbell. The Authority's fleet consists of 98 low floor light rail vehicles and four historic trolleys. Currently, the LRT System has 61 stations and 20 park and ride lots, which are fully integrated with the bus system.

Other Services. The Authority provides funding for a portion of the operating and capital costs of the Caltrain commuter rail service. This Caltrain commuter rail service is provided by the Peninsula Corridor Joint Powers Board (the "PCJPB"), which is composed of three member agencies: the Authority, the San Mateo County Transit District ("SamTrans") and the City and County of San Francisco. Ninety-two trains (including 22 express trains) operate between San José Diridon Station and San Francisco each weekday, with 40 of these trains extended to the Tamien Station in San José. Connection to the Authority's light rail system can be made at the Mountain View, San José Diridon, and Tamien Stations. Six peak-hour weekday trains extend south of Tamien station to Gilroy, three in the a.m. and three in the p.m. Hourly weekend service with four additional Express trains is operated between San José Diridon Station and San Francisco. Currently the Authority is responsible for approximately 42.3% of such operating costs.

The Authority is also a member of the Capitol Corridor Joint Powers Authority (the "Capitol Corridor JPA"), which is composed of the Authority, 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"). The Capitol Corridor JPA provides intercity rail service between Sacramento and San José. Thirty weekday trains run between Oakland and Sacramento, with 14 continuing to San José. Stops are located at stations in Auburn, Rocklin, Roseville, Sacramento, Davis, Suisun/Fairfield, Martinez, Richmond, Berkeley, Emeryville, Oakland (2), Hayward, Fremont, Santa Clara (2) and San José. The Authority currently does not provide any funding for this service. Funding for the operating and capital costs of this service is provided by the State of California (the "State of California" or the "State"), federal grants and passenger fares. Pursuant to a contract with the Capitol Corridor JPA, BART manages the service and Amtrak operates the service on tracks owned by Union Pacific Railroad and the PCJPB.

The Authority provides funding for a portion of the operating costs of the Altamont Corridor Express ("ACE") pursuant to a cooperative agreement (the "ACE Agreement") among the Authority, Alameda County Congestion Management Agency and the San Joaquin Regional Rail Commission ("SJRRC"). ACE rail service provides peak hour weekday commuter rail service from the Central Valley to the County. The rail line includes stops located in Stockton, Lathrop/Manteca, Tracy, Livermore (2), Pleasanton, Fremont, Santa Clara (2) and San José. Pursuant to the ACE agreement, funding of operating costs is based on Fiscal Year 2003 contributions, escalated annually by the consumer price index increases. The Authority's share is approximately 42% of the cost of the service. The Authority also provides eight free shuttles to transport ACE riders from the Great America Station (Santa Clara) to major employment sites. These shuttles are funded by a grant from the Transportation Fund for Clean Air through the Bay Area Air Quality Management District and SJRRC.

The Dumbarton Express is overseen by a consortium comprised of representatives from the Alameda-Contra Costa Transit District ("AC Transit"), BART, the City of Union City, SamTrans, and the Authority through a Cooperative Agreement. The Authority currently does not provide any funding for the service, a transbay express bus route operating between the Union City BART station and Stanford University/Stanford Research Park in Palo Alto. Currently Regional Measure 2 funds are used to pay for all operating expenses. AC Transit manages the service which is operated by a private contractor.

The Authority provides funding for a portion of the operating costs of the Highway 17 Express, an inter-county bus service, operating between Santa Cruz, Scotts Valley and downtown San José, through a cooperative arrangement between the Authority, the Santa Cruz Metropolitan Transit District ("Santa Cruz Metro"), the Capitol Corridor JPA and the California Department of Transportation ("Caltrans"). The Authority and Santa Cruz Metro share the majority of net operating costs. The Capitol Corridor JPA and Caltrans also provide funding for the service. Santa Cruz Metro manages and operates the service.

VTA operates paratransit service for eligible individuals who cannot use conventional public transit due to physical, visual or cognitive disabilities. The service, called ACCESS, provides door-to-door service via vehicles compliant with the Americans with Disabilities Act-compliant and driven by professional drivers. As an operator of bus and light rail service, VTA is required by the Americans with Disabilities Act to ensure that paratransit services is provided to areas within ¾ of a mile of where fixed-route transit service is provided while that service is in operation. VTA's Paratransit Policy exceeds the ¾-mile minimum, extending the service area an additional mile, though riders who are traveling to or from a location in the extended service area pay at a premium fare. In addition, VTA offers same-day service for a premium fare. The Authority, in partnership with the City of San José, provides free Airport Flyer bus service connecting the Norman Y. Mineta San José International Airport terminals with the Authority's Metro/Airport Light Rail Station and the Santa Clara Caltrain Station. The City of San José contributes approximately 19% to the net operating costs for this service with the Authority funding the remainder.

The Authority, Monterey-Salinas Transit ("MST") and the Capitol Corridor JPA have entered into a Memorandum of Understanding to provide express bus service operating from Monterey to San José, funded by a federal Jobs Access Reverse Commute grant, the Capitol Corridor JPA and the Authority. The Line 55 Monterey-San José Express is managed and operated by MST and provides daily service with three round trips, covering commute times in the morning, mid-day and evening. The service provides passengers with transfers to and from Capitol Corridor trains that operate between San José-Oakland-Sacramento, Caltrain (including Baby Bullet express trips), and the Authority's bus and light rail services. The service originates in downtown Monterey with other stops in Monterey County before stopping at the Gilroy Caltrain Station, Morgan Hill Caltrain Station, San José State University, downtown San José and the San José Diridon Station.

Authority Revenues

The Authority's primary revenue sources consist of (i) the 2000 Measure A Sales Tax; (ii) the 1976 Sales Tax; (iii) the 2008 Measure B Sales Tax; (iv) the 2016 Measure B Sales Tax; (v) the one-quarter of one percent (0.25%) sales tax imposed pursuant to the California Transportation Development Act of 1971, as amended, described herein under the caption "Transportation Development Act Revenues"; (vi) a portion of the revenues derived from the sales tax on diesel fuel purchases appropriated by the State Legislature to the State Transit Assistance Program ("STA") for public transportation purposes, described herein under the caption "State Transit Assistance Program"; and (vii) passenger fares charged by the Authority.

2000 Measure A Sales Tax Revenues

In November of 2000, more than 70% of the voters in the County voting on such ballot measure approved Measure A ("2000 Measure A"), implementing a 30-year, half-cent sales tax that became effective on April 1, 2006 and is scheduled to expire on March 31, 2036 (the "2000 Measure A Sales Tax"). The 2000 Measure A Sales Tax is a half-cent (0.05%) sales and use tax levied on the sale, use or storage of tangible property within Santa Clara County. Revenues from the 2000 Measure A Sales Tax may be used to fund the transit projects and operations listed in 2000 Measure A, the ordinance which imposed the 2000 Measure A Sales Tax. 20.75% of the annual 2000 Measure A Sales Tax Revenues are used to support operating expenses.

Collection of the Authority's 2000 Measure A Sales Tax Revenues are administered by the CDTFA. The Authority has authorized the CDTFA to remit 2000 Measure A Sales Tax Revenues directly to the 2000 Measure A Sales Tax Bond Trustee. Pursuant to its procedures, the CDTFA projects receipts of the 2000 Measure A Sales Tax on a quarterly basis and for each quarter, remits two estimated advance payments and a third cleanup payment, less CDTFA's administrative fees, in order to remit actual tax collected for the quarter. Upon receipt of the 2000 Measure A Sales Tax Revenues by the 2000 Measure A Sales Tax Bond Trustee, the Trustee retains an amount necessary to meet debt service requirements and make the other deposits required by the Indenture. Amounts remaining after the deposits are released from the lien and forwarded to the Authority. The 2000 Measure A Sales Tax secures the 2008 Series Bonds.

1976 Sales Tax Revenues

In November of 1976, voters in Santa Clara County approved a ballot measure implementing a sales and use tax with no sunset date. (the "1976 Sales Tax"). The 1976 Sales Tax is a half-cent (0.05%) sales and use tax levied on the sale, use or storage of tangible property within Santa Clara County. Revenues from the 1976 Sales Tax may be used to fund transit projects and operations, and are the primary funding source for the Authority's transit operations. **The 1976 Sales Tax Revenues do not secure the 2008 Series Bonds**.

Collection of the Authority's 1976 Sales Tax Revenues are administered by the CDTFA. The Authority has authorized the CDTFA to remit 1976 Sales Tax Revenues directly to the Trustee for VTA's sales tax revenue bonds secured by the 1976 Sales Tax. Pursuant to its procedures, the CDTFA projects receipts for the tax on a quarterly basis and for each quarter, remits two estimated advance payments and a third cleanup payment, less CDTFA's administrative fees, in order to remit actual tax collected for the quarter. Upon receipt of the 1976 Sales Tax Revenues, the Trustee retains an amount necessary to meet debt service requirements and make the other deposits required by the 1976 Sales Tax revenue bond indenture. Amounts remaining after the deposits are released from the lien and forwarded to the Authority.

The following table shows the total amount of 1976 Sales Tax and 2000 Measure A Sales Tax received during the 15 fiscal years ended June 30, 2018.

Santa Clara Valley Transportation Authority
Historical Sales Tax Revenues
1976 Sales Tax Revenues and 2000 Measure A Revenues
Fiscal Years Ended June 30, 2004 – 2018

Fiscal Year Ended June 30	1976 Sales Tax Revenues	Rate of Change	2000 Measure A Sales Tax Revenues[(1)]	Rate of Change
2004	138,917,173	4.7	-	-
2005	145,008,106	4.4	-	-
2006	157,283,101	8.5	$38,169,934	-
2007	163,675,750	4.1	161,360,552	-
2008	163,037,594	-0.4	160,536,904	-0.5%
2009	137,641,999	-15.6	137,260,570	-14.5
2010	140,036,709	1.7	139,305,038	1.5
2011	153,601,839	9.7	152,855,102	9.7
2012	166,567,320	8.4	166,279,983	8.8
2013	176,715,771	6.1	176,533,671	6.2
2014	186,431,256	5.5	186,301,711	5.5
2015	199,220,925	6.9	199,652,765	7.2
2016	205,418,423	3.1	205,635,594	3.0
2017	209,005,407	1.7	208,671,692	1.5
2018	207,588,092	-0.68	207,870,177	-0.38[(2)]

(1) Collection of 2000 Measure A Sales Tax began April 1, 2006.
(2) Decrease was attributable to the CDTFA's delayed transfer of 2000 Measure A Sales Taxes to the Authority.

2008 Measure B Sales Tax

In November of 2008, over two-thirds of the voters in Santa Clara County approved Measure B, implementing a one-eighth of one percent (0.125%) sales and use tax that became effective July 1, 2012 and continues for 30 years (the "2008 Measure B Sales Tax"), expiring on June 30, 2042. The 2008 Measure B Sales Tax is levied, collected and administered on the same basis the 1976 Sales Tax and 2000 Measure A Sales Tax by the CDTFA. The 2008 Measure B Sales Tax is limited in use to support the operation and maintenance of the BART to Silicon Valley Extension. **The 2008 Measure B Sales Tax Revenues do not secure the 2008 Series Bonds.**

2016 Measure B Sales Tax

In November of 2016, over two-thirds of the voters in Santa Clara County approved Measure B, implementing a one-half of one percent (0.5%) sales tax (the "2016 Measure B Sales Tax") that became effective April 1, 2017 and continues for 30 years (the "2016 Measure B Sales Tax"), expiring on March 31, 2047. The 2016 Measure B Sales Tax is levied, collected and administered by CDTFA on the same basis the Authorities other taxes described above. Uses of the tax were specified in the ballot measure and will help fund a series of transportation related projects including local streets and roads repair, bicycle/pedestrian improvements, Caltrain grade separations, and Phase II of the BART extension. The 2016 Measure B Sales Tax do not secure the 2000 Measure A Sales Tax 2008 Series Bonds.

In January 2017, a County resident individually filed a lawsuit against the Authority challenging the validity of the 2016 Measure B Sales Tax. (*Cheriel Jensen v. Santa Clara Valley Transportation Authority, et al.*, Santa Clara County Superior Court Case No. 17-CV-304960). As a result of the litigation and pursuant to Section 7270(c) of the California Revenue and Taxation Code, the Authority has been required to keep all 2016 Measure B Sales Tax collections (approximately $374,000,000) in an escrow account until the legality of the tax is resolved by a final and non-appealable decision. On October 18, 2018, the Sixth District Court of Appeal issued a decision to uphold the validity of the 2016 Measure B Sales Tax, holding the measure enforceable as written. On January 23, 2019, the California Supreme Court denied the Plaintiff's petition for further review. The Authority is currently pursuing a final order from the trial court to release the funds in the escrow account.

Other Revenues

Transportation Development Act Revenues. Transportation Development Act Revenues ("TDA Revenues") are a State subsidy consisting of an allocation of State sales tax revenue under the California Transportation Development Act of 1971, as amended (the "TDA"), whereby a 0.25% levy of the State's sales tax (net of collection costs) is made available for public transportation operating and capital expenses in the county in which the sales tax is collected. TDA Revenues are the Authority's second largest source of revenue for operations and are separate and distinct from revenues derived from the 1976 Sales Tax, the 2000 Measure A Sales Tax, the 2008 Measure B Sales Tax, and the 2016 Measure B Sales Tax.

TDA Revenues are apportioned, allocated and paid by MTC, the regional planning organization for the nine-county San Francisco Bay Area. Under TDA regulations, MTC allocates approximately 11% of the TDA Revenues to fund community and paratransit service programs, facilities for the use of pedestrians and bicycles and the transportation planning and programming process. The Authority receives approximately three-fourths of this 11% allocation. The remaining 89% of the TDA Revenues are allocated to operators who provide public transportation services in the County. As the only eligible public transit service provider in the County, the Authority is eligible to receive the entire amount of the 89% allocation of TDA Revenues. TDA Revenues are available to the Authority in an amount up to 50% of the Authority's operating budget, after deduction of the amount received from federal grants, provided that certain TDA eligibility requirements are met. The Authority, and its predecessor entity (Santa Clara County Transit District) has complied with TDA eligibility requirements since it began receiving TDA funds in 1973.

In accordance with procedures and eligibility requirements set forth in the TDA, the Authority submits a request for TDA Revenues to MTC following MTC's adoption of the next Fiscal Year's revenue estimate. If MTC approves the request, MTC then directs the Controller of the County (in the case of the County, the County Treasurer) to release the TDA Revenues to the Authority. TDA Revenues are received by the County Treasurer and distributed to the Authority based on direction from MTC as collected and transmitted by the State.

The following table shows the total amount of TDA Revenues for operations available from annual State sales tax collections in the County during the five Fiscal Years shown.

Santa Clara Valley Transportation Authority
Historical Transportation Development Act Revenues

Fiscal Year Ended June 30	TDA Revenues for Operations Distributed to the Authority
2014	$89,517,914
2015	94,639,918
2016	98,519,146
2017	99,401,935
2018	103,052,428

Source: Santa Clara Valley Transportation Authority CAFRs Fiscal Years 2013-2018.

State Transit Assistance Program; Restructuring of State Transportation Funding. A portion of the revenues derived from the sales tax on diesel fuel purchases is appropriated by the State Legislature to the State Transit Assistance Program ("STA") for public transportation purposes. These STA revenues are allocated to public transit agencies throughout the State based on population and operating revenues. STA Revenues must be claimed by the Authority based on actual cash expenditures, normally on a quarterly basis.

The Authority has received STA Revenues each year since Fiscal Year 1980, except for Fiscal Years 2009 and 2010, years when no STA revenues were available from the State. The following table shows STA Revenues received by the Authority for the five Fiscal Years shown.

Santa Clara Valley Transportation Authority
Historical State Transit Assistance Program Revenues

Fiscal Year Ended June 30	STA Revenues Received
2014	$15,337,987
2015	13,949,506
2016	13,631,891
2017	9,024,212
2018	21,142,913

Source: Santa Clara Valley Transportation Authority CAFRs Fiscal Years 2013-2018.

In June 2014, Governor Brown signed the Fiscal Year 2015 State budget into law. This budget provided roughly $13.9 million in STA revenues to VTA for Fiscal Year 2015.

In Fiscal Year 2015-16 the State Controller's Office implemented changes to the methodology used to calculate a public transit operator's share of STA revenue-based funds. These changes went into effect starting with the first quarter allocations for Fiscal Year 2016, and impacted all public transit operators in California to varying degrees. In response, the Legislature included in SB 838, the Fiscal Year 2017 transportation budget trailer bill, provisions that temporarily halted the implementation of these changes by requiring the Controller's Office to use the same list of eligible recipients and the same proportional operator shares from the fourth quarter of Fiscal Year 2015 to distribute any unallocated Fiscal Year 2016, and all Fiscal Year 2017 and Fiscal Year 2018 STA revenue-based funds.

In the meantime, the California Transit Association convened a task force to recommend clarifications in the current STA statutory and regulatory framework. The result was AB 1113 (Bloom), signed into law by Governor Brown in July, 2017. AB 1113 clarified (1) who is eligible to receive STA revenue-based funds; (2) what revenue sources may be used to determine a public transit operator's revenue-based share; (3) how an individual operator's revenue-based share is to be calculated; and (4) how Regional Transportation Planning Agencies (RTPA)s and Metropolitan Planning Organizations (MPO)s, which serve as the direct recipients of STA population- and revenue-based funds, would sub-allocate these dollars to public transit operators within their respective jurisdictions.

In April 2017, Governor Brown signed into law a landmark transportation funding package known as SB 1 (Beall), the "Road Repair and Accountability Act of 2017", which increased and stabilized STA revenues in several ways. First, SB 1 provides a new diesel sales tax rate of 3.5 percent for the STA, effective November 1, 2017. Public transit agencies could use their formula shares for any eligible STA operating or capital expenditure.

Second, SB 1 establishes a transportation improvement fee, effective January 1, 2018, that would range from $25 to $175 based on the market value of an individual's vehicle and would be indexed to inflation on an annual basis. Of the revenues generated by this new fee, $350 million per year (adjusted annually for inflation) would be split with 70 percent going to the Transit and Intercity Rail Capital Program ($245 million), and 30 percent to STA ($105 million). For the STA portion, SB 1 requires public transit agencies to expend their formula shares for activities related to: (1) repairing, maintaining, rehabilitating, or modernizing their existing vehicles or facilities; (2) designing, acquiring or constructing new vehicles or facilities that would improve existing services or allow for the implementation of future planned services; or (3) transit services that complement local efforts to repair and improve local transportation infrastructure.

SB 1 is projected to provide $5.4 billion of revenue annually for California's transportation systems. In June 2018, more than 80 percent of voters in a statewide election in June 2018 approved a constitutional amendment to ensure that the new diesel sales tax and transportation improvement fee revenues would be dedicated to transportation-related purposes. In November 2018, 55 percent of voters opposed Proposition 6, which would have repealed all of the new revenues generated by SB 1 and required voter approval of any future gas tax increase. With these two actions, the voters have ensured that SB 1 revenues continue to be dedicated to transportation improvements for the future.

Ridership and Farebox, Advertising and Toll Revenues. The following table shows the Authority's ridership, farebox revenues, revenues from advertisements placed on the Authority's vehicles and bus shelters and toll revenues received by the Authority for the five Fiscal Years shown.

Santa Clara Valley Transportation Authority
Ridership and Farebox, Advertising and Toll Revenues

Fiscal Year Ended June 30	Number of Passengers[(1)]	Farebox, Advertising and Toll Revenues (In Thousands)
2014	43,482,492	42,420
2015	43,944,096	43,054
2016	42,918,436	42,316
2017	38,189,131	40,194[(2)]
2018	36,555,500	42,434[(2)]

(1) Directly operated services.
(2) Includes paratransit revenues of $1.064 million for 2017 and $2.044 million for 2018
Source: Santa Clara Valley Transportation Authority CAFRs Fiscal Years 2014-2018.

Authority Budgeted Revenues and Expenditures

The Authority's budget is prepared biennially. The Adopted Budget for Fiscal Year ending June 30, 2018 and Fiscal Year ending June 30, 2019 (the "Budget") was approved by the Board of Directors on June 1, 2017 and includes appropriations for operating expenditures in support of all activities under the jurisdiction of the Authority's Board, including bus and rail operations in the County, regional commuter and inter-city rail service, ADA Paratransit service, congestion management, specific highway improvement and other transportation projects, and county wide transportation planning and funding. If additional appropriations are necessary, the budget generally is revised in January of each year. A detailed discussion of the Budget related to congestion management, highway improvements and countywide transportation planning (all of which are funded from sources of revenue other than those discussed herein) is included in the budget document, which is currently available at *http://www.vta.org/about-us/budgets/budget-disclosures-miscellaneous*. None of the information on such website is incorporated by reference herein. The remaining approved Budget amounts are in support of transit-related transportation projects, bus and rail operations in the County, and regional commuter and inter-city rail service. The Budget includes a 25% fare increase phased over two years starting January 1, 2018 and reflects a 2.4% increase from Fiscal Year 2017 in projected sales tax revenues for Fiscal Year 2018, followed by a 2.0% increase in Fiscal Year 2019.

Transit System Budget. The following summarizes the Authority's Adopted Operating Budget which supports activities related to the Authority's Transit System.

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VTA Transit
Comparison of Revenues & Expenses
(Dollars in Thousands)

Category	FY18 Adopted Budget[1]	FY18 Actual	Variance from FY17 Actual	% Var	FY19 Adopted Budget[1]	Variance from FY18 Actual	% Var
Fares-Transit	35,742	34,511	792	2.3%	40,568	6,058	17.6%
Fares-Paratransit[2]	2,328	2,044	979	92.0%	2,723	679	33.2%
1976 1/2 Cent Sales Tax	215,343	207,588	(1,417)	-0.7%	219,650	12,062	5.8%
TDA	101,211	103,052	3,650	3.7%	103,235	183	0.2%
Measure A Sales Tax-Oper. Asst.	44,684	43,133	4,619	12.0%	45,577	2,444	5.7%
2016 Measure B - Transit Operations	14,060	0	0	N/A	14,500	14,500	N/A
STA	10,300	21,143	12,119	134.3%	10,300	(10,843)	-51.3%
Federal Operating Grants	3,831	4,230	(1)	0.0%	3,910	(320)	-7.6%
State Operating Grants	1,373	2,494	(38)	-1.5%	960	(1,534)	-61.5%
Investment Earnings	3,584	2,805	(281)	-9.1%	4,526	1,720	61.3%
Advertising Income	2,800	2,752	128	4.9%	2,909	157	5.7%
Measure A Repayment Obligation	15,596	14,936	(242)	-1.6%	15,499	562	3.8%
Other Income	4,173	3,042	(1,909)	-38.6%	2,420	(623)	-20.5%
Total Revenue/Sources	**455,024**	**441,731**	**18,399**	**4.3%**	**466,777**	**25,047**	**5.7%**
Labor Cost	329,982	324,031	16,946	5.5%	339,746	15,715	4.8%
Materials & Supplies	38,191	33,911	4,695	16.1%	42,351	8,439	24.9%
Security	17,409	14,853	2,182	17.2%	17,880	3,026	20.4%
Professional & Special Services	8,715	5,454	(1,909)	-25.9%	7,215	1,760	32.3%
Other Services	10,488	10,927	2,403	28.2%	10,831	(97)	-0.9%
Fuel	10,716	9,896	1,640	19.9%	12,022	2,126	21.5%
Traction Power	5,312	4,323	242	5.9%	6,189	1,865	43.1%
Tires	2,387	2,160	(17)	-0.8%	2,524	364	16.9%
Utilities	3,593	3,325	251	8.2%	3,712	387	11.6%
Insurance	6,467	10,404	3,502	50.7%	6,862	(3,542)	-34.0%
Data Processing	5,022	4,837	54	1.1%	4,987	150	3.1%
Office Expense	425	299	(68)	-18.6%	412	114	38.0%
Communications	1,620	1,723	31	1.8%	1,644	(79)	-4.6%
Employee Related Expense	1,124	997	311	45.4%	1,124	127	12.7%
Leases & Rents	904	568	(110)	-16.2%	904	336	59.2%
Miscellaneous	878	929	34	3.8%	860	(69)	-7.4%
Reimbursements	(36,555)	(43,379)	(9,462)	27.9%	(37,332)	6,047	-13.9%
Subtotal Operating Expense	**406,679**	**385,258**	**20,725**	**5.7%**	**421,928**	**36,670**	**9.5%**
Paratransit	24,671	21,347	(2,205)	-9.4%	26,338	4,992	23.4%
Caltrain	8,967	8,967	577	6.9%	8,967	0	0.0%
Altamont Commuter Express	5,177	5,119	159	3.2%	5,307	188	3.7%
Highway 17 Express	370	350	17	5.0%	381	31	8.9%
Monterey-San Jose	35	35	0	0.0%	35	0	0.0%
Contribution to Other Agencies	998	1,020	(1,571)	-60.6%	1,006	(14)	-1.4%
Debt Service	21,581	20,404	(1,268)	-5.9%	22,233	1,829	9.0%
Subtotal Other Expense	**61,799**	**57,242**	**(4,292)**	**-7.0%**	**64,267**	**7,025**	**12.3%**
Operating and Other Expense	**468,478**	**442,500**	**16,433**	**3.9%**	**486,195**	**43,696**	**9.9%**
Transfer to Capital Reserve	5,000	5,000	5,000	N/A	5,000	0	0.0%
Contingency	2,000	0	0	N/A	2,000	2,000	N/A
Total Expense/Contingency/Capital Trsf	**475,478**	**447,500**	**21,433**	5.0%	**493,195**	**45,696**	**10.2%**
Operating Balance	**(20,454)**	**(5,769)**			**(26,418)**		

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

[1] Adopted June 2017

[2] Beginning in November 2016, Paratransit Fares are reported separately. Previously, these revenues were reported as a net against Paratransit expense.

Authority Capital Improvement Programs. The Authority is committed to facilitating and providing enhanced customer focus, improved mobility and access for the community and integrated transportation and land use planning, while maintaining financial stability. Based on these commitments, the Authority has embarked on the extensive capital programs described below under "Valley Transportation Plan" and "Short Range Transportation Plan."

Valley Transportation Plan. As the designated Congestion Management Agency for the County, the Authority is responsible for preparing the County's long-range countywide transportation plan. In August 2000, the Authority's Board of Directors adopted the Valley Transportation Plan 2020 (as revised, from time to time, the "Valley Transportation Plan") to satisfy this requirement. The Board of Directors adopted the current revision of the Valley Transportation Plan, Valley Transportation Plan 2040 in October 2014. The Valley Transportation Plan is a long-range transportation planning document which encompasses a set of investments through 2040 that offers improvements and manages the existing roadway network with local multimodal investments, an expanded high-occupancy vehicle ("HOV") system, improved interchanges and freeway-to-freeway connector ramps, and freeway upgrades. The Valley Transportation Plan does not set priorities or schedules for project completion.

The Valley Transportation Plan also includes investments in transit improvements, including the Authority's BART to Silicon Valley Program, consisting of the extension of the BART system to Milpitas, San José, and Santa Clara, a new light rail line that will serve Capitol Expressway, and a transit improvement (Bus Rapid Transit) on the Santa Clara/Alum Rock Corridor where the Authority's highest concentration of transit riders live. The primary source of funding for transit improvements included in the Valley Transportation Plan is the 2000 Measure A Sales Tax.

Short Range Transportation Plan. As a transit operator, the Authority prepares a Short Range Transit Plan ("SRTP") approximately every two to four years at the request of MTC. The SRTP is used as documentation to support projects included in the Regional Transportation Plan ("RTP") prepared by MTC. Both the FTA and MTC use the SRTP as the detailed planning justification required for awarding operating and capital grants to the Authority. The Authority's most recent SRTP for the Fiscal Years 2014-2023 was adopted by the Board of Directors in August 2014. The Authority anticipates to completion of a new SRTP in 2019.

Two Capital Improvement Programs are included in the SRTP: the Authority's Core System Capital Improvement Program ("Core CIP") and the 2000 Measure A Program ("Measure A CIP"). For a discussion on the Measure A CIP, refer to the Authority's Short Range Transit Plan, which is available at *http://www.vta.org/srtp*. The information set forth on such website is not incorporated by reference herein. The CIPs are funded by a combination of federal, State and local regional funding as well as bonds secured by the Authority's sales tax revenues.

The Core CIP includes routine bus replacement needs, facility rehabilitation, bus facilities, technology upgrades, security, rehabilitation needs of the light rail system and system enhancements. The Core CIP includes two tiers of projects. Tier 1 projects are those projects essential to the maintenance of the system, funded by a combination of federal, State and local funding, including bonds secured by the 1976 Sales Tax. Tier 2 projects are enhancements to the Authority's existing system for which no additional funding has yet been identified. The following table represents a summary of the Tier 1 Projects included in the Core CIP.

Core Capital Improvement Program Summary
(In Thousands)

Program Area	**Fiscal Years 2014-2023**
Revenue Vehicles and Equipment	$410,739
Operations Facilities and Equipment	45,709
Light Rail System Maintenance & Enhancement	151,661
Passenger Facilities	38,777
Information Systems and Technology	31,300
Security	14,413
Miscellaneous Projects	61,734
Total Program Project Costs	$754,331

Source: Santa Clara Valley Transportation Authority SRTP Fiscal Years 2014-2023.

Funding for the Core CIP includes grant (federal, State and regional) funding of $523 million with the remaining portion funded from Authority local funds. The 1976 Sales Tax does not provide funding for the Core CIP.

The most significant capital project not part of the Core CIP is the BART Silicon Valley Project (a 2000 Measure A project) described below.

Bay Area Rapid Transit ("BART") Silicon Valley Project.

The BART Silicon Valley Project is a 16-mile extension of the existing BART system to San José, Milpitas, and Santa Clara, which is being delivered using a phased approach. The first phase, the Berryessa Extension, is a 10-mile, two-station extension, beginning in Fremont south of the BART Warm Springs/South Fremont Station and proceeding via 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 José, the location of the second station.

The cost of the Phase I Berryessa Extension is approximately $2.4 billion. Funding for the Berryessa Extension includes $900 million in federal assistance, $350 million in State funding and $1.171 billion from the 2000 Measure A Sales Tax. In March 2012, VTA received a $900 million grant commitment from the Federal Transit Administration ("FTA") in the form of a Full Funding Grant Agreement (the "FFGA"). The FFGA is a multi-year contractual agreement with the FTA that formally defines the project scope, cost and schedule, and establishes the terms of the federal financial assistance.

Civil construction of the 10-mile, two station project was completed in 2018. System testing is currently underway, with revenue service expected to commence in the last quarter of calendar 2019.

VTA is continuing project development activities for the 6-mile Phase II project that includes four stations and an approximately 5.1 mile-long subway tunnel through downtown San José, ending at grade in Santa Clara near the Caltrain Station. In June 2018, the Phase II project received a Record of Decision from FTA, signifying the completion of the federal environmental process, and a necessary step to receive federal funding. In July 2018, a Request for Proposals was advertised for the project's General Engineering Consultant contract to prepare project engineering for award of construction contract awards. Award of the General Engineering Consultant contract is anticipated in January 2019. Construction of Phase II will commence once the project funding plan, which includes federal, state, regional, and local sources, is secured.

Significant Accounting Policies

The Authority follows the accrual basis of accounting and the economic resources exchange 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. See APPENDIX B – "AUDITED FINANCIAL STATEMENTS OF THE SANTA CLARA VALLEY TRANSPORTATION AUTHORITY FOR FISCAL YEAR ENDED JUNE 30, 2018 – Note 2 – Summary of Significant Accounting Policies," which includes a more detailed explanation regarding the Authority's significant accounting policies.

Financial Results

The table on the following page summarizes the Statement of Revenues, Expenses and Changes in Fund Net Assets for the Enterprise Funds of the Authority for the five most recent fiscal years, through June 30, 2018. The summary statements are presented in accordance with generally accepted accounting principles ("GAAP"), are excerpted from the audited financial statements of the Authority and are qualified in their entirety by reference to such statements, including the notes thereto. For the audited financial statements of the Authority for the Fiscal Year ended June 30, 2018, see APPENDIX B – "AUDITED FINANCIAL STATEMENTS OF THE SANTA CLARA VALLEY TRANSPORTATION AUTHORITY FOR FISCAL YEAR ENDED JUNE 30, 2018." Totals may not add due to independent rounding.

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SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Statement of Revenues, Expenses and Changes in Fund Net Position
Enterprise Funds
For the Years ended June 30, 2014 through June 30, 2018
(In thousands)

OPERATING REVENUES:	**2014**	**2015**	**2016**	**2017**	**2018** [1]
Passenger Fares	$ 38,372	$ 39,108	$ 37,663	$ 34,783	$ 36,555
Toll revenues collected	1,222	1,157	1,274	1,258	1,297
Advertising and other	2,826	2,789	3,379	3,478	3,649
Charges for services	-	-	-	675	933
Total Operating Revenues	42,420	43,054	42,316	40,194	42,434
OPERATING EXPENSES:					
Labor cost	280,690	286,689	309,510	321,824	347,412
Materials and supplies	32,806	32,407	32,005	38,656	41,623
Services	28,488	28,883	33,447	36,725	39,942
Utilities	7,585	8,316	8,921	8,854	9,373
Casualty and liability	13,813	5,238	4,923	6,901	10,404
Purchased transportation	18,493	19,241	21,477	25,241	23,083
Leases and rentals	1,334	714	919	678	568
Miscellaneous	1,616	1,735	2,111	1,732	1,966
Depreciation expense	59,445	65,677	62,386	68,539	68,472
Costs allocated to capital and other programs	(34,864)	(32,441)	(32,039)	(27,641)	(34,047)
Total Operating Expense	409,406	416,459	443,660	481,509	508,796
Operating Income/(Loss)	(366,986)	(373,405)	(401,344)	(441,315)	(466,362)
NON-OPERATING REVENUES (EXPENSES):					
Sales tax revenue	417,486	446,374	460,316	467,701	465,250
Federal operating assistance and other grants	42,230	24,553	4,105	4,232	4,230
Federal subsidy for Build America Bonds	8,755	8,715	8,748	8,753	8,784
State and local operating assistance grants	106,439	110,243	114,135	110,959	126,689
Caltrain subsidy	(7,291)	(8,390)	(8,414)	(8,390)	(8,967)
Capital expense on behalf of, and contribution to other agencies	(93,952)	(61,445)	(53,094)	(86,084)	(61,547)
Operating Assistance from Measure A	-	-	-	-	-
Measure A repayment obligation	-	-	-	-	-
Altamont Corridor Express subsidy	(3,019)	(3,097)	(3,166)	(3,270)	(3,383)
Investment earnings	9,555	9,118	18,493	4,356	5,883
Interest expense	(27,088)	(15,204)	(11,330)	(15,254)	(15,040)
Other non-operating income	6,835	20,371	2,913	5,016	3,235
Other non-operating expense	(11,096)	(5,734)	(4,177)	(2,928)	(2,990)
Total Non-operating Revenues (Expenses)	448,854	525,504	528,529	485,091	522,144
Income (loss) before capital contributions	81,868	152,099	127,185	43,776	55,782
Capital grants and contributions	193,899	277,421	271,057	188,856	137,744
Transfer in/(out)	-	-	-	-	-
Change in net position	275,767	429,520	398,242	232,632	193,526
Net Position, beginning of year	3,461,747	3,737,514	3,978,040	4,376,282	4,608,914
Adjustment to Net Position due to GASB 68 Implementation	-	(188,994)	-	-	-
Adjustment due to GASB 75 Implementation	-	-	-	-	42,162
Transfer of AUC					-
Net position, beginning of year, (as restated)	3,461,747	3,548,520	3,978,040	4,376,282	4,651,076
Net Position, end of year	$ 3,737,514	$ 3,978,040	$ 4,376,282	$ 4,608,914	$ 4,844,602

Source: Santa Clara Valley Transportation Authority CAFRs Fiscal Years 2014-2017

[1] Enterprise Funds per 2018 CAFR does not include Measure A Funds. Measure A (Special Revenue Fund) was included here for comparison purposes only.

Management's Discussion of Financial Results

With the exception of Fiscal Year 2018, the Authority had experienced eight consecutive years of sales tax revenue growth for each of its sales taxes. Sales tax revenues from the 1976 Sales Tax and the 2000 Measure A Sales Tax have each increased more than 50% since Fiscal Year 2009. While two of the Authority's half-cent sales tax receipts for Fiscal Year 2018 declined by 0.7% and 0.4% respectively from the previous year, the Authority has been notified by the California Department of Tax and Fee Administration (CDTFA) that CDTFA's conversion to a new tax return processing system resulted in delays in processing a significant number of Fiscal Year 2018 tax returns and distributing related tax revenue. Revenues subsequently received by the Authority in Fiscal Year 2019 have been higher than anticipated and likely include some prior period revenue, but it is not possible to determine the amount attributable to Fiscal Year 2018. As a result, in order to comply with Government Accounting Standards Board (GASB33) regarding revenue recognition, the Authority has recorded its Fiscal Year 2018 sales tax revenues on the basis of actual cash received for such fiscal year.

As a result of the Authority's strategies to address the budgetary impacts from the Great Recession, the Authority has ended the last five fiscal years with overall revenues exceeding transit operating costs. As part of its financial management strategy to deal with potential adversity, the Authority maintains reserves as described below.

The Authority maintains three Board-designated reserve funds designed to promote long-term financial sustainability, an Operating Reserve Fund, Debt Reduction Fund, and Transit Sales Tax Stabilization Fund. The Transit Sales Tax Stabilization Fund was established in Fiscal Year 2011 as part of the Board's strategies to address budgetary shortfalls following the Great Recession. Additionally, the Authority's management designated a SWAP/Lease Collateral Fund as an unrestricted reserve fund.

The purpose of the Operating Reserve Fund is to ensure that sufficient funds are always available in the event of either unanticipated revenue shortfalls (other than sales tax revenue shortfalls) or unavoidable expenditure needs. The Authority Board policy goal is a funding level equal to 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. As of June 30, 2018, the Operating Reserve Fund was at $54.8 million, as compared to Fiscal Year 2017 funding of $66.7 million.

The Authority's Debt Reduction Fund provides reserves against unfunded obligations and long-term liabilities and funding for transit-related capital improvements and capital replacement in lieu of financing. As of June 30, 2018, the Debt Reduction Fund was at $5.0 million compared to Fiscal Year 2017 funding of $49.5 million.

The Transit Sales Tax Stabilization Fund serves to mitigate the impact of sales tax receipt volatility on service levels and the VTA Transit Fund Operating Budget. Sales tax-based revenues for the Transit Sales Tax Stabilization Fund include the 1976 Sales Tax, a quarter-cent State sales tax (from the Transportation Development Act or TDA), and 2000 Measure A Sales Tax – Operating Assistance which is derived from 20.75% of 2000 Measure A Sales Tax Revenues. As of June 30, 2018, the Transit Sales Tax Stabilization Fund was funded at $35.0 million, the capped limit authorized by the Board, unchanged from Fiscal Year 2017 funding.

The Authority's SWAP/Lease Collateral Fund provides reserves against contingent liabilities arising from the Authority's interest rate swaps and leveraged lease arrangements. As of June 30, 2018, the SWAP/Lease Collateral Fund was at $61.6 million compared to Fiscal Year 2017 funding of $82.8 million, as a result of the Authority's lower liabilities associated with the swaps.

The Adopted Fiscal Year 2018 and Fiscal Year 2019 Biennial Budget anticipates the potential for a reduction in reserves over the period of the budget as a result of a projected imbalance of operating revenues and operating cost. The projections are subject to numerous assumptions regarding the amounts and timing of increases in revenues and expenditures as further detailed below, along with strategies for addressing any shortfall.

The Adopted Fiscal Year 2018 and Fiscal Year 2019 Biennial Budget includes a net increase in annual bus and light rail service hours of 10.3% over the two-year period. This increase represents the culmination of an 18-month process undertaken to completely redesign VTA's transit network in order to connect to BART at the Milpitas and Berryessa Stations, increase overall ridership, and improve cost-effectiveness. The resulting development of a more extensive and more frequent core network, and new connecting services to BART, is anticipated to increase bus ridership by 8-10%. Light rail ridership is estimated to increase by 15-20% from the improved and additional services. These projected increases are anticipated to be phased in over time as existing riders develop new travel patterns and new riders start using the services. The implementation of the new service plan for both bus and light rail will be coordinated with the opening of the BART extension. While the Adopted Budget assumed that BART passenger service to Milpitas and Berryessa would begin in December 2017, the currently projected start is the last quarter of Calendar 2019.

The primary source of funding for the VTA Transit Fund, responsible for delivery of the bus and light rail service in the county, is sales tax. Sales tax based revenues, including the 1976 Sales Tax, a quarter-cent state sales tax, and a portion of the 2000 Measure A half-cent sales tax, account for roughly 79% of the VTA Transit Fund's budgeted operative revenues for Fiscal Year 2018 and Fiscal Year 2019. While sales tax receipts are projected to continued increase, the rate of actual growth has slowed. Meanwhile, operating expenses have been growing at a higher rate of increase, resulting in a structural imbalance.

In addition to normal inflationary and contractual increases, the Adopted Budget includes increased expenditures related to the enhanced service discussed above and increased maintenance costs related to the mid-life overhaul of VTA's light rail vehicle fleet. The resulting imbalance is reflected in the $20.4 million and $26.4 million operating deficits in the Fiscal Year 2018 and Fiscal Year 2019 Adopted Budgets, respectively. While the Adopted Budget assumes these deficits would be funded 100% from reserves, it is anticipated that a combination of potential additional revenues and moderated expenditures would serve to reduce the deficits. Any remaining deficit would then be funded from reserves.

With the adoption of the Fiscal Year 2018/19 Budget, the Board directed VTA's General Manager to provide to the Board, by June 2018, or six months after the commencement of the Next Network service, whichever comes later, an analysis of ridership and revenues relative to budgeted estimates. The "Next Network" is a plan to better connect VTA transit with the Milpitas and Berryessa BART stations, increase overall system ridership and improve VTA's farebox recovery rate. If that analysis reveals a substantial negative gap in revenues, the General Manager is required to present options including, but not limited to, a list of proposed reductions of service or other cost savings that will enable VTA to operate in a fiscally sustainable manner.

At the January 4, 2018 Board Meeting, the Ad Hoc Financial Stability Committee (the "Committee") was formed to assess VTA's financial situation and provide recommendations to correct any imbalance between revenues and expenses. The Committee was formed in February 2018 and was composed of three Board members. Stakeholder group representatives were appointed to provide perspective and input to Committee.

The Committee generally met monthly to receive information on and to reviewed VTA's revenue and expense drivers ot determine whether there is any structural imbalance, and also receive information regarding emerging transportation trends, VTA's transit service plan and related matters, regional funding partnerships, VTA's capital program, workforce productivity, peer agency comparisons, and various options to address the structural budget deficit.

The Committee provided its recommendations to the Board of Directors in December 2018. The recommendations included several cost mitigation suggestions such as not increasing bus and light rail service hours above the currently operated number of hours, even as the new Next Network service plan is implemented. Revenue enhancement suggestions included the indexing of some fares to inflation.

Authority Obligations

Obligations Secured by the 1976 Sales Tax. The following table sets forth the senior lien obligations secured by the Authority's 1976 Sales Tax Revenues.

	Original Principal Amount	Principal Amount Outstanding as of June 30, 2018
Sales Tax Revenue Refunding Bonds, 2018 Series A	$103,215,000	$103,215,000
Sales Tax Revenue Refunding Bonds, 2017 Series B	$27,760,000	$26,620,000
Sales Tax Revenue Refunding Bonds, 2017 Series A	$10,030,000	$7,623,000

Obligations Secured by the 2000 Measure A Sales Tax. The following table sets forth the outstanding obligations secured by the Authority's 2000 Measure A Sales Tax Revenues.

	Original Principal Amount	Principal Amount Outstanding as of June 30, 2018
Sales Tax Revenue Bonds, 2015 Series A and B	$89,980,000	$86,640,000
Sales Tax Revenue Bonds, 2010 Series A and 2010 Series B	$645,890,000	$526,070,000
Sales Tax Revenue Refunding Bonds, 2008 Series A, Series B, Series C and Series D[(1)]	$236,730,000	$235,875,000

(1) The Authority has entered into interest rate swap agreements in connection with the 2008 Series Bonds. A description of the swaps is included in Note 7(c-e) of the Authority's audited financial statements attached hereto as Appendix B.

Leveraged Lease Transactions. The Authority has outstanding two tax-advantaged leveraged lease transactions encumbering certain light rail vehicles (the "Leases"). These transactions involve a lease of the Authority's interest in these vehicles to special purpose trusts formed by equity investors and a leaseback to the Authority. These transactions involve rail vehicles with an aggregate initial value of $88 million, were entered into in 2003, and have a purchase option date of January 1, 2034.

Under the Leases, the Authority is required to make annual rental payments to the special purpose trusts. All payments with respect to the Leases have been made in full and on a timely basis. The Authority also has a purchase option at the end of each Lease term. The funding for those rental payments and the purchase options, if exercised, derives from various payment agreements with certain financial institutions ("payment undertakers") where amounts were invested at the lease closing in U.S. Government and Agency securities purchased at the outset of each Lease, as the case may be.

Under the Leases, the Authority was initially required to replace the payment undertakers and surety providers if their credit ratings fell below certain thresholds. Failure to replace such undertakers and surety providers within specified time frames could have triggered a technical default which, if uncured, could cause an early termination at a substantial penalty to the Authority. Through a subsequent amendment, this requirement was removed for both of the Leases.

See APPENDIX B – "AUDITED FINANCIAL STATEMENTS OF THE SANTA CLARA VALLEY TRANSPORTATION AUTHORITY FOR FISCAL YEAR ENDED JUNE 30, 2018 – Note 21."

Litigation

The Authority has reserved amounts that its management believes are adequate to provide for claims and litigation which have arisen during the normal course of business. There may be other claims and litigation that are outstanding for which the Authority is unable to or has yet to determine the ultimate outcome and resulting liability, if any. However, the Authority's management believes the ultimate outcome of these claims and lawsuits will not significantly impact the Authority's financial position.

Cyber Security and Cyber Risk Management

In 2017 VTA upgraded its Cyber security strategy and developed a more comprehensive Cyber security program. In early 2018 VTA hired a certified Cyber security engineer to lead its Cyber security deployment, Cyber policy enhancement, Cyber training, circulate VTA Cyber Security Bulletins, and to distribute VTA's Help Desk Cyber report every third week advising employees on Cyber Security topics. VTA's Cyber Security engineer is further responsible for the New Employee Cyber Security training as part of staff orientation. VTA has partnered with local law enforcement, New York MTA's Cyber security program and is a member of the Cyber Security Transit council to help in developing a new transportation focused Cyber security architecture. The upgraded security architecture does device endpoint detection, data protection, active detection response, e-policies, cloud access security, server security, intrusion prevention, global threat intelligence to name a few. In addition to these new tools and processes, VTA's Cyber security program addresses user training, phishing audits, active threat scanning / anti-malware solutions, and logging.

Additionally, VTA has Cyber Risk insurance coverage with limits of up to $2 million per claim and in aggregate, excess of a $10,000 deductible for each claim. The Cyber Risk insurance coverage includes: Security & Privacy Liability, Multimedia & Intellectual Property Liability, Network Interruption & Recovery, Event Support Expenses (Notification Costs), Payment Card Industry Compliance, Fines & Assessments, Privacy Regulatory Defense & Penalties, Electronic Theft, Computer Fraud and Telecommunications Fraud (Sublimit of $100,000 per claim), Reputational Damage, Network Extortion and Cyber Terrorism.

Investments and Investment Policy

The information presented in this section is a general description only and is not intended to be and does not purport to be a complete description of the Authority's Investment Policy. Reference is made to the full text of the Authority's Investment Policy for a complete description of the terms thereof, which is available from the Authority upon request.

Amounts held in funds and accounts established pursuant to the Indenture will be invested as provided in the Indenture, and as may be further restricted by the Authority's Investment Policy (the "Investment Policy"), adopted by the Board of Directors on April 4, 1996, as amended by the Board of Directors on December 14, 2000, February 6, 2003, and reaffirmed on February 5, 2009, and most recently amended on November 1, 2012. The Investment Policy covers all funds (other than any Amalgamated Transit Union Pension Funds and the Authority Retirees' Other Post-Employment Benefits Trust) and investment activities under the direction of the Authority.

The Investment Policy has three primary objectives, listed below in descending order of priority:

1. **Safety**. Safety of principal is the foremost objective of the Investment Policy. The Authority's investments shall be undertaken in a manner that seeks to ensure the preservation of capital.

2. **Liquidity**. The Authority's investment portfolio shall remain sufficiently liquid to enable the Authority to meet its cash flow requirements.

3. **Return on Investment**. The Authority's investment portfolio shall be designed with the objective of attaining a market rate of return on its investments consistent with the constraints imposed by its safety objective and cash flow considerations.

Listed below are the investments specifically permitted in the Investment Policy, together with the maximum share of the total Authority portfolio that each type of investment may comprise:

Investment	Maximum % of Portfolio
Local Agency Bonds	100%
U.S. Treasury Obligations	100
State Obligations – CA and Others	100
CA Local Agency Obligations	100
U.S. Agency Obligations	100
Bankers' Acceptances	40
Commercial Paper	25
Negotiable Certificates of Deposit	30
Repurchase Agreements	100
Reverse Purchase Agreements and Securities Lending Agreements	20
Medium Term Notes	30
Mutual Funds and Money Market Mutual Funds	20
Collateralized Bank Deposits	100
Mortgage Pass-Through Securities	20
Bank/Time Deposits	100
County Pooled Investment Funds	100
Joint Powers Authority Pool	100
Local Agency Investment Funds ("LAIF")	100

Prohibited investments include inverse floaters, range notes, interest-only strips that are derived from a pool of mortgages, any security that could result in zero interest accrual if held to maturity and any security with an unusually high degree of interest rate sensitivity or credit risk.

Pension and Retirement Plans

Santa Clara Valley Transportation Authority Amalgamated Transit Union, Local 265 Pension Plan. All ATU employees are covered by the Santa Clara Valley Transportation Authority Amalgamated Transit Union, Local 265 Pension Plan ("ATU Plan"). The ATU Plan is a contributory single-employer defined benefit pension plan. The ATU Plan provides retirement, disability, and death benefits based on the employees' years of service, age, and final compensation. As of June 30, 2018, there were 3,187 members of the ATU Plan. Employees with ten (10) or more years of eligibility service are entitled to full annual pension benefits beginning at age 65. Employees with less than ten (10) but more than five (5) years of eligibility service are entitled to a reduced annual benefit at age 65 provided that the Board of Pensions approves such benefit. Employees with fifteen (15) or more years of eligibility service are entitled to full annual pension benefits beginning at age 55. The ATU Plan permits early retirement if an employee becomes disabled after ten (10) or more years of eligibility service, and deferred vested retirement upon employee termination after ten (10) or more years of eligibility service, with benefits payable at age 65. Employees may elect to receive their benefits, excluding disability and deferred vested, in the form of a joint or survivor annuity. These benefit provisions and all other requirements are established by State statute and the labor agreement with the ATU. For employees hired on or after January 1, 2016, benefit provisions and all other requirements are established by the California Public Employees' Pension Reform Act of 2013 ("PEPRA").

On October 1, 2015, the Authority's Board of Directors approved a labor contract with ATU Local 265 ("ATU"). The terms of the contract called for employees to contribute 0.95% toward the ATU Plan effective October 2016 and an additional 0.95% effective October 2017.

On October 6, 2016, the Board approved ATU Plan amendment language to reflect the negotiated employee contributions in the labor agreement as well as employee contributions for employees hired on or after January 1, 2016 as mandated by the PEPRA.

The following actuarial methods and assumptions are based on a report dated January 1, 2017.

Actuarial Methods and Assumptions:

Description	**Methods/Assumptions**
Valuation Date	January 1, 2018
Actuarial cost method	Individual Entry Age Normal to Final Decrement
Amortization method	Level dollar open
Remaining amortization period	Rolling 20-year
Asset Valuation Method	Market value adjusted to reflect investment earnings greater than (or less than) the assumed rate over a five-year period.
Actuarial Assumptions	
Investment Rate of Return	7.00%
Projected Salary Increases	3.00% depending on service (includes inflation at CPI rate of 2.75%)
Consumer Price Index ("CPI")	2.75% per year
Costs of living adjustments	None

Pursuant to ATU Plan policy, assets are required to be invested in accordance with an investment program which provides for the financial needs of the ATU Plan and allows for such investments to be appropriately diversified and prudently invested to protect the safety of the principal and to maintain a reasonable return. ATU Plan investment guidelines are set forth below:

Asset Allocation	Range	Actual[(1)]	Target
Domestic Large-Cap Value	10-20%	15%	15%
Domestic Large-Cap Index	5-15%	10%	10%
Domestic Small-Cap Value	5-15%	11%	10%
Int'l Equity Developed Markets	8-18%	13%	13%
Int'l Equity Emerging Markets	0-10%	5%	5%
US Core Real Estate	5-15%	10%	10%
Diversified Real Assets	0-10%	5%	5%
Domestic Fixed Income	15-30%	22%	22%
Absolute Return	4-14%	8%	9%
Cash	0-05%	1%	1%

(1) As of May 30, 2018.

The Authority contributes to the ATU Plan at actuarially determined rates applied to eligible payroll sufficient to maintain funding of vested benefits. Actuarial rates are determined on the basis of the previous calendar year data for implementation in the following fiscal year, beginning on July 1 of that year. Such contribution includes an amortized amount of the unfunded accrued actuarial liability ("UAAL") as well as current year normal costs. Totals of the actual cost and the amortized cost of the UAAL equal the actuarial rate that would liquidate the UAAL over the remaining amortization period (20 years). The actuarial review and analysis as of January 1, 2018 resulted in an increase in the Authority's contributions to $32.3 million, or 23.10% as a percentage of covered payroll. The Authority pre-funded its Fiscal Year 2019 contribution to the ATU Pension plan at $32.3 million. The schedules of funding progress using Actuarial Value of Assets ("AVA") and Market Value of Assets ("MVA") for the most recent 10 years of available data are as follows:

Schedule of Funding Progress Using Actuarial Value of Assets
Santa Clara Valley Transportation Authority Amalgamated Transit Union, Local 265
Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	UAAL	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/08	$325,247,483	$442,830,578	$117,583,095	73%	$100,877,989	117%
12/31/09	354,785,095	462,912,195	108,127,100	77	102,625,557	105
12/31/10	368,134,113	474,252,147	118,636,425	76	97,569,124	122
12/31/11	373,170,465	517,200,475	144,030,010	72	100,376,441	143
12/31/12	386,347,400	543,942,719	157,595,319	71	102,040,657	154
12/31/13	426,675,205	572,244,808	145,569,603	75	110,682,869	132
12/31/14	464,966,165	600,568,463	135,602,298	77	118,270,653	115
12/31/15	489,759,064	638,565,651	148,806,587	77	128,815,705	116
12/31/16	516,591,148	685,588,515	168,997,367	75	131,640,230	128
12/31/17	549,414,479	742,631,681	193,217,202	74	142,572,313	136

Source: The Authority.

Schedule of Funding Progress Using Market Value of Assets
Santa Clara Valley Transportation Authority Amalgamated Transit Union, Local 265
Pension Plan

Actuarial Valuation Date	Market Value of Assets	Actuarial Accrued Liability	MVA - UAAL	MVA – UAAL Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/08	$271,039,569	$442,830,578	$171,791,009	61%	$100,877,989	170%
12/31/09	327,447,278	462,912,195	135,464,917	71	102,625,557	132
12/31/10	361,181,295	474,252,147	113,070,852	76	97,569,124	116
12/31/11	356,289,950	517,200,475	160,910,525	69	100,376,441	160
12/31/12	401,661,601	543,942,719	142,281,118	74	102,040,657	139
12/31/13	459,423,208	572,244,808	112,821,600	80	110,682,869	102
12/31/14	483,457,612	600,568,463	135,602,298	80	118,270,653	115
12/31/15	471,900,016	638,565,651	148,806,587	74	128,815,705	116
12/31/16	501,850,792	685,588,515	168,997,367	73	131,640,230	128
12/31/17	564,373,813	742,631,681	178,257,868	76	142,572,313	125

Source: The Authority.

Based on the Authority's Comprehensive Annual Financial Reports, the annual pension costs and contributions for the past ten fiscal years have been as follows:

Fiscal Year Ended	Annual Pension Cost ("APC")	Percentage of APC Contributed
6/30/09	$14,843,000	100%
6/30/10	17,905,000	100
6/30/11	17,807,000	100
6/30/12	19,148,000	100
6/30/13	24,412,835	100
6/30/14	25,787,000	100
6/30/15	25,590,000	100
6/30/16	25,751,000	100
6/30/17	27,385,000	100
6/30/18	32,313,039	100

Source: The Authority.

The funding ratio for termination liability, which is an estimate of the obligation the ATU Plan would have to meet if it was terminated as of January 1, 2018, was 74.0%. This estimate is based on pay and years of service of all covered employees and uses the actuarial methods and assumptions above.

Public Employees' Retirement Plan. All eligible non-ATU employees of the Authority participate in the State's Public Employees Retirement System ("CalPERS"). Prior to separation from the County on January 1, 1995, all eligible Authority non-ATU employees participated in CalPERS through the County. As a result of the separation from the County, certain administrative employees were transferred from the County to the Authority. All of those administrative employees' service credits earned during the period they worked for the County's transportation agency were transferred to the Authority's CalPERS account. The transfer of related assets at a market value totaling approximately $52.3 million was completed by CalPERS in Fiscal Year 1999.

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. Employees vest after five (5) years of service and may receive retirement benefits at age 50 or age 52 for New Members with statutorily reduced benefits. These benefit provisions and all other requirements are established by state statute and Authority resolutions. The Authority contracts with CalPERS to administer these benefits. The actuarial methods and assumptions are based on a valuation report dated August 2018, for data as of June 30, 2017.

Actuarial Methods and Assumptions:

Description	Methods/Assumptions
Valuation Date	June 30, 2017
Actuarial cost method	Entry Age - Normal
Amortization method	Level percent of Payroll
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Discount Rate	7.00% (as of June 30, 2018, net of administrative expense; includes inflation)
Projected Salary Increases	Varies by entry age and service
Inflation	2.50%
Payroll Growth (June 30, 2018)	2.75%

The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. Annually, CalPERS provides the Authority with the required contribution rates as a percentage of payroll.

The required employer contribution rate is 19.358% of payroll for the Fiscal Year ending June 30, 2019. The employee contribution rate for the pension benefit is 7.0%. In accordance with the collective bargaining agreements that VTA has with AFSCME, TAEA, and SEIU, employees hired before January 1, 2012 contribute 6%, and VTA contributes the remaining 1.0%. Employees hired between January 1, 2012 and December 31, 2012 contribute 7%.

Employees hired on or after January 1, 2013 but before December 30, 2014 (the "Gap Employees) contribute 7% of wages up to the maximum CalPERS pensionable wages ($275,000 in 2018), and employees hired on or after December 30, 2014 (the "PEPRA Employees") contribute 7% of wages up to the social security wage limit ($128,400 in 2018). This issue is subject to litigation as discussed below, under

California Public Employees' Pension Reform Act of 2013.

The Authority has budgeted its contributions at the required rates. For the Fiscal Year ended June 30, 2017, the Authority's annual CalPERS pension cost was $11.5 million.

The schedules of funding progress using Actuarial Value of Assets ("AVA") and using Market Value of Assets ("MVA") are as set forth below.

Schedule of Funding Progress using Actuarial Value of Assets
Santa Clara Valley Transportation Authority CalPERS Plan
(Unaudited)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liabilities	UAAL	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
6/30/07	$170,836,697	$195,098,516	$ 24,261,819	88	$49,681,839	49%
6/30/08	188,897,985	214,450,572	25,552,587	88	51,043,339	50
6/30/09	203,338,247	238,083,095	34,744,848	85	54,589,177	64
6/30/10	217,334,996	252,655,448	35,320,452	86	53,230,543	66
6/30/11	233,515,530	274,924,477	41,408,947	85	51,626,152	80
6/30/12	248,962,798	295,109,856	46,147,058	84	53,949,689	86
6/30/13	236,908,826	317,711,068	80,802,242	75	52,712,593	153
6/30/14	277,805,292	354,975,715	77,170,423	78	54,294,000	142
6/30/15	282,947,012	375,918,847	92,971,835	75	60,375,000	154
6/30/16[(1)]	282,534,706	401,463,904	118,929,198	70	61,209,000	194

Source: The Authority.
[(1)] Data as of June 30, 2016 from CalPERS Annual Valuation Report dated July 2017.

Schedule of Funding Progress using Market Value of Assets
Santa Clara Valley Transportation Authority CalPERS Plan
(Unaudited)

Actuarial Valuation Date	Market Value of Assets	Actuarial Value of Liabilities	MVA - UAAL	MVA – UAAL Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
6/30/07	$196,452,892	$195,098,516	$(1,354,376)	101%	$49,681,839	(3)%
6/30/08	190,976,832	214,450,572	23,473,740	89	51,043,339	46
6/30/09	148,423,875	238,083,095	89,659,220	62	54,589,177	164
6/30/10	170,928,494	252,655,448	81,726,954	68	53,230,543	154
6/30/11	208,802,014	274,924,477	66,122,463	76	51,626,152	128
6/30/12	209,208,442	295,109,856	85,901,414	71	53,949,689	159
6/30/13	236,908,826	317,711,068	80,802,242	75	52,712,593	153
6/30/14	277,805,292	354,975,715	77,170,423	78	58,616,218	153
6/30/15	282,947,012	375,918,847	92,971,835	75	59,426,664	156
6/30/16[(1)]	282,534,706	401,463,904	118,929,198	70	63,924,112	186

Source: The Authority.
[(1)] Data as of June 30, 2016 from CalPERS Annual Valuation Report dated July 2017.

Based on the Authority's Comprehensive Annual Financial Reports, the annual CalPERS pension costs and Authority contributions for the past ten years is as follows:

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed
6/30/08	$6,278,000	100%
6/30/09	6,507,000	100
6/30/10	6,167,000	100
6/30/11	6,090,000	100
6/30/12	7,159,000	100
6/30/13	7,497,000	100
6/30/14	8,845,000	100
6/30/15	8,965,000	100
6/30/16	10,567,000	100
6/30/17	11,516,000	100

Source: The Authority.

On April 17, 2013, the CalPERS Board approved changes to the amortization and smoothing policies to spread all gains and losses over a fixed 30-year period from a rolling 30-year period, and to recognize increases or decreases in investment returns over a 5-year period versus a 15-year period. These changes will result in higher employer contribution rates in the near term but lower rates in the long-term. The new policies will be effective for fiscal year 2015-16 and could increase the fiscal year 2015-16 rate by 2.0 percent.

Despite recent investment gains, CalPERS still faces a large accrued unfunded liability. There can be no assurances that the Authority's contributions to CalPERS will not significantly increase in the future. The actual amount of any increases will depend on a variety of factors, including but not limited to investment returns, actuarial assumptions, experience and retirement benefit adjustments. Recent action by CalPERS to lower the assumed rate of return on investments may cause an increase in the Authority's contributions to CalPERS. However, the Authority does not believe any such increases would have a material impact on its operations, Sales Tax Revenues, or the Authority's ability to pay the principal of, premium, if any, and interest on its bonded indebtedness when due.

Additional information concerning CalPERS may be found on its website at *http://www.calpers.ca.gov*. Such website information is not incorporated into this Remarketing Memorandum.

GASB Statement 68. In June 2012, the Governmental Accounting Standards Board ("GASB") issued Statement 68: Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27 ("Statement 68"). Statement 68 applies to both ATU and non-ATU plans and requires, commencing for the Fiscal Year ending June 30, 2015, that the net pension liability for both plans be reflected on the balance sheet of the Authority. As a result of Statement 68, the Authority recorded a net pension liability on its balance sheet as of Fiscal Year 2017 of approximately $278 million ($170 million for the ATU Plan and $108 million for CalPERS).

California Public Employees' Pension Reform Act of 2013. The Governor signed the California Public Employee's Pension Reform Act of 2013 (the "PEPRA") into law on September 12, 2012. PEPRA affects new employees hired after January 1, 2013. A classic CalPERS member or PEPRA Safety member becomes eligible for service retirement at age 50 with at least 5 years of credited service (total service across all CalPERS employers, and with certain other retirement systems with which CalPERS has reciprocity agreements). For employees hired into a plan with the 1.5% at 65 formula, eligibility for service retirement is age 55 with at least 5 years of service. PEPRA miscellaneous members become eligible for service retirement at age 52 with at least 5 years of service.

Several unions representing certain public transit employees in the State have asserted to the U.S. Department of Labor ("DOL") that PEPRA is inconsistent with the collective bargaining provisions described under the former Section 13(c), now Section 5333(b) of the Urban Mass Transportation Act. Section 5333 requires that employee protective arrangements must be certified by the DOL as being compliant with Section 5333 before Federal transit funds can be released to a mass transit provider. In response to the unions' assertions, the California Legislature passed Assembly Bill 1222 in September 2013. This Bill temporarily exempted transit workers from PEPRA so California transit agencies could continue to receive federal grants while the United States District Court for the Eastern District of California (the "District Court") in *State of California et al. v. United States Department of Labor et al.* (Civ. No. 2:13-cv-2069 KJM DAD) considered the matter. Assembly Bill 1783, approved by the Governor on September 28, 2014, which took effect immediately as an urgency statute, extended the PEPRA exemption for transit workers until January 1, 2016. On December 30, 2014, the District Court found that DOL acted in violation of the federal Administrative Procedures Act in its application of Section 5333(b) to PEPRA. Thus, PEPRA now applies to employees of public transit systems otherwise subject to Section 5333.

Soon after the court decision, the CalPERS executive office announced that it would treat all transit Gap employees as accruing "classic" benefits under the old system from January 1, 2013 to December 30, 2014, and thereafter accruing the lower PEPRA pension benefits starting on December 30, 2014. VTA disagreed with CalPERS executive office's interpretation of Senate Bill 1222. Accordingly, VTA, on behalf of the Gap Employees, filed an administrative appeal to the CalPERS Board, objecting to CalPERS executive office's interpretation of Senate Bill 1222.

The CalPERS executive office filed an action against VTA in Sacramento County Superior Court, seeking a declaration from the court that CalPERS's interpretation of Senate Bill 1222 is correct. VTA sought to set aside the declaratory relief action on the ground that CalPERS failed to exhaust administrative remedies (i.e., that administrative appeals were still pending before the CalPERS board). The trial court agreed with VTA and entered judgment in VTA's favor. CalPERS appealed, and in June 2018, the Court of Appeal issued its decision in VTA's favor. It ruled that the CalPERS' executive office: (1) could not use a declaratory relief action to seek validation of a challenged administrative policy; and (2) had not established futility in seeking a decision from the CalPERS board, and is therefore obligated to exhaust the administrative process before resorting to the court. Simultaneously, in the Santa Clara County Superior Court, VTA filed a petition in Santa Clara County Superior Court, alleging that CalPERS, in refusing VTA's administrative hearing, has acted in violation of the law. As a result of the appellate decision, on December 17 and 18, 2018, VTA's appeal of CalPERS' interpretation of Senate Bill 1222 was heard by an administrative law judge. VTA submitted its closing brief on January 31, 2019. No date has been set for when the administrative law judge will issue her decision.

Retiree Health Care Program. Employees who retire directly from the Authority are eligible for retiree health benefits if they meet certain requirements relating 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 will contribute up to $100 per month above the Kaiser Bay Area Single Party rate for CalPERS medical plans, regardless of Medicare status. ATU retirees will 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 will contribute up to $100 per month above the Kaiser Out of State Single Party rate for CalPERS medical plans, regardless of Medicare status. ATU retirees will 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. As of June 30, 2017, 1,075 retirees met the eligibility requirements for the ATU program. For surviving spouses of ATU retirees: VTA will pay the required Public Employees' Medical & Hospital Care Act ("PEMHCA") minimum employer premium contribution, $128 and $133/per month in 2017 and 2018, respectively.

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. As of June 30, 2017, 507 retirees met the eligibility requirements for the Non-ATU Program. For surviving spouses of non-ATU retirees who elect a pension option with survivor benefits: as required by PEMHCA, VTA will contribute the same amount as it contributes for non-ATU retirees.

As of July 1, 2017, the most recent actuarial valuation date, the plan was 118% funded. The actuarial accrued liability was $239.3 million and the market value of assets was $299.9 million with $60.6 million in an overfunded actuarial accrued liability. The covered payroll was $176.7 million which resulted in a 34% overfunded actuarial accrued liability as a percent of covered payroll.

The actuarial cost method used for determining the benefit obligations is the entry age normal method. The significant economic assumptions used were: (1) a discount rate of 7.00%; (2) a projected salary increase of 3.25% per year plus those due to longevity and promotion; and (3) the CalPERS benefit trend rates begin at various levels depending on the current and anticipated renewals, and then are graded down to an ultimate rate of 4.0%, reflecting the expected long-term trend for the medical Consumer Price Index.

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APPENDIX B

AUDITED FINANCIAL STATEMENTS OF THE SANTA CLARA VALLEY TRANSPORTATION AUTHORITY FOR FISCAL YEAR ENDED JUNE 30, 2018

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Santa Clara Valley Transportation Authority

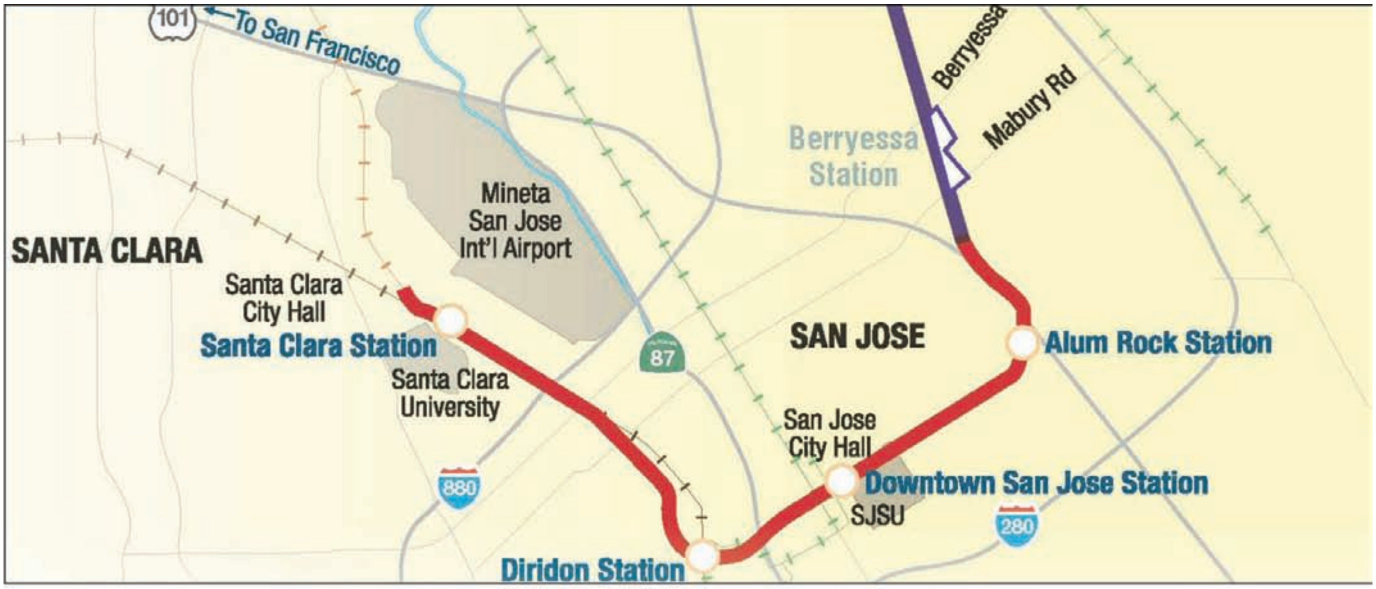
Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2018

Santa Clara County, California

Santa Clara Valley Transportation Authority

Solutions that move you



VTA receives Federal Record of Decision for BART Silicon Valley Phase II Extension Project

Milpitas BART Station – VTA Silicon Valley BART Extension

Berryessa BART Station – VTA Silicon Valley BART Extension

Landscaping project on McCathy Boulevard in Milpitas

The Santa Clara Caltrain Station Pedestrian Underpass Extension received the 2018 Golden Award for its innovative design features.

Installing new NB crossover - Karina LR Station

5-mile subway single bore tunneling for VTA's BART SV Phase II Extension Project

Tasman Signal Interlocking

SANTA CLARA VALLEY
TRANSPORTATION AUTHORITY

SAN JOSE, CALIFORNIA

Comprehensive Annual Financial Report (CAFR)
For Fiscal Year Ended June 30, 2018

Prepared by:
Finance and Budget Division

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SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Comprehensive Annual Financial Report
For the Year Ended June 30, 2018

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SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Comprehensive Annual Financial Report
For the Year Ended June 30, 2018

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SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Comprehensive Annual Financial Report
For the Year Ended June 30, 2018

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Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Santa Clara Valley

Transportation Authority, California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morrill

Executive Director/CEO

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INTRODUCTORY SECTION

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LETTER OF TRANSMITTAL

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October 27, 2018

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, 2018. 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.

Vavrinek, Trine, Day & Company 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. Vavrinek, Trine, Day & Company 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, 2018, 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, Vavrinek, Trine, Day & Company 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 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 operation of a government entity is ordinarily affected by economic conditions. Understanding the related impacts of these conditions is key in analyzing and interpreting the information presented in the financial statements.

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 fifth 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 2017, seven of the top ten 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.

The technology industry remains the main engine of the Bay Area economy. Analysis of information compiled by Beacon Economics shows that the technology sector prompted much of the job growth in the Bay Area. Tech employment includes professional scientific and technical services; information services and products, and computer and electronic manufacturing. Other large industry groups supporting the Bay Area economic performance included construction, retail and healthcare.[3]

In June 2018, the County's unemployment rate fell to a record low of 2.9% from 3.5% the prior year. Santa Clara County's employment growth over a one-year period ending February 2018 outperformed the pace of employment expansion in the nation.[4] There are continuing expansions, leases and land acquisitions by tech companies in Santa Clara County and the Bay Area.[5] These expansion plans are anticipated to face challenges of housing shortages, lack of affordability and increasing traffic delay. Higher density housing units near transit hubs continue to be constructed with the aim of easing the region's housing crunch and road congestion.

According to the US Department of Labor report in June 2018, the national unemployment rate dropped to 4% and the number of unemployed persons was 6.6 million, compared to prior year's statistics during the same period, when unemployment rate was 4.4% and the number of unemployed persons was 7.0 million. The national unemployment rate is at historically low level. It is reported that the last time the jobless rate remained below 4% for a sustained period was in the late 1960s.[6] Economists expect that low unemployment

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[1]County of Santa Clara News. May 2018.
[2]Newmark. "2017 Bay Area Economic Engine". October 2017.
[3]Bay Area News Group. "Bay Area Job Market Reaches record-high levels again". March 2018.
[4]Ibid.
[5]Bay Area News. "California Jobless Rate Hits Record Low". January 2018.
[6]Kitroeff, Natalie. The New York Times. "Unemployment Rate Hits a Rare Low". May 2018.

will lead to higher payroll for workers as job market becomes more competitive.

California's seasonally adjusted unemployment rate held steady at its record low of 4.2% in June 2018.[7] This is the lowest on record in a data series stretching back to 1976 when the state started tracking data consistently.[8] Although the State has addressed long-standing problems such as restoring fiscal health to its retirement benefit plans and making capital improvements, California's 2019 Budget projects a healthy surplus which will be used to build up the Rainy Day Fund. The State is able to bank higher revenues into reserves and earmark the surplus on one-time spending to address infrastructure needs, homelessness and mental health. The State acknowledges that despite strong fiscal health in the short-term, the risks to the long-term health of the state budget continue to exist which include, among others, the uncertainty on new federal policies, as well as a host of global risk and the volatility brought about by the stock market.[9]

With the State's financial condition remaining in good shape, the Transportation Development Act (TDA) revenue increased by $3.6 million. The State Transportation Assistance (STA) revenue also rose by $12.1 million in FY 2018. Aside from the continuous climb in diesel prices in 2018, the jump in STA is largely a result of additional allocation for the performance of mid-year overhaul on the light rail vehicle fleet. Both revenues are state programs that provide funds to operate bus and rail systems in California.

VTA's largest revenue sources for operations and capital activities, the 1976 half-cent, 2000 Measure A, and BART Operating sales taxes, amounted to $207.6 million, $207.9 million, $49.8 million, respectively, during FY 2018. The newest tax Measure approved by the Santa Clara County voters in November 2016 is referred to as the 2016 Measure B. This is a 30-year half-cent sales tax to enhance transit, highways, expressways and active transportation. Tax collection began in April 2017. From inception to June 30, 2018, the total 2016 Measure B sales tax amounted to $255.1 million. This was reported under a special revenue fund and formed part of the liability as the tax Measure continues to face legal challenge.

Although sales tax revenues remained generally constant from the prior year, there were indications that sales tax returns were not completely processed during the last quarter of the year. The California Department of Tax and Fee Administration (CDTFA) acknowledged certain system problems for the untimely processing. In keeping with GASB 33 guidelines for Derived Tax Revenue Transactions, VTA did not to accrue any sales tax revenues in addition to the sales tax revenues it received from CDTFA for the year.

[7] State of California EDD. Labor Market Info. July 2018.

[8] Bureau of Labor Statistics Data, July 2018.

[9] 2018-19 Revised California Budget. May 2018.

ENTERPRISE NET POSITION OVERVIEW

Total FY 2018 Net Position is provided below (in thousands):

Net Investment in Capital Assets			$	4,839,251
Restricted:				
Swap collateral	$	6,023		
Debt service		2,217		
1996 Measure B projects		1,670		9,910
Unrestricted:				
Local share of capital projects	$	154,278		
Debt reduction		5,000		
Operating reserve		54,807		
Sales tax stabilization		35,000		
Inventory and prepaid items		36,665		
Express Lane		1,909		
BART Operating		288,853		
Joint Development		23,136		
Net OPEB Asset (GASB 75) [a]		57,978		
Unrestricted before GASB 68 adjustment		657,626		
Net Pension Liability (GASB 68)[b]		(233,639)		423,987
Total Net Position			$	5,273,148

[a]FY2017 showed a Net OPEB Asset of $15.9 million. To comply with GASB 75, an increase in Net Position of $42.1 million was recognized. This was based on the actuarial report which provides that total Net OPEB Asset (less deferrals) was $58 million.

[b]This 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 $91.2 million and $142.4 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
• VTA Transit	• Congestion Management Program
• BART Operating	• 2016 Measure B Program
• Joint Development	• 2000 Measure A Program
• Express Lanes	• 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) resulting from the GASB 68 implementation may reduce any or all of these reserves.

Reserve	Balance as of June 30, 2018 (in millions)	Remarks
Operating Reserve	$ 54.807	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. FY 2018 balance is less than the goal by $19.2 million. Detailed calculation and 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	$ 5.000	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 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, $388.2 million in state and other local funding, and $1.133 billion from 2000 Measure A sales tax. In March 2012, VTA received a $900 million grant commitment from the FTA for the project, along with the first $100 million allocation, as provided for in the Full Funding Grant Agreement (FFGA). The FFGA is a multi-year contractual agreement that formally defines the project scope, cost, and schedule, and establishes the terms of the federal financial assistance. Execution of the FFGA allowed the commencement of construction of the 10-mile, two-station BART extension. As of June 30, 2018, $696.1 million of the total $702.6 million grant award, has been expended and received.

In August 2014, VTA received the Traffic Congestion Relief Program (TCRP) funds in the amount of $39 million which constitutes the final installment of the State of California's $649 million TCRP allocation plan adopted by the California Transportation Commission (CTC) in 2008. As of June 2018, all of the TCRP grant award have been expended.

The project scope includes 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 includes 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. Track installation was completed and building interior, including mechanical/electrical/plumbing installation and elevator testing, is underway at Milpitas and Berryessa stations. At both stations, field installation testing and field functional testing of mechanical, electrical and communications systems, are ongoing. Project schedule estimates closeout for Phase 1 to be completed in late 2019.

VTA continues project development activities for the second 6-mile phase of the project. 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, 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 VTA satisfied the requirements of the National Environmental Policy Act (NEPA) for the project.

VTA continued efforts to develop deliverables necessary for the pursuit of federal funding through the FTA's Capital Investment Grant (CIG) Program. These efforts included continued interaction with FTA on participation in the 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. VTA is developing an EPD proposal which will demonstrate the project's justification, funding plan, public-private partnerships opportunities, and areas where VTA can self-certify capabilities to carry out an award of federal assistance. VTA anticipates the General Engineering Consultant selection process to be completed by Fall 2018.

The cost of the Santa Clara Extension, which includes the construction of Newhall Maintenance Facility and purchase of 48 BART vehicles, is approximately $4.8 billion. The project will be paid by 2000 Measure A, 2016 Measure B sales tax funding along with Federal New Starts 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 2017 Comprehensive Annual Financial Report. This is the 22nd 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 Vavrinek, Trine, Day & Company 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 Chief Financial Officer

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2018 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 2018
Sam Liccardo, Chairperson
Teresa O'Neill, Vice Chairperson

GROUP 1 (San Jose)	
City of San José	Charles "Chappie" Jones Lan Diep Johnny Khamis Sam Liccardo* Raul Peralez Devora "Dev" Davis, Alternate
GROUP 2 (North West) (*Alternate Vacant*)	
City of Los Altos	
Town of Los Altos Hills	
City of Mountain View	John McAlister
City of Palo Alto	
GROUP 3 (West Valley)	
City of Campbell	
City of Cupertino	Savita Vaidhyanathan
Town of Los Gatos	Rob Rennie, Alternate
City of Monte Sereno	
City of Saratoga	
GROUP 4 (South County)	
City of Gilroy	Daniel Harney, Altenate
City of Morgan Hill	Larry Carr
GROUP 5 (North East)	
City of Santa Clara	Teresa O'Neill
City of Sunnyvale	Glenn Hendricks, Alternate
City of Milpitas	Bob Nuñez
GROUP 6 (Santa Clara County)	
County of Santa Clara	Cindy Chavez Ken Yeager Dave Cortese,* 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.

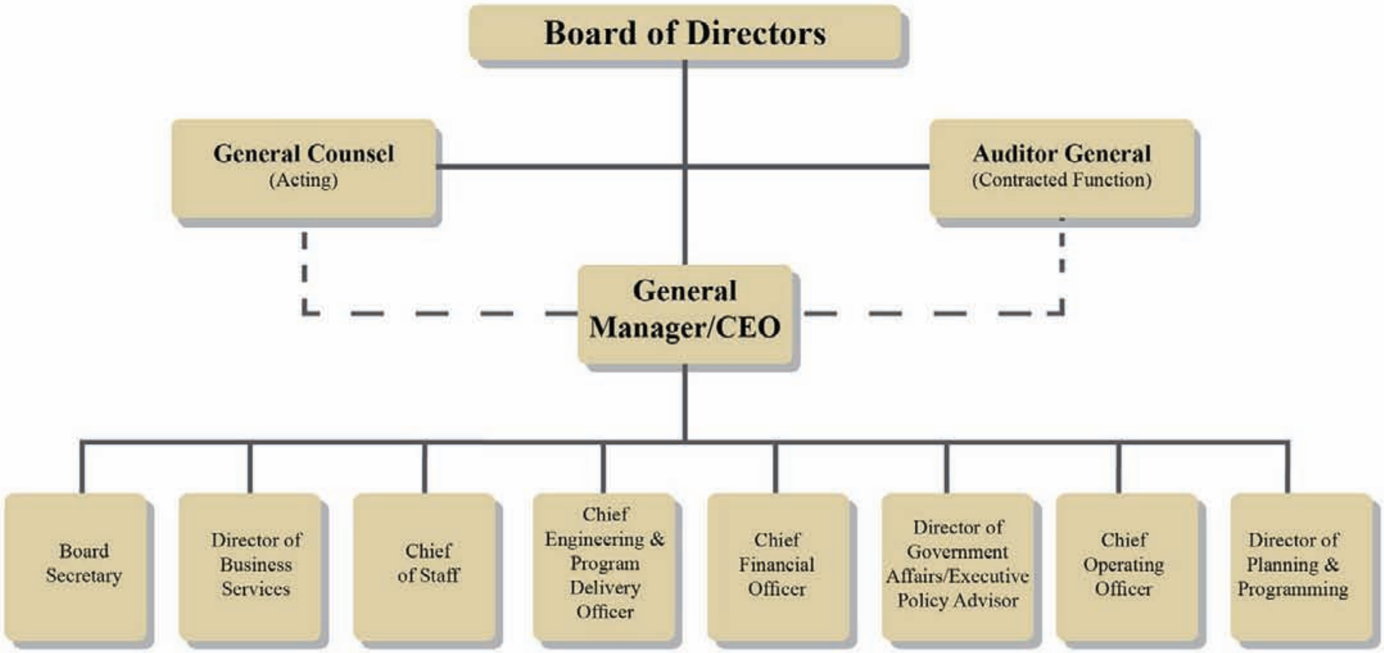
5. **Policy Advisory Committee (PAC)** is a 16-voting member committee comprised of one city council member from each of the 15 cities within Santa Clara County and one member from the County of Santa Clara Board of Supervisors. The PAC ensures that all local jurisdictions have an opportunity to participate 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 four active PABs:

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

Santa Clara Valley Transportation Authority
As of June 30, 2018



Principal Officials
June 30, 2018

General Manager/CEO....................Nuria I. Fernandez

Acting General Counsel....................Evelynn Tran

Auditor General (Contracted Function) ....Bill Eggert

Board Secretary....................Elaine Baltao

Director of Business Services.................... Alberto Lara

Chief of Staff....................Angelique M. Gaeta

Chief Engineering & Program Delivery Officer....................Carolyn Gonot

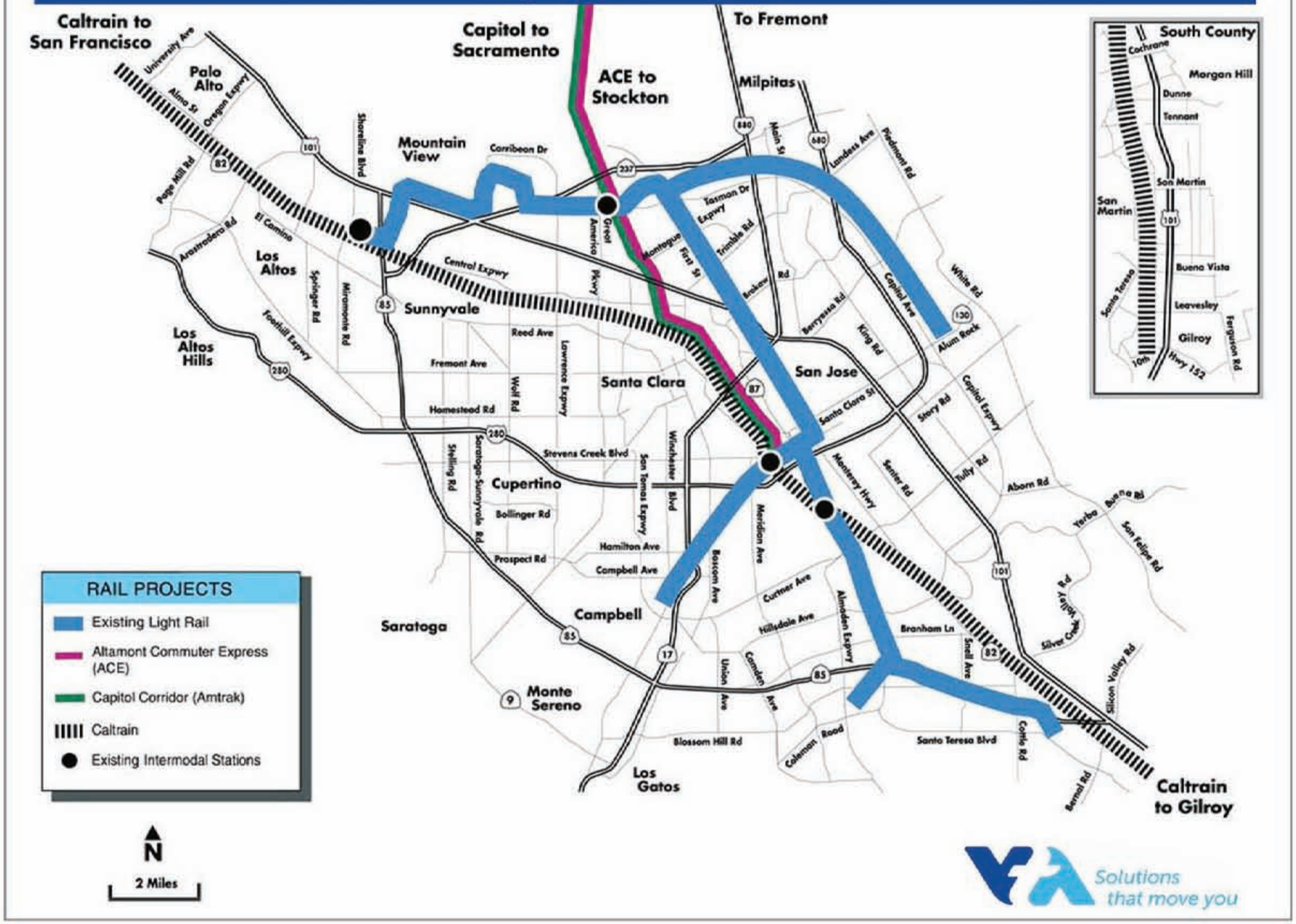
Chief Financial Officer ....Raj Srinath

Director of Government Affairs/Executive Policy Advisor ....James Lawson

Chief Operating Officer....................Inez P. Evans

Director of Planning & Programming.................... ....Chris Augenstein

Santa Clara County Bus and Rail Transit Service Area



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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

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VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

VALUE THE *difference*

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, 2018, and the related notes to the financial statements, which collectively comprise the 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.

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 the VTA, as of June 30, 2018, 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.

Emphasis of Matter

As discussed in Note 23 to the financial statements, VTA adopted the following new accounting pronouncements: GASB Statement No. 75, *Accounting and Reporting for Post-employment Benefit Plans Other than Pension Plans*. Our opinion is not modified with respect to this matter

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 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 the VTA's basic financial statements. The enterprise, capital project 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, capital projects 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, 2018.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of VTA as of and for the year ended June 30, 2017 (not presented herein), and have issued our report thereon dated October 27, 2017, which contained unmodified opinions on the respective financial statements of the business-type activities, the governmental activities, each major fund, and the aggregate remaining fund information. The enterprise fund supplementary information as of and for the year ended June 30, 2017 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the June 30, 2017 financial statements. The enterprise fund supplementary information as of and for the year ended June 30, 2017 have been subjected to the auditing procedures applied in the audit of the 2017 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the enterprise fund 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, 2017.

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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2018, on our consideration of the 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the VTA's internal control over financial reporting and compliance.

Vavrinek, Trine, Day & Co. LLP

Palo Alto, California
October 29, 2018

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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 2018. 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, 2018, VTA's net position, business-type and governmental activities, amounted to approximately $4.8 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.
- In FY 2018, 2000 Measure A Program fund was reclassified from enterprise to governmental. This required the Assets Under Construction (AUC) originally reported under the 2000 Measure A Program Fund (now forming part of the governmental activities) to be transferred to VTA Transit Fund and BART Operating Fund (both part of the business-type activities). With the transfer out of AUC and retention of related debt by the 2000 Measure A Program Fund, the governmental activities reported a deficit of $428 million.
- Enterprise Funds charges for services were $42.4 million, derived mainly from passenger fares. This was an increase of $2.2 million or 5.6% from FY 2017. Discussion on factors causing the increment follows on page 2-11, last paragraph.
- As of June 30, 2018, VTA had total outstanding bonds in the amount of $1.03 billion, a decrease of $44 million from prior year. This is mainly due to payment of bond principal.
- VTA Transit Fund net position increased by $477.9 million to $2.4 billion. This consisted of change in net position during the year of $72.7 million, as well as increase adjustments to the beginning net position of $363.0 million due to the transfer in of AUC from 2000 Measure A Program Fund and $42.2 million as a result of the implementation of GASB 75, Other Post Employment Benefit (OPEB). VTA started the fiscal year with a Net OPEB Asset of $15.8 million and with the GASB 75 adjustment, Net OPEB Asset (net of deferrals) in VTA Transit's Unrestricted Net Position as of June 30, 2018 amounted to $58 million.
- The three board-designated reserves; i.e., Transit Operating Reserve, Debt Reduction Reserve, and Sales Tax Stabilization Reserve were $54.8 million, $5.0 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 $233.6 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.

- As of June 30, 2018, 2000 Measure A Program fund balance was $453 million. While prior year's fund net position was $2.4 billion, a cumulative change in accounting principle brought about by the change in the categorization of the fund from enterprise to governmental, caused a decrease adjustment of $2.8 billion. This was offset by an increase adjustment of $900 million relating to long-term liabilities which were eliminated as they are not due and payable in the current period. 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.
- The 1976 Sales Tax revenue decreased $1.4 million, or 0.7% from FY 2017 level to $207.6 million in FY 2018. The 2000 Measure A Sales Tax revenue decreased $0.8 million or 0.38% to $207.9 million in FY 2018. The slight decrease in sales tax revenues in FY 2018 was attributed to the California Department of Tax and Fee Administration's acknowledgment that incomplete sales tax returns were processed for the year and any additional tax allocations pertaining to FY 2018 will be reflected in subsequent monthly distributions. Following the guidelines of GASB 33 on Derived Tax Revenue Transactions, VTA did not to accrue any sales tax revenues in addition to the sales tax revenues it received for the year.
- Federal, state, and local operating grants, under the Enterprise Funds, were $15.7 million or 13.7% higher in FY 2018. The increase was a result of an increase in State Transit Assistance of $12.1 million in FY 2018 which was caused primarily by additional allocation for mid-year overhaul of light rail fleet and continuous climb in diesel prices. Transportation Development Act (TDA) revenue also increased by $3.6 million in FY 2018.
- Capital grants in enterprise funds increased by $19.5 million from the FY 2017 level, due to increase in grant-funded activities relating primarily to the bus procurement, and rail replacement/rehabilitation projects.
- As of June 30, 2018, the net position of Express Lanes and Joint Development funds amounted to $1.9 million and $28.9 million, respectively. The Express Lanes Fund recorded toll collection from SR 237/I-880 Express Connector. The Joint Development Fund reported property rental revenues and other proceeds generated from VTA's Joint Development Program.
- In FY 2018, BART Operating Fund's net position was $2.8 billion, a significant increase from $238 million in FY 2017. The increase in its net position was largely due to the $2.5 billion transfer in of Assets Under Construction from 2000 Measure A Program Fund. The BART Operating Sales Tax decreased by $233 thousand to $49.8 million in FY 2018.
- The 2016 Measure B Special Revenue Fund was established in FY 2017 as a result of the Santa Clara County voters approving the 30-year half-cent sales tax to enhance transit, highways, expressways and active transportation. Tax collection began in April 2017. Total sales tax since inception of $255.1 million formed part of the liability as the tax measure continues to face legal challenge.

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) and 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, the ATU Spousal Medical and Retiree Vision and 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 2-36 through 2-105 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, and 2000 Measure A Program Budgetary Schedules. Required supplementary information can be found on pages 2-106 through 2-115 of this report.

   Other supplementary information such as the combining statements and other individual schedules found immediately following the required supplementary information present individual fund statements and schedules for the Enterprise and Fiduciary Funds. Other supplementary information can be found on pages 2-116 through 2-127 of this report.

4. **Government-wide Financial Analysis**. The Government-Wide change in net position was $191.2 million. There was also an increase adjustment of $42.2 million due to GASB 75 (Other Post Employment Benefit) implementation. The Business-Type activities were the major source of the growth as the Government-type activities' net position decreased by $14.6 million. The increase in the business-type net position was due primarily to sales tax receipts, TDA, and capital grants related primarily to Bus Procurement, Electric Bus Pilot, Rail Replacement Paratransit Fleet Procurement projects. The 1976 sales tax, 2000 Measure A sales tax, and BART operating sales tax collections for the fiscal year were $207.6 million, $207.9 million, and $49.8 million, respectively. During FY 2018, VTA acquired or built total capital assets of approximately $277.3 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 2018 and FY 2017

(In thousands)

	Business -Type Activities		Governmental Activities		Total	
	2018	2017 [1]	2018	2017 [1]	2018	2017
Asset:						
Current and other assets	$ 820,108	$ 746,322	$ 792,041	$ 628,821	$ 1,612,149	$ 1,375,143
Capital assets, net	4,985,330	4,776,477	—	—	4,985,330	4,776,477
Total assets	5,805,438	5,522,799	792,041	628,821	6,597,479	6,151,620
Deferred outflows of resources	103,062	90,136	59,401	76,291	162,463	166,427
Liabilities:						
Current liabilities	89,094	86,442	350,202	141,229	439,296	227,671
Long-term liabilities outstanding	547,320	510,232	925,927	973,802	1,473,247	1,484,034
Total liabilities	636,414	596,674	1,276,129	1,115,031	1,912,543	1,711,705
Deferred inflows of resources	11,484	3,576	3,474	3,670	14,958	7,246
Net position:						
Net investment in capital assets	4,839,251	4,616,263	—	—	4,839,251	4,616,263
Restricted	9,910	11,572	56,746	72,868	66,656	84,440
Unrestricted	411,441	384,850	(484,907)	(486,457)	(73,466)	(101,607)
Total net position	$ 5,260,602	$ 5,012,685	$ (428,161)	$ (413,589)	$ 4,832,441	$ 4,599,096

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

The largest portion of VTA's net position (approximately 92%) 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, debt service collateral with the bond trustees, and Swap collateral. 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; Net OPEB Asset; and a deficit in compensated absences. The deficit in compensated absences represents the vacation leave of ATU employees which is funded by VTA Transit's FY 2019 operating budget. The unrestricted net position is generally available for appropriation with Board approval. The details of net position categories are shown in Note 2(j).

Governmental Accounting Standards Board (GASB) Statement 68 requires 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 consists of $91.2 million for CalPERS and $142.4 million for ATU, net of related deferrals.

GASB Statement 75 requires reporting of liability or asset on the face of the financial statements of the governments whose employees are provided with Other Post Employment Benefit (OPEB). As of June 30, 2018, 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 an increase adjustment (net of related deferrals) in Net Position for a Net OPEB Asset of $58 million as of June 30, 2018.

Business-Type Activities – The total net position is $5.3 billion as of June 30, 2018. The increase is attributed to the year's change in net position of $205.8 million and increase adjustments to the beginning year's net position for GASB 75 implementation of $42.1 million, as well as transfer out from enterprise to governmental of 2000 Measure A net liabilities (assets other than AUC, less liabilities) of $412.5 million. Prior to FY 2018, 2000 Measure A Program Fund formed part of the enterprise. Starting FY 2018, 2000 Measure A Program Fund was categorized as part of the governmental funds. As governmental funds 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, 2000 Measure A Program fund's AUC was moved to VTA Transit and BART Operating (both enterprise funds).

The current fiscal year reported unfavorable changes affecting operating expenses, as well as program and general expenses. Net program expenses (total expenses minus program revenues) decreased by $7 million in FY 2018, mainly because the increase in program revenues of $37 million was more than the increase in total expenses of $30 million.

The total program expense was up primarily due to the increase in operations and support services. Labor and fringe benefits, net of costs allocated to capital and other programs, increased by $19.2 million, largely due to wage increase in accordance with the provisions of the various collective bargaining agreements. The GASB 68-required pension expense recognition pertaining to CALPERS and ATU increased as a result of changes in assumptions in the actuarial estimate. The growth of $3 million in materials and supplies is a result of increase in part usage from the ongoing light rail vehicle midlife overhaul. Service also reported a $3.2 million increase which is largely attributed to enhanced staffing levels brought about by the amendment of the Santa Clara County Sheriff’s contract, and increase in activities of projects involving repairs and rehabilitation (such as roofing, transit center park and ride upgrades, and pavement and painting management programs), as well as feasibility studies conducted on transit properties (such as Facilities Assessment, Condition Assessment for Bus/Rail Infrastructure, and Diridon Station Intermodal Conceptual Plan). General liability insurance was up by $3.5 million to provide the actuarially-required reserves as of June 30, 2018. This year included a new provision for Employment Practices Liability related to issues affecting California Public Employees' Pension Reform Act (PEPRA). Aforementioned increases in expenses were offset by decrease in purchased transportation expense of $2 million and increase in charges for services revenue of $3.3 million. The decrease in purchased transportation could primarily be attributed to decline in passenger trips and receipt of liquidated damages paid by the contractor for unacceptable performance which was used to offset the paratransit cost. Internal Service Fund showed an increase in charges for services revenue of $3.3 million relating to compensated absences. Prior year's contribution for compensated absences was reduced so as to minimize the level of over funding existing at that time. As of June 30, 2018, the required funding for compensated absences liability of $22.2 million was provided.

Other program expenses include contribution to other agencies increased by $1.4 million. The increase is attributed primarily to the first year of funding made by the Express Lanes Fund to the Congestion Management and Highway Program Fund for the SR237 Express Lanes project. Claims and change in future claim estimates was up by $4.8 million because Internal Service Fund reflected an increased provision for compensated absences liability. Rates for workers' compensation (ATU and administrative personnel) and pension contribution (for ATU) were included this year in the fringe of vacation and sick leave balances reported under the compensated absences component of the internal service fund.

In the program revenue category, charges for services were up $2.2 million. Total passenger fares (consisting of fares from transit and paratransit, as well as tolls) were higher by $1.8 million mainly due to the higher rate reflected in the new fare policy adopted in January 2018 and additional revenue derived from augmented light rail services related to events held at the Levi's Stadium. Paratransit revenue was also higher in FY 2018 because the current year represented an entire year of paratransit revenue, while the prior year recognized only a portion of the full year's revenue as VTA took over the administration from an external contractor in November 2016. Prior to this period, paratransit revenues were offset against paratransit costs. In addition, there were paratransit programs/initiatives that were negotiated at a higher trip rate or newly implemented in FY 2018. Advertising and other revenues reported a net increase of $429 thousand attributed primarily from higher monthly minimum guaranteed payment from bus advertising vendor and increased property rental income from Joint Development.

The increase in operating grants of $15.7 million was due to the increase in State Transit Assistance (STA) of $12.1 million, and Transportation Development Act (TDA) of $3.6 million. The increase in STA was attributed to additional allocation for mid-year overhaul of light rail fleet and continuous climb in diesel prices during the year. The TDA increase was in line with the improved sales tax activity during the period when the TDA calculation was based on.

Capital grants increased by $19.5 million. This is a result of increased project revenues in VTA Transit Fund relating to Security Grant and Transportation for Clean Air, as well as new grant funding in FY 2018 for bus procurement and rail rehabilitation projects involving Low Carbon Transit Operation Program, California Energy Commission, and Major Transit Capital Investment Section 5309.

In the general revenue category, the sales taxes were $1.6 million lower than prior year. According to the California Department of Tax and Fee Administration, the sales tax reported for the fiscal year to date is incomplete and any additional tax allocations pertaining to the quarter ending June 2018 will be reflected in subsequent monthly distributions. Investment income increased by $1.1 million, largely a result of higher interest income of $2.4 million prompted by higher interest rate. This was offset by unfavorable change from trading loss of $0.8 million, and mark to market loss of $0.5 million. This year's Other Income was less because there were receipts during the prior year that did not happen again in the current year (such as receipts from lease termination, donated land, insurance proceeds from vehicle involved in an accident, and underground tank storage reimbursements). There was a transfer in of $192.7 million of Asset under Construction from 2000 Measure A fund to VTA transit fund and BART Operating fund, as a result of a change in accounting structure of the 2000 Measure A Program Fund from enterprise to governmental. The transfers in also include the 2000 Measure A Operating Assistance of $43.1 million and 2000 Measure A Repayment Obligation of $15.0 million.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Condensed Statement of Activities

For the FY 2018 and FY 2017

(In thousands)

	Business-Type Activities		Governmental Activities		Total	
	2018	2017 [1]	2018	2017 [1]	2018	2017
Expenses:						
Labor, overhead, materials and professional services and other operations	$ 495,785	$ 471,655	$ 8,159	$ 8,868	$ 503,944	$ 480,523
Capital expense, on behalf of, and contribution to other agencies	7,344	14,887	68,188	89,556	75,532	104,443
Altamont Corridor Express and Caltrain subsidies	12,350	3,270	—	—	12,350	3,270
Other expenses	657	576	1,452	2,352	2,109	2,928
Claims and change in future claim estimates	17,437	12,654	—	—	17,437	12,654
Interest expense	6,972	7,326	8,068	7,928	15,040	15,254
Total expenses	540,545	510,368	85,867	108,704	626,412	619,072
Program revenues:						
Charges for services	42,434	40,194	2,664	2,549	45,098	42,743
Operating grants	130,919	115,191	107,957	172,844	238,876	288,035
Capital grants	58,259	38,713	—	—	58,259	38,713
Total program revenues	231,612	194,098	110,621	175,393	342,233	369,491
Net program revenues (expenses)	(308,933)	(316,270)	24,754	66,689	(284,179)	(249,581)
General revenues and transfers:						
Sales tax revenue	257,380	259,029	207,870	208,672	465,250	467,701
Investment earnings	3,222	2,055	2,813	2,411	6,035	4,466
Other general revenue	3,317	5,233	760	531	4,077	5,764
Transfers	250,769	340,682	(250,769)	(340,682)	—	—
Total general revenues and transfers	514,688	606,999	(39,326)	(129,068)	475,362	477,931
Change in net position	205,755	290,729	(14,572)	(62,379)	191,183	228,350
Net position, beginning of year	4,600,148	2,191,155	(1,052)	2,179,591	4,599,096	4,370,746
Adjustment due to GASB 75 implementation	42,162	—	—	—	42,162	—
Restatement due to change in accounting principles, Note 23	412,537	2,530,801	(412,537)	(2,530,801)	—	—
Net position, beginning of year as restated	5,054,847	4,721,956	(413,589)	(351,210)	4,641,258	4,370,746
Net position, end of year	$5,260,602	$ 5,012,685	$ (428,161)	$ (413,589)	$4,832,441	$ 4,599,096

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

Governmental Activities – As of June 30, 2018, the net position of governmental activities showed a deficit of $428.2 million. This consists of a deficit during the fiscal year of $14.6 million and restated beginning net position (deficit) of $413.6 million. The deficit condition was largely a result of the net liabilities (assets other than AUC, less liabilities) of the 2000 Measure A Program, after the transfer of its AUC to VTA Transit and BART Operating. The transfer of 2000 Measure A from enterprise to governmental caused a restatement in the beginning net position due to change in accounting principles. Major elements of changes in net position were as follows:

- 2000 Measure A Special Revenue Fund is used to account for the 2000 Measure A Transit Improvement Program funded through 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. In FY 2018, 2000 Measure A Program Fund was reclassified from enterprise to governmental, causing related AUC to be transferred to VTA Transit and BART Operating. The deficit net change for the year was largely due to the transfer out of AUC to VTA Transit and BART Operating funds of $192.7 million, 2000 Measure A Operating Assistance of $43.1 million, and Measure A Repayment Obligation for debt service of $14.9 million. The governmental activities schedule for FY 2017 was restated for comparability purposes.

- 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 countywide 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 sales tax apportionment since its inception amounted to $255.1 million and formed part of the liability as the Measure is presently facing legal challenge. The negative fund balance of $1.7 million represents fees associated with the election and establishment of the escrow fund.

- In the Congestion Management Program (CMP) Special Revenue Fund, total revenue sources were $6.1 million, an increase of $1.2 million from the $4.9 million in FY 2017. This is primarily due to the increase in eligible activities funded by the Surface Transportation Program grant and Senate Bill 83/Vehicle Registration Fee Fund. Other revenue sources of CMP include member assessments, and various federal, state and local grant. Total expenditures were $5.6 million, an increase of $168 thousand from FY 2017. The increment was due primarily to an increase in Contribution to other agencies, and labor cost that was partly offset by a decline in professional services. The decline in professional services rendered by the iTEAM (a partnership with Caltrans with efforts focused on local assistance, project delivery, and traffic engineering/innovative transportation solutions) caused a related increase in VTA labor because one position that charged 50% to the CMP was converted from a consultant position to VTA staff during the year. The increase in Contribution to Other Agencies was caused by increased activities in projects that availed of CMP funding (such as the Virtual Transit Ride Visualization Application, Survey and Data Collection, and Traffic Analysis Software Procurement). The change in fund balance was an increase of $556 thousand.

- In the Congestion Management and Highway Program (CMHP) Capital Projects Funds, total grant revenues and capital expenditures were $16.6 million. Starting in FY 2017, 1996 Measure B Highway Fund, for purposes of winding down its affairs, formed part of the CMHP Fund. The growth of $4.8 million in grant revenues is attributed to increased activities on certain grant-funded projects such as the Silicon Valley Express Lanes - US101/SR85, Phase III; and Improvements to on/off ramps at Mathilda Road.

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. The 1996 Measure B Transit was reflected as part of VTA Transit Fund starting in FY 2017.

			Change	
			Favorable/(Unfavorable)	
Enterprise Funds Revenue	**2018**	**2017[a]**	**Amount**	**Percent**
Charges for services	$ 42,434	$ 40,194	$ 2,240	5.57 %
Operating grants	130,919	115,191	15,728	13.65 %
Capital grants	58,259	38,713	19,546	50.49 %
1976 half-cent sales tax	207,589	209,005	(1,416)	(0.68)%
BART Operating Sales Tax	49,791	50,024	(233)	(0.47)%
Investment earnings	3,072	1,952	1,120	57.38 %
Other income	2,821	4,609	(1,788)	(38.79)%
Transfers in	250,769	340,682	(89,913)	(26.39)%
Total	$ 745,654	$ 800,370	$ (54,716)	(6.84)%

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

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, $42.4 million in FY 2018. Charges for Services increased by $2.2 million or 5.57% from FY 2017. Passenger fares from transit were higher by $800 thousand due to an increase in the fare rate structure adopted in January 2018, and additional revenue derived from augmented light rail services related to events held at the Levi's Stadium. FY 2018 paratransit revenue was higher by $980 thousand. The prior year recognized only a portion of the full year's revenue as VTA took over the administration from an external contractor in November 2016. Prior to this period, paratransit revenues were offset against paratransit costs. In FY 2018, paratransit revenues of $2.04 million represents an entire year of paratransit revenue. There were also paratransit programs that were negotiated at a higher trip rate or initiatives that were newly implemented in FY 2018. Advertising and other revenues reported a net increase of $429 thousand attributed primarily from higher monthly minimum guaranteed payment from bus advertising vendor and increased property rental income from Joint Development.

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, Discover Opportunities in Transit Program and Job Access Reverse Commute. In FY 2018, total operating grants increased $15.7 million or 13.7% from the FY 2017 level. There was an increase in State Transit Assistance (STA) revenue of $12.1 million, primarily a result of additional allocation for mid-year overhaul of light rail fleet, and rise of diesel prices during the year. There was also an increase in the Transportation Development Act (TDA) revenue of $3.6 million.

TDA funds are derived from a quarter-cent sales tax levied by the state on taxable transactions occurring in the Santa Clara County. The Metropolitan Transportation Commission (MTC) retains a portion of these funds for administration and approximately 94.53% is returned to the source county (i.e., Santa Clara). After sales tax derived from local measures, TDA revenue is VTA's second largest source of revenue for operations. For FY 2018, the actual TDA receipts were $103.1 million. This is $3.6 million or 3.7% increase over the prior fiscal year as the taxable sales activity in the county improved in FY 2018.

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. In FY 2018, VTA received $21.1 million compared to the $9.0 million in FY 2017. The increase in STA was largely a result of additional allotment for mid-year overhaul of light rail fleet. The higher diesel price was also a factor in making more revenues flow into the STA Program.

Federal Section 5307 consists of Americans with Disabilities Act (ADA) Operating Assistance. ADA Operating set aside funds are used for paratransit activities, a mandated service that VTA provides to residents of Santa Clara County. This federal assistance grant remained generally constant at $3.8 million.

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 increased $19.5 million or 50.5% to $58 million. This is primarily due to the increase in grant-funded activities relating to the bus procurement and rail replacement projects.

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 2018, total sales tax revenues were \$207.6 million, a \$1.4 million or 0.7% decrease compared to the prior fiscal year's sales tax revenue. While the California Department of Tax and Fee Administration acknowledged that the sales tax allocation for the fiscal year was incomplete and anticipated additional sales tax to be apportioned in subsequent distributions, VTA followed the guidelines of GASB 33 on Derived Tax Revenue Transactions and did not accrue any sales tax revenues in addition to the sales tax revenues it received for the year.

BART Operating – In November 2008, county residents passed 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 2018, total sales tax revenue under the BART Operating Fund was \$49.8 million, a \$0.2 million or 0.4% decline compared to last year. Similar to 1976 Half-cent Sales Tax, no additional accruals were made although the State admitted that sales tax returns were not completely processed during the year.

Investment Earnings – The investment earnings are derived from three primary sources: short, mid, and long-term investment portfolios. Investment earnings were primarily recorded under 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 \$1.1 million, a result of higher interest income of \$2.4 million prompted by higher interest rate. This was offset by a change in trading loss of \$0.8 million and mark to market loss of \$0.5 million in FY 2018.

Other income - This includes revenues from permit fees, property rental, proceeds from sale of fixed assets, parking citations and other non-operating activities. The decrease of \$1.8 million was a result of receipts from prior year that did not happen again in FY 2018. This included receipts from Comerica lease termination, donated land at Whisman Station Park-and-Ride lot, insurance proceeds for a bus that was involved in an accident and grant reimbursement pertaining to Underground Tank Storage.

Transfers in - FY 2018 reported a total transfer in of \$250.7 million. It included a transfer in of \$192.7 million of Asset under Construction (AUC) from 2000 Measure A Program Fund to VTA Transit Fund and BART Operating Fund, due to a change in accounting structure of 2000 Measure A Program Fund from enterprise to governmental. The transfers in to VTA Transit Fund included primarily the cost of the parking garages, Bus Rapid Transit, Santa Clara Pocket Track and Bus Stop Improvements. The \$43.1 million of Operating Assistance from 2000 Measure A and \$14.9 million of Measure A

Repayment Obligation for debt service also formed part of the transfers in to VTA Transit Fund. The transfers in from 2000 Measure Program Fund to BART Operating included largely assets under construction from the Silicon Valley Berryessa Extension and BART vehicle procurement projects. The restated 2017 schedule showed a transfer in of $340.7 million, consisting of $287 million AUC transfer from 2000 Measure A, $38.5 million Measure A Operating Assistance and $15.2 million Measure A Repayment Obligation.

Comparison of
Enterprise Funds Expenses
FY 2018 and FY 2017
(In thousands)

			Change	
			Positive/(Negative)	
Enterprise Funds Expenses	**2018**	**2017** [1]	**Amount**	**Percent**
Operations and support services	$ 508,796	$ 481,509	$ (27,287)	(5.67)%
Caltrain and ACE subsidy	12,350	11,660	(690)	(5.92)%
Other expenses	14,973	14,399	(574)	(3.99)%
Total	$ 536,119	$ 507,568	$ (28,551)	(5.63)%

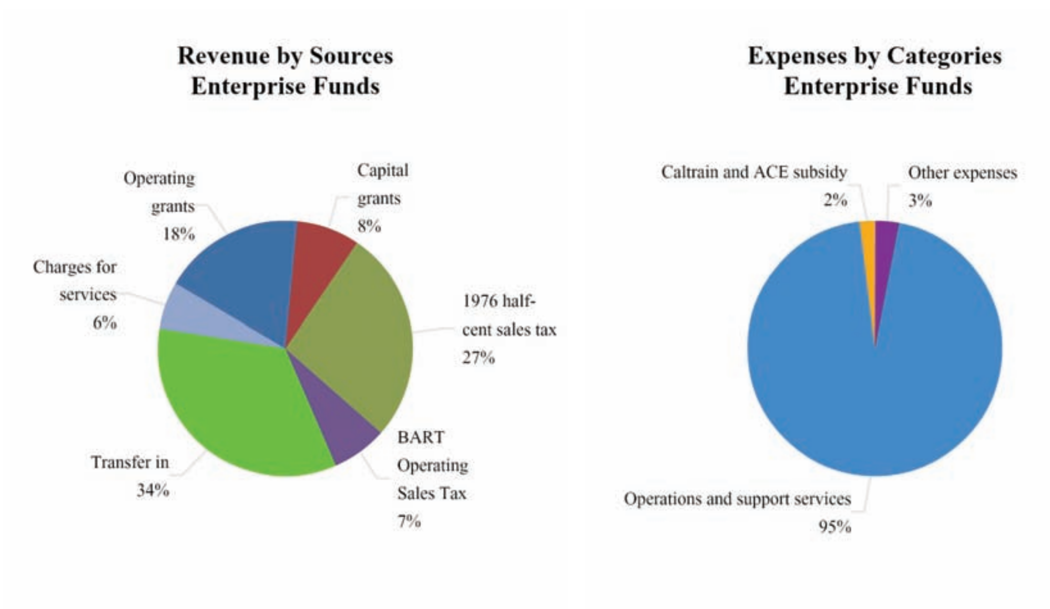
[1]FY 2017 was restated due to change of 2000 Measure A Program Fund from enterprise to governmental in FY 2018.

Operations and Support Services – This includes 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 2018, operations and support services expense was $27 million or 5.7% higher compared to that of FY 2017. Labor and fringe benefits, net of costs allocated to capital and other programs, increased by $19.2 million, largely due to wage increase in accordance with the provisions of the various collective bargaining agreements. The GASB 68-required pension expense recognition pertaining to CALPERS and ATU increased as a result of changes in assumptions in the actuarial estimate. CALPERS actuarial calculation used a reduced discount rate of 7.15%, as opposed to 7.65% the prior year. ATU actuarial calculation was based on revised demographic assumptions following a comprehensive experience study. The $3 million rise in materials and supplies was a result of increase in parts usage from ongoing light rail vehicle midlife overhaul. Service increase of $3 million resulted from a security contract amendment with Santa Clara County Sheriff's Office to augment staffing, and increase in activities of projects involving repairs and rehabilitation (such as roofing, and pavement/painting management programs), as well as feasibility studies conducted on transit properties (such as facilities assessment, condition assessment for bus/rail infrastructure, and Diridon Station intermodal conceptual plan). General liability insurance was up by $4 million to provide the actuarially-required reserves as of June 30, 2018. This year included a provision for Employment Practices Liability relating to issues affecting California Public Employees' Pension Reform Act (PEPRA). Purchased transportation cost decreased in FY 2018 by $2 million. This was a result of decrease in passenger trips and receipt of liquidated damages paid by the contractor for unacceptable performance, which offset the paratransit cost.

Caltrain and Altamont Corridor Express (ACE) Subsidy – Caltrain is a commuter rail service, provided by the Peninsula Corridor Joint Powers Board (PCJPB), which consists of 3 member agencies: VTA, San Mateo County Transit District (SamTrans) and City and County of San Francisco. VTA contributes a portion of Caltrain operating and maintenance costs for commuter train service from Santa Clara County to San Francisco. Operating subsidy to Caltrain under the VTA Transit Fund was $9.0 million in FY 2018; $577 thousand more than the contribution in FY 2017.

The ACE is administered by and funded under a cooperative agreement among VTA, the Alameda County Congestion Management Agency and the San Joaquin Regional Rail Commission (SJRRC). VTA's subsidy to ACE commuter rail service under the VTA Transit Fund totaled $3.4 million in FY 2018; $113 thousand more than the contribution in FY 2017. The annual subsidy was based on the joint power agreement with these agencies.

Other Expenses - Other expense increased by $0.6 million mainly due to increase in Capital Contributions to/or Expenses on Behalf of Other Agencies. As part of its capital program, VTA makes capital contribution 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 on its financial statements. FY 2018 was the first year when the Express Lanes Fund started contributing to the SR237 Express Lanes project under the Congestion Management Highway Program Fund.



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. As of June 30, 2018, the total deficit for this fund category, associated entirely from the Compensated Absences program (specifically, relating to vacation leave balances of ATU employees which lapse at the end of the calendar year), was $12.5 million and funded by VTA Transit's FY 2019 operating budget. The increase from the prior year's deficit of $8.8 million is largely a result of revising the formula in calculating the compensated absences liability. Worker's compensation (ATU and administrative personnel) and pension contribution rates (for ATU) were included this year in the related fringe of the vacation and sick leave balances reported under the Compensated Absences fund.

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 two governmental fund types – *Special Revenue Fund* and *Capital Projects Fund.*

Special Revenue Fund – This fund accounts for the activities of the 2000 Measure A Program, the 2016 Measure B Program and Congestion Management Program. FY 2018 is the initial year when the 2000 Measure A Program was reclassified from enterprise to governmental. FY 2017 was restated to be comparable with FY 2018 results.

CMP projects were funded from member assessments and various federal, state, and local grants. 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 countywide sales tax transactions in support of enhancing transit, highways, expressway and active transportation (bicycles, pedestrians and streets). Since inception of the 2016 Measure B Program Fund, sales tax advances formed part of the liability as the Measure continues to undergo legal challenge. The 2000 Measure A Program Fund was created to report on the activities pertinent to the Measure A ballot approved in November 2000. Starting FY 2018, this fund was categorized from enterprise to governmental. For FY 2018, total sales tax revenues were $207.9 million, a $0.8 million or 0.38% decrease compared to the prior fiscal year's sales tax revenue.

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

Comparison of Special Revenue Fund
FY 2018 and FY 2017
(In thousands)

			Change	
			Favorable/(Unfavorable)	
Special Revenue Fund	**2018**	**2017 ***	**Amount**	**Percent**
	Total	Total		
Sales tax revenue	$ 207,870	$ 208,672	$ (802)	(0.38)%
Federal grant revenues	61,359	110,762	(49,403)	(44.60)%
State and local grants	21,249	41,566	(20,317)	(48.88)%
Federal subsidy for Build America Bonds	8,784	8,753	31	0.35 %
Investment earnings	2,813	2,411	402	16.67 %
Assessment to member agencies	2,528	2,407	121	5.03 %
Other revenues	760	531	229	43.13 %
Administrative fees	136	142	(6)	(4.23)%
Total revenues	305,499	375,244	(69,745)	(18.59)%
Contribution to agencies	(54,319)	(79,670)	25,351	31.82 %
Debt Service:				
Principal	(29,530)	(28,160)	(1,370)	(4.87)%
Interest	(10,107)	(10,721)	614	5.73 %
Salaries and benefits	(4,632)	(4,251)	(381)	(8.96)%
Other expenditures	(1,452)	(2,352)	900	38.27 %
Professional services	(817)	(2,721)	1,904	69.97 %
Materials and services	(14)	(19)	5	26.32 %
Total expenditures	(100,871)	(127,894)	27,023	21.13 %
Transfers out	(250,769)	(340,682)	89,913	26.39 %
Change in fund balances	(46,141)	(93,332)	47,191	50.56 %
Fund balances, beginning of year	2,404,201	2,179,591	224,610	10.31 %
Long-term liabilities which are not due and payable in the current period	—	943,172	(943,172)	
Restatement due to change in accounting principles, Note 23	(1,905,570)	(2,530,801)	625,231	
Fund balances, beginning of year as restated	498,631	591,962	(93,331)	
Fund balances, end of year	$ 452,490	$ 498,630	$ (46,140)	(9.25)%

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

Total revenues under the Special Revenue Fund include primarily sales tax, grants, investment earnings, and member assessments. This was reported at $305.5 million in FY 2018, a decrease of $69.7 million from the preceding year. This is largely a result of reduced grant-funded activities in the Berryessa Extension and Alum Rock/Santa Clara BRT projects under the 2000 Measure A Program.

In FY 2018, 2000 Measure A Fund reported Federal Subsidy for Build America Bonds (BABs) subsidy of $8.8 million. This remained generally constant with what was received in FY 2017. In FY 2011, VTA issued 2010 Measure A Sales Tax Bonds which are taxable to the bond holders and recorded under 2000 Measure A Fund. The bonds were issued under the federal BABs program which provides a 35% interest cost subsidy to VTA. In compliance with Governmental Accounting Standards Board (GASB), VTA recognizes the BABs subsidy as an income item in its financial statements.

Total expenditures were $100.9 million, a decrease of $27.0 million from FY 2017. The decrease is primarily a result of reduction in contribution 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. This includes Montague Reconstruction and Hayward Maintenance Complex projects under the 2000 Measure A Program. The decrease in capital contributions or expenses on behalf of other agencies was a result primarily of a decline in activities on these projects. The drop in professional services was due to one-time expenses in the prior year relating to the 2016 Measure B program for fees associated with the election and establishment of escrow fund.

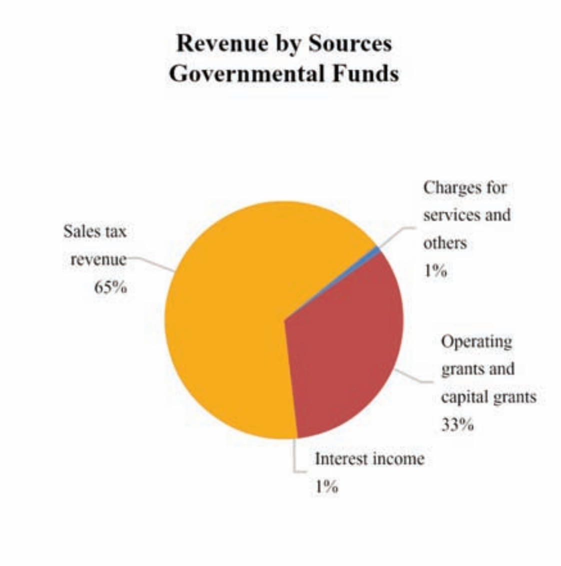
Capital Projects Fund – This fund accounts for Congestion Management and Highway Program. The following table shows the breakdown of changes in fund balance between the current and prior fiscal years.

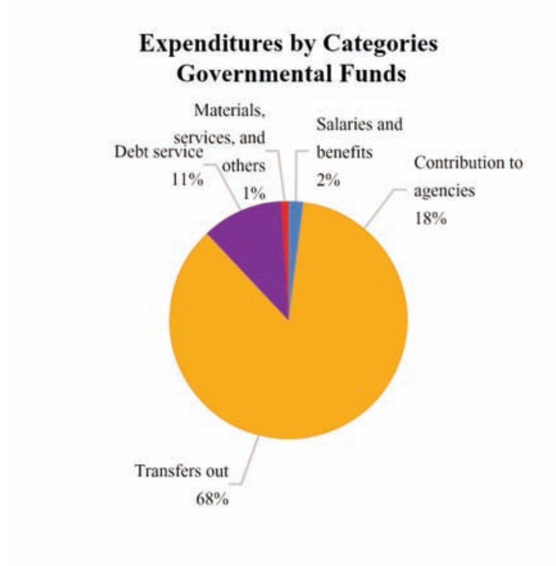
Comparison of
Capital Project Funds
FY 2018 and FY 2017
(In thousands)

			Change Favorable/(Unfavorable)	
Capital Projects Funds	**2018**	**2017**	**Amount**	**Percent**
Federal, State, and local capital grant revenues	$ 16,565	$ 11,763	$ 4,802	40.82 %
VTA labor and overhead costs	(2,696)	(1,877)	(819)	(43.63)%
Capital expenditures on behalf of other agencies	(13,869)	(9,886)	(3,983)	(40.29)%
Change in fund balances	$ —	$ —	$ —	

For FY 2018, total revenues were $16.6 million which represent the total amount expended on the projects and fully funded by other governmental agencies. Starting FY 2017, activities for the year of the 1996 Measure B Highways formed part of the Congestion Management and Highway Program Fund. The incorporation was a result of the effort to close out the affairs of the 1996 Measure B Highways Program.

The growth of $4.8 million in grant revenues and capital expenditures was attributed to increased activities on certain projects that are ramping up such as US101/SR85 Express Lanes Phase III, and Rt 237/Rt 101 Mathilda Interchange 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, 2018, investment in capital assets net of accumulated depreciation, amounts to $5.0 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 2018, VTA acquired and constructed $277.3 million of capital assets.

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

	2018	2017
Land and Right-of-way	$ 1,126,872	$ 1,126,872
Construction in Progress	3,131,777	2,906,098
Caltrain Access	1,322	2,203
Buildings & Improvements Equipment & Fixtures	252,102	264,406
Vehicles	329,483	316,847
Caltrain-Gilroy Extension	25,150	26,460
Light Rail Tracks/Electrification	110,567	124,313
Other Operating Equipment	3,052	3,831
Leasehold Improvements	5,005	5,447
Total	$ 4,985,330	$ 4,776,477

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

Long-term debt – At year end, VTA has $1.03 billion bonds outstanding. For FY 2018, the total principal debt payment made was approximately $75.3 million while the total amortization of the bond premium was $3.4 million.

Outstanding Debt
(In thousands)

	2018	2017
Business-type Activities:		
Sr. Lien Sales Tax Revenue Bonds (1976 Tax)	$ 154,230	$ 168,877
Secured by Toll Revenues	2,126	—
Governmental Activities:		
Sr. Lien Sales Tax Revenue Bonds (2000 Tax)	870,348	901,545
Total	**$ 1,026,704**	**$ 1,070,422**

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: 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, 2018
(In thousands)

	Business-Type Activities	Governmental Activities	Total
ASSETS:			
Cash and investments	$ 619,386	$ 405,906	$ 1,025,292
Receivables, net	4,978	174	5,152
Internal balances	880	(880)	—
Due from other agencies	85,798	112,767	198,565
Inventories	35,472	—	35,472
Other current assets	1,193	1	1,194
Restricted cash and investments	6,023	274,073	280,096
Net OPEB asset	66,378	—	66,378
Capital assets:			
Capital assets - nondepreciable	4,258,649	—	4,258,649
Capital assets - depreciable, net of accumulated depreciation	726,681	—	726,681
Total assets	5,805,438	792,041	6,597,479
DEFERRED OUTFLOWS OF RESOURCES:			
Hedging derivative instruments	6,023	55,579	61,602
Refunding amounts	8,151	3,822	11,973
Pension-related	88,888	—	88,888
Total deferred outflows of resources	103,062	59,401	162,463
LIABILITIES:			
Accounts payable and accrued expenses	29,361	54,897	84,258
Deposits	362	—	362
Accrued payroll and related liabilities	10,380	—	10,380
Bond interest and other fees payable	378	10,651	11,029
Unearned revenues	4,495	256,102	260,597
Other accrued expenses	52	—	52
Due to other agencies	44,066	28,552	72,618
Long-term liabilities:			
Due within one year	30,810	30,575	61,385
Due in more than one year	191,044	839,773	1,030,817
Derivative instruments	6,023	55,579	61,602
Net pension liability	319,443	—	319,443
Total liabilities	636,414	1,276,129	1,912,543
DEFERRED INFLOWS OF RESOURCES			
Pension related	3,084	—	3,084
OPEB related	8,400		8,400
Deferred amount on refunding	—	3,474	3,474
Total deferred inflows of resources	11,484	3,474	14,958
NET POSITION:			
Net investment in capital assets	4,839,251	—	4,839,251
Restricted:			
1996 Measure B projects	1,670	—	1,670
Swap collateral	6,023	55,579	61,602
Debt service	2,217	—	2,217
Congestion management program	—	1,167	1,167
Unrestricted (Note 2j)	411,441	(484,907)	(73,466)
Total net position	$ 5,260,602	$ (428,161)	$ 4,832,441

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Statement of Activities
For the year ended June 30, 2018
(In thousands)

	Business-Type Activities	Governmental Activities	Total
	Transit	Congestion Management	
EXPENSES:			
Labor, overhead, materials and professional services and other operations	$ 495,785	$ 8,159	$ 503,944
Capital expenses on behalf of, and contribution to other agencies	7,344	68,188	75,532
Altamont Corridor Express and Caltrain subsidies	12,350	—	12,350
Other expenses	657	1,452	2,109
Claims and change in future claim estimates	17,437	—	17,437
Interest expense	6,972	8,068	15,040
Total expenses	540,545	85,867	626,412
PROGRAM REVENUES:			
Charges for services	42,434	2,664	45,098
Operating grants	130,919	107,957	238,876
Capital grants	58,259	—	58,259
Total program revenues	231,612	110,621	342,233
Net program revenues (expenses)	(308,933)	24,754	(284,179)
GENERAL REVENUES AND TRANSFERS:			
Sales tax revenue	257,380	207,870	465,250
Investment earnings	3,222	2,813	6,035
Other general revenues	3,317	760	4,077
Transfers	250,769	(250,769)	—
Total general revenues and transfers	514,688	(39,326)	475,362
Change in Net Position	205,755	(14,572)	191,183
NET POSITION, BEGINNING OF YEAR	4,600,148	(1,052)	4,599,096
Adjustment due to GASB 75 adoption	42,162	—	42,162
Adjustment due to change in accounting principles, Note 23	412,537	(412,537)	—
Net Position, beginning of year, as restated	5,054,847	(413,589)	4,641,258
Net Position, end of year	$ 5,260,602	$ (428,161)	$ 4,832,441

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Statement of Fund Net Position
Proprietary Funds
June 30, 2018
(In thousands)

	Enterprise Funds					
	VTA Transit	BART Operating	Express Lanes	Joint Development	Total Enterprise	Internal Service Fund
ASSETS:						
Current assets:						
Cash and cash equivalents	$ 27,932	$ 80	$ 171	$ 148	$ 28,331	$ 7,232
Cash and cash equivalents with fiscal agent	2,217	—	2,193	—	4,410	—
Investments	222,648	280,987	1,919	28,056	533,610	45,803
Receivables, net	4,945	—	33	—	4,978	—
Due from other funds	1,070	—	—	—	1,070	—
Due from other agencies	77,941	7,853	—	4	85,798	—
Inventories	35,472	—	—	—	35,472	—
Other current assets	1,193	—	—	—	1,193	—
Restricted investments	6,023	—	—	—	6,023	—
Total current assets	379,441	288,920	4,316	28,208	700,885	53,035
Noncurrent assets:						
Net OPEB asset	66,378	—	—	—	66,378	—
Capital assets - non-depreciable:						
Land and right of way	1,126,872	—	—	—	1,126,872	—
Construction in progress	589,220	2,541,594	—	963	3,131,777	—
Capital assets - depreciable:						
Intangible assets	2,203	—	—	—	2,203	—
Caltrain - Gilroy extension	43,072	—	—	—	43,072	—
Buildings, improvements, furniture, and fixtures	592,244	—	—	—	592,244	—
Vehicles	618,806	—	—	—	618,806	—
Light-rail tracks and electrification	418,194	—	—	—	418,194	—
Leasehold improvements	9,686	—	—	—	9,686	—
Others	48,890	—	—	—	48,890	—
Less accumulated depreciation	(1,006,414)	—	—	—	(1,006,414)	—
Net capital assets	2,442,773	2,541,594	—	963	4,985,330	—
Total noncurrent assets	2,509,151	2,541,594	—	963	5,051,708	—
Total assets	2,888,592	2,830,514	4,316	29,171	5,752,593	53,035
DEFERRED OUTFLOWS OF RESOURCES:						
Hedging derivative instruments	6,023	—	—	—	6,023	—
Refunding amounts	8,151	—	—	—	8,151	—
Pension related	88,888	—	—	—	88,888	—
Total deferred outflows of resources	103,062	—	—	—	103,062	—

(continued on next page)

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Statement of Fund Net Position *(continued)*
Proprietary Funds
June 30, 2018
(In thousands)

	Enterprise Funds					
	VTA Transit	BART Operating	Express Lanes	Joint Development	Total Enterprise	Internal Service Fund
LIABILITIES:						
Current liabilities:						
Current portion of long-term debt	15,723	—	5	—	15,728	—
Accounts payable and accrued expenses	28,987	67	91	133	29,278	83
Deposits	281	—	—	81	362	—
Accrued payroll and related liabilities	10,380	—	—	—	10,380	—
Bond interest and other fees payable	378	—	—	—	378	—
Unearned revenues	4,462	—	—	33	4,495	—
Due to other funds	—	—	190	—	190	—
Due to other agencies	44,066	—	—	—	44,066	—
Other accrued expenses	52	—	—	—	52	—
Claims liability	—	—	—	—	—	3,922
Compensated absences	—	—	—	—	—	11,160
Total current liabilities	104,329	67	286	247	104,929	15,165
Non-current liabilities:						
Claims liability	—	—	—	—	—	26,605
Compensated absences	—	—	—	—	—	23,811
Long-term debt, excluding current portion	138,507	—	2,121	—	140,628	—
Derivative instruments	6,023	—	—	—	6,023	—
Net pension liability	319,443	—	—	—	319,443	—
Total non-current liabilities	463,973	—	2,121	—	466,094	50,416
Total liabilities	568,302	67	2,407	247	571,023	65,581
DEFERRED INFLOWS OF RESOURCES:						
Pension Related	3,084	—	—	—	3,084	—
OPEB Related	8,400				8,400	
Total deferred inflows of resources	11,484	—	—	—	11,484	—
NET POSITION:						
Net Investment in Capital Assets	2,296,694	2,541,594	—	963	4,839,251	—
Restricted:						
Swap collateral	6,023	—	—	—	6,023	—
Debt service	2,217	—	—	—	2,217	—
1996 Measure B projects	1,670	—	—	—	1,670	—
Unrestricted (Note 2j)	105,264	288,853	1,909	27,961	423,987	(12,546)
Total net position	$ 2,411,868	$2,830,447	$ 1,909	$ 28,924	$5,273,148	$ (12,546)

Reconciliation of the Statement of Fund Net Position to the Statement of Net Position:

Net Position of Enterprise Funds	$ 5,273,148
Net Position of Internal Service Funds, which benefits Business-Type Activities	(12,546)
Net Position of Business-Type Activities (Page 2-25)	$ 5,260,602

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the year ended June 30, 2018
(In thousands)

	Enterprise Funds					
	VTA Transit	BART Operating	Express Lanes	Joint Development	Total	Internal Service Fund
OPERATING REVENUES:						
Fares - Transit	$ 34,511	$ —	$ —	$ —	$ 34,511	$ —
Fares - Paratransit	2,044	—	—	—	2,044	—
Toll revenues collected	—	—	1,297	—	1,297	—
Advertising and others	3,649	—	—	—	3,649	—
Charges for services	—	—	—	933	933	15,172
Total operating revenues	40,204	—	1,297	933	42,434	15,172
OPERATING EXPENSES:						
Labor cost	347,412	—	—	—	347,412	—
Materials and supplies	41,623	—	—	—	41,623	—
Services	37,688	260	926	1,068	39,942	—
Utilities	9,371	—	2	—	9,373	—
Casualty and liability	10,404	—	—	—	10,404	—
Purchased transportation	23,083	—	—	—	23,083	—
Leases and rentals	568	—	—	—	568	—
Miscellaneous	1,966	—	—	—	1,966	2,161
Depreciation expense	68,472	—	—	—	68,472	—
Costs allocated to capital and other programs	(34,057)	—	—	10	(34,047)	—
Claims and change in future claims estimates	—	—	—	—	—	17,437
Total operating expense	506,530	260	928	1,078	508,796	19,598
Operating income/(loss)	(466,326)	(260)	369	(145)	(466,362)	(4,426)
NON-OPERATING REVENUES (EXPENSES):						
Sales tax revenue	207,589	49,791	—	—	257,380	—
Federal operating assistance and other grants	4,230	—	—	—	4,230	—
State and local operating assistance grants	126,689	—	—	—	126,689	—
Caltrain subsidy	(8,967)	—	—	—	(8,967)	—
Capital expense on behalf of, and contribution to other agencies	(6,081)	—	(1,263)	—	(7,344)	—
Altamont Corridor Express subsidy	(3,383)	—	—	—	(3,383)	—
Investment earnings	1,547	1,316	34	175	3,072	150
Interest expense	(6,972)	—	—	—	(6,972)	—
Other income	2,821	—	—	—	2,821	496
Other expenses	(657)	—	—	—	(657)	—
Total non-operating revenue (expenses)	316,816	51,107	(1,229)	175	366,869	646
Income (loss) before capital contributions and transfers	(149,510)	50,847	(860)	30	(99,493)	(3,780)
Capital grants and contributions	58,245	—	—	14	58,259	—
Transfer in/(out)	163,962	86,807	—	—	250,769	—
Change in net position	72,697	137,654	(860)	44	209,535	(3,780)
Net position, beginning of year	1,934,006	238,006	2,769	28,880	2,203,661	(8,766)
Adjustment due to GASB 75 adoption	42,162	—	—	—	42,162	—
Adjustment due to change in accounting principles, Note 23	363,003	2,454,787	—	—	2,817,790	—
Net Position, beginning of year, as restated	2,339,171	2,692,793	2,769	28,880	5,063,613	(8,766)
Net position, end of year	$2,411,868	$ 2,830,447	$ 1,909	$ 28,924	$ 5,273,148	$ (12,546)

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	$ 209,535
Change in net position of the Internal Service Fund, which benefits Business-Type Activities	(3,780)
Change in net position of Business-type Activities (Page 2-26)	$ 205,755

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2018
(In thousands)

	Enterprise Funds					
	VTA Transit	BART Operating	Express Lanes	Joint Development	Total	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES:						
Cash received from transit fares	$ 35,299	$ —	$ —	$ —	$ 35,299	$ —
Cash received from paratransit fares	2,044	—	—	—	2,044	—
Cash received from Tolls	—	—	1,297	—	1,297	—
Cash received from advertising	3,729	—	—	—	3,729	—
Cash paid for labor costs	(290,126)	—	—	(10)	(290,136)	—
Cash paid to suppliers	(97,394)	(247)	(922)	(1,072)	(99,635)	—
Cash paid for purchased transportation	(23,083)	—	—	—	(23,083)	—
Cash received from contributions	—	—	—	—	—	15,172
Payments made to beneficiaries	—	—	—	—	—	(5,863)
Payments made to third party contractors	—	—	—	—	—	(972)
Other receipts/(payments)	—	2	16	851	869	—
Net cash provided by/(used in) operating activities	(369,531)	(245)	391	(231)	(369,616)	8,337
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Operating grants received	115,677	—	—	—	115,677	—
Sales tax received	212,072	51,168	—	—	263,240	—
Caltrain subsidy	(8,967)	—	—	—	(8,967)	—
Altamont Corridor Express subsidy	(3,383)	—	—	—	(3,383)	—
Capital contributions to other agencies	(9,943)	—	(1,073)	—	(11,016)	—
Net cash provided by/(used in) non-capital financing activities	305,456	51,168	(1,073)	—	355,551	—
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Payment of long-term debt	(47,474)	—	—	—	(47,474)	—
Proceeds from issuance of long-term debt	32,827	—	2,126	—	34,953	—
Advance (to)/from other governments	(2,385)	—	—	—	(2,385)	—
Interest and other fees paid on long-term debt	(6,491)	—	—	—	(6,491)	—
Acquisition and construction of capital assets	(84,365)	—	—	(279)	(84,644)	—
Capital contribution from other entities	47,340	—	—	14	47,354	—
Transfer in	58,069	—	—	—	58,069	—
Net cash provided by/(used in) capital and related financing activities	(2,479)	—	2,126	(265)	(618)	—
CASH FLOWS FROM INVESTING ACTIVITIES:						
Proceeds from sale of investments	510,035	414,788	4,835	47,807	977,465	77,327
Purchase of investments	(451,444)	(470,388)	(4,367)	(47,965)	(974,164)	(81,781)
Interest income received	3,016	4,260	55	483	7,814	413
Net cash provided by/(used in) investment activities	61,607	(51,340)	523	325	11,115	(4,041)
Net increase/(decrease) in cash and cash equivalents	(4,947)	(417)	1,967	(171)	(3,568)	4,296
Cash and cash equivalents, beginning of year	35,096	497	397	319	36,309	2,936
Cash and cash equivalents, end of year	$ 30,149	$ 80	$ 2,364	$ 148	$ 32,741	$ 7,232

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Statement of Cash Flows
Proprietary Funds *(continued)*
For the year ended June 30, 2018
(In thousands)

	Enterprise Funds					
	VTA Transit	BART Operating	Express Lanes	Joint Development	Total	Internal Service Fund
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY/ (USED IN) OPERATING ACTIVITIES						
Operating income/(loss)	$ (466,326)	$ (260)	$ 369	$ (145)	$ (466,362)	$ (4,426)
Adjustments to reconcile operating income (loss) to net cash provided by/(used in) operating activities:						
Depreciation	68,472	—	—	—	68,472	—
Changes in operating assets and liabilities:						
Other current assets	43	—	—	—	43	—
Receivables	(106)	—	6	(4)	(104)	—
Inventories	(20)	—	—	—	(20)	—
Accounts Payable	3,709	15	16	—	3,740	—
Other accrued liabilities	(140)	—	—	—	(140)	12,763
Deposits from others	478	—	—	—	478	—
Unearned Revenue	974	—	—	(82)	892	—
Pension related	23,385	—	—	—	23,385	—
Net cash provided by/(used in) operating activities	$ (369,531)	$ (245)	$ 391	$ (231)	$ (369,616)	$ 8,337
Reconciliation of cash and cash equivalents to the Statement of Fund Net Position:						
Unrestricted:						
Cash and cash equivalents	$ 27,932	$ 80	$ 171	$ 148	$ 28,331	$ 7,232
Cash and cash equivalents with fiscal agent	2,217	—	2,193	—	4,410	—
	$ 30,149	$ 80	$ 2,364	$ 148	$ 32,741	$ 7,232
NONCASH ACTIVITIES:						
Increase/(Decrease) in fair value of investments	$ (2,011)	$ (2,944)	$ (21)	$ (308)	$ (5,284)	$ (263)
Noncash capital contributions	14,072	—	—	—	14,072	—
Amortization expense of Caltrain Access Fee	(882)	—	—	—	(882)	—
Total non-cash activities	$ 11,179	$ (2,944)	$ (21)	$ (308)	$ 7,906	$ (263)

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Balance Sheet
Governmental Funds
June 30, 2018
(In thousands)

	Special Revenue Funds			Capital Projects Fund	
	2000 Measure A Program	2016 Measure B Program	Congestion Management Program	Congestion Management & Highway Program	Total Governmental Funds
ASSETS:					
Cash and cash equivalents	$ 643	$ —	$ 371	$ 15,269	$ 16,283
Investments	387,994	—	—	1,629	389,623
Accounts receivables	—	174	—	—	174
Due from other funds	705	—	—	90	795
Due from other agencies	72,198	33,235	972	6,362	112,767
Other assets	1	—	—	—	1
Restricted cash with fiscal agent	51,392	222,681	—	—	274,073
Total assets	$ 512,933	$ 256,090	$ 1,343	$ 23,350	$ 793,716
LIABILITIES:					
Accounts payable	$ 51,203	$ —	$ 60	$ 3,634	$ 54,897
Unearned revenue	6	256,090	—	6	256,102
Due to other funds	—	1,663	12	—	1,675
Due to other agencies	8,738	—	104	19,710	28,552
Total liabilities	59,947	257,753	176	23,350	341,226
FUND BALANCES:					
Restricted	452,986	—	1,167	—	454,153
Unassigned	—	(1,663)	—	—	(1,663)
Total fund balances	452,986	(1,663)	1,167	—	452,490
Total liabilities and fund balances	$ 512,933	$ 256,090	$ 1,343	$ 23,350	$ 793,716

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 2-25) are different because:

Total governmental fund balance (page 2-32)		$ 452,490
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	(870,348)	
Derivative instruments	(55,579)	
Deferred Inflows	(3,474)	
Deferred Outflows	59,401	(870,000)
Interest Payable on bonds outstanding is not due and payable in the current period, and therefore, is not reported in the funds		(10,651)
Net position of government activities (page 2-25)		$ (428,161)

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2018
(In thousands)

	Special Revenue Funds			Capital Projects Fund	
	2000 Measure A Program	2016 Measure B Program	Congestion Management Program	Congestion Management & Highway Program	Total Governmental Funds
REVENUES:					
Sales tax revenue	$ 207,870	$ —	$ —	$ —	$ 207,870
Assessment to member agencies	—	—	2,528	—	2,528
Administrative fees	—	—	136	—	136
Federal grant revenues	59,181	—	2,178	1,347	62,706
State and local grants	20,304	—	945	15,218	36,467
Federal subsidy for Build America Bonds	8,784	—	—	—	8,784
Investment earnings	2,811	—	2	—	2,813
Other revenues	414	—	346	—	760
Total revenues	299,364	—	6,135	16,565	322,064
EXPENDITURES:					
Congestion Management - Current					
Labor and overhead costs	—	—	4,632	2,696	7,328
Professional services	—	—	817	—	817
Materials and services	—	—	14	—	14
Contribution to agencies	54,203	—	116	—	54,319
Capital expenditures on behalf of other agencies	—	—	—	13,869	13,869
Other expenditures	1,452	—	—	—	1,452
Debt Service:					
Principal	29,530	—	—	—	29,530
Interest	10,107	—	—	—	10,107
Total expenditures	95,292	—	5,579	16,565	117,436
Excess (deficiency) of revenues over expenditures	204,072	—	556	—	204,628
OTHER FINANCING SOURCES & USES					
Transfers out	(250,769)	—	—	—	(250,769)
Net change in fund balances	(46,697)	—	556	—	(46,141)
Fund balances, beginning of year	2,405,253	(1,663)	611	—	2,404,201
Restatement due to change in accounting principles, Note 23	(1,905,570)	—	—	—	(1,905,570)
Fund balances, beginning of year, as restated	499,683	(1,663)	611	—	498,631
Fund balances, end of year	$ 452,986	$ (1,663)	$ 1,167	$ —	$ 452,490

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 2-26) are different because:		
Net change in fund balances - total governmental funds (page 2-33)		$ (46,141)
Repayment of debt service is an expenditure in the governmental funds, but reduces the long-term liabilities		29,530
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	1,667	
Amortization of gain on refunding debt	196	
Amortization of loss on refunding debt	(212)	
Change in accrued interest payable	388	2,039
Change in net position of governmental activities (page 2-26)		$ (14,572)

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2018
(In thousands)

	ATU Pension, ATU Medical & OPEB Trust Funds	Agency Funds
ASSETS:		
Cash and investments:		
Cash and cash equivalents	$ 2,967	$ 4,317
Corporate Bonds	84,418	—
U.S. Government securities	37,369	—
U.S. Agency notes	65,147	—
Equity Based	140,151	—
Mutual funds	570,441	—
Money Market Funds	5,009	—
Investment Pool	—	30,546
Receivables	1,315	—
Due from other agencies	11	—
Total assets	$ 906,828	$ 34,863
LIABILITIES:		
Accounts payable	$ 507	$ 645
Unearned revenues	30	—
Program payable	—	34,218
Total liabilities	537	$ 34,863
NET POSITION:		
Restricted for:		
ATU Pension benefits	561,352	
Retiree medical benefits	315,370	
ATU Retiree spousal medical benefits	17,517	
ATU Retiree dental and vision benefits	12,052	
Total net position	$ 906,291	

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Statement of Changes in Fiduciary Net Position
For the year ended June 30, 2018
(In thousands)

	ATU Pension, ATU Medical & OPEB Trust Funds
ADDITIONS:	
Employee contributions	$ 4,719
Employer contributions	28,524
Total contributions	33,243
Investment earnings:	
Investment income	125,791
Net change in the fair value of investments	(51,868)
Investment expense	(2,755)
Net investment earnings	71,168
Total additions	104,411
DEDUCTIONS:	
Benefit payments	55,823
Services	19
Administrative expenses	512
Total deductions	56,354
Change in net position	48,057
Net position, beginning of year	858,234
Net position, end of year	$ 906,291

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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 VTA Board of Directors. 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 fiduciary activities. 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.

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. Starting in FY 2017, the 1996 Measure B Transit activities were incorporated in VTA Transit Fund as the affairs of the program continue to wind down. The 1996 Measure B Transit accounted for sales tax collected from all the 1996 Measure B Transit Improvement Program. In FY 2018, due to a change in reporting structure of the 2000 Measure A Fund from enterprise to governmental, related assets under construction were transferred to either VTA Transit Fund or BART Operating Fund.
- 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 change in reporting structure of 2000 Measure A Fund from enterprise to governmental in FY 2018 caused the related assets under construction to be transferred to either VTA Transit Fund or BART Operating Fund.
- 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 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 on Internal Service Fund. The fund 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 governmental funds:

- The 2016 Measure B Special Revenue Fund is used to account for the 2016 Measure B Program funded through 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 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. In FY 2018, the 2000 Measure A Fund was reclassified from enterprise to governmental. This resulted in Assets Under Construction to be transferred from this fund to either VTA Transit Fund or BART Operating Fund. Repayment of debt service is an expenditure in the governmental fund, and not a reduction of liabilities in the Statement of Activities. Certain expenses (like amortization of bond premium, and gain/loss from refunding debt) are not reported as expenditures in the governmental fund.
- 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. Starting in FY 2017, CMHP Fund incorporated the activities of 1996 Measure B Highway Program Capital Projects as the program continues to wind down.

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 includes VTA's trust and agency funds as follows:

- VTA Trust Funds include retiree funds namely VTA/ATU Pension Plan, Other Post-Employment Benefits Trust (OPEB), ATU Spousal Medical, and Retiree Dental/Vision Plan.
- VTA 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. Eligibility requirements for the purchase of right-of-way are considered met once the acquisition has settled. 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.

VTA's operating revenues are generated directly from its transit operations and consist principally of passenger fares, tolls, and rental income. Operating expenses for the transit operations include all costs related to providing transit 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.

VTA has reported its investments at fair value based on quoted market information, from its fiscal agent for actively managed accounts and from management firms for commingled accounts.

(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, as well as debt service and collateral for swaps.

(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:

Asset being Depreciated	**Useful Life**
Buildings, improvements, furniture, and fixtures	5 to 50 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 ready for its intended use. In the current year, VTA capitalized total interest expense and other bond charges of $42.7 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 14 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, 2018, on pages 2-27 and 2-28, reports that enterprise fund net investment in capital assets (net of related debt) is $4.8 billion.

- Restricted Net Position - This category consists of debt service collateral, Swap collateral, amounts restricted for 1996 Measure B Transit, and Congestion Management Program (CMP).

  The Statement of Fund Net Position on pages 2-27 and 2-28 reports that enterprise funds restricted net position amount to $9.9 million as of June 30, 2018. When both restricted and unrestricted net positions are available, unrestricted resources are used only after the restricted resources are depleted.

  The balance sheet of the Governmental Funds reports fund balance for 2000 Measure A, CMP, and 2016 Measure B program of $453.0 million, $1.2 million, and a deficit of $1.7 million, respectively. The 2016 Measure B is a half-cent sales tax to fund activities on enhancing transit, highways, expressways, and other active transportation. Tax collection began in April 2017. From inception to June 30, 2018, VTA received total allocation of $255.1 million. The amount received was reported as a liability due to the Measure undergoing a legal challenge.

- Unrestricted Net Position The remaining unrestricted net position, although not legally restricted, have 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	Internal Service Fund
Local share of capital projects	$ 149,453	$ —	$ —	$ 4,825	$ 154,278	$ —
Debt reduction	5,000	—	—	—	5,000	—
Express Lane	—	—	1,909	—	1,909	—
BART Operating	—	288,853	—	—	288,853	—
Joint Development	—	—	—	23,136	23,136	—
Sales tax stabilization	35,000	—	—	—	35,000	—
Operating reserve	54,807	—	—	—	54,807	—
Inventory and prepaid expenses	36,665	—	—	—	36,665	—
Workers' Compensation, General Liability & Compensated Absences	—	—	—	—	—	(12,546)
Net OPEB Asset (GASB 75)*	57,978	—	—	—	57,978	—
Net Pension Liability (GASB 68)*	(233,639)	—	—	—	(233,639)	—
Total	$ 105,264	$ 288,853	$ 1,909	$ 27,961	$ 423,987	$ (12,546)

*Net of related pension and OPEB deferrals

	Governmental Funds		
	2000 Measure A Program	2016 Measure B Program	Total
Governmental funds, June 30, 2018 (page 2-32)	$ 452,986	$ (1,663)	$ 451,323
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	(870,348)	—	(870,348)
Derivative instruments	(55,579)	—	(55,579)
Deferred Inflows	(3,474)	—	(3,474)
Deferred Outflows	3,822	—	3,822
Interest Payable on bonds outstanding is not due and payable in the current period, and therefore, is not reported in the funds	(10,651)	—	(10,651)
Total Net Position, Governmental Activities (page 2-25), June 30, 2018	$ (483,244)	$ (1,663)	$ (484,907)

(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 $34 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

VTA's management has made a number of estimates and assumptions relating to the reporting of assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, expenses, 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 relating to 2000 Measure A Program and Congestion Management Program 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. VTA's governmental funds reports only restricted fund balances except when the residual amount is negative which is then reported as unassigned fund balance, as in the case of 2016 Measure B Program. The deficit represents the related election costs which were initially paid for by VTA Transit as 2016 Measure B shows sales tax collections in the liability section due to pending litigation.

(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, except for the deficit in fund balance under 2016 Measure B Program, which was a result of expenditures associated with election cost and establishment of escrow fund in the prior year.

(o) Intangible Assets

These refer to the $10 million payment made to Union Pacific Railroad in January 2005 for Caltrain right-of-way access right. This asset is amortized over 15-year period using the straight line method.

(p) New Accounting Pronouncements

GASB Statement No. 75 - In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Post Employment Benefits Other than Pensions*. The objective of the Statement is to replace the requirements of GASB Statement No. 45. In addition, the Statement requires governments to report a liability on the face of the financial statements for the OPEB provided and requires governments to present more extensive note disclosures and required supplementary information about their OPEB liabilities. The Statement is effective for the periods beginning June 15, 2017, or the FY 2018. VTA implemented the provision of this statement effective July 1, 2017.

GASB Statement No. 81 - In March 2016, GASB issued Statement No. 81, Irrevocable Split-Interest Agreements. The objective of the Statement is to improve financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, the Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. The Statement requires that a government recognize revenue when the resources become applicable to the reporting period. The Statement is effective for the reporting periods beginning after December 15, 2016, or the FY 2018. The statement did not have an impact on VTA's financial statement.

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. VTA is evaluating the impact of the statement.

GASB Statement No. 84 - In January 2017, GASB issued Statement No. 84, Fiduciary Activities. The objective of the Statement is to provide guidance over (a) fiduciary components, (b) Pension and OPEB arrangements that are not component units if they control the assets, and, if they are Pension and OPEB plans that are trusts, or assets that are not pension and OPEB trusts, but are accumulated for pension and OPEB, as described in Statements 73 and 74, (c) a government controlling the asset of an activity if it holds the assets or has the ability to direct use, exchange, or employment of the assets, (d) other fiduciary activities defining private-purpose trust funds and custodial funds, (e) the financial reporting of fiduciary funds in the basic financial statements. 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. 85 - In March 2017, GASB issued Statement No. 85, Omnibus 2017. The issuance of the Statement addresses a wide variety of topics covering various practice issues arising from implementation and application of certain GASB statements, as follows: (a) blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation, (b) reporting amounts previously reported as goodwill and "negative" goodwill, (c) classifying real estate held by insurance entities, (d) measuring certain money market investment contracts at amortized cost, (e) timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus, (f) recognizing on-behalf payments for pensions or OPEB in employer financial statements, (g) presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB, (h) classifying employer-paid member contributions for OPEB, (i) accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans. The Statement is effective for the reporting periods beginning after June 15, 2017, or the FY 2018. The statement did not have an impact on VTA's financial statement.

GASB Statement No. 86 - In May 2017, GASB issued Statement No. 86, Certain Debt Extinguishment Issues. The Statement is to provide guidance over In-substance defeasance of debt using only "existing" resources to fund an irrevocable trust to satisfy scheduled payments of the defeased debt (i.e., resources other than proceeds of refunding debt). The Statement is effective for the reporting periods beginning after June 15, 2017, or the FY 2018. The statement did not have an impact on VTA's financial 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 is evaluating the impact of the Statement.

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.

NOTE 3 - CASH AND INVESTMENTS

Total cash and investments as of June 30, 2018, 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	$ 28,331	$ 7,232	$ 16,283	$ 2,967	$ 4,317	$ 59,130
Cash and Cash Equivalents with Fiscal Agents	4,410	—	—	—	—	4,410
Restricted Cash and Cash Equivalents with Fiscal Agents	—	—	274,073	—	—	274,073
Total cash equivalents	32,741	7,232	290,356	2,967	4,317	337,613
Investments	533,610	45,803	389,623	902,535	30,546	1,902,117
Restricted Investments	6,023	—		—	—	6,023
Total investments	539,633	45,803	389,623	902,535	30,546	1,908,140
Total Cash and Investments	$ 572,374	$ 53,035	$ 679,979	$ 905,502	$ 34,863	$ 2,245,753

As of June 30, 2018, total cash and investments reported in the accompanying financial statements consisted of the following (in thousands):

Cash & Cash Equivalents	$ 59,130
Cash & Cash Equivalents with Fiscal Agents	278,483
Investments	1,908,140
Total	$ 2,245,753

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. At June 30, 2018, the carrying amounts of these cash balances are shown below (in thousands):

Operation Account	$ 43,861
CM&HP Account	15,269
Total Deposits	$ 59,130

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 VTA 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 depositors, 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, 2018, was 193 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 $1.006 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, 2018 (in thousands):

	Maturity				
OPERATIONS POOL	**1 Year or Less**	**2-5 Years**	**6-10 Years**	**Over 10 Years**	**Market value**
Corporate Bonds	$ 59,324	$ 344,049	$ —	$ —	$ 403,373
Municipal Bonds	27,874	51,869	18,159	1,499	99,401
US Government Agency Bonds	24,470	123,677	3,087	—	151,234
US Treasury	6,383	247,271	42,523	—	296,177
Money Market Funds	5,420	—	—	—	5,420
LAIF	50,000	—	—	—	50,000
Total investments	173,471	766,866	63,769	1,499	1,005,605
Cash with Fiscal Agents					278,483
Cash Deposits					56,163
Total cash and investments in the operations pool					1,340,251

	Maturity				
RETIREE BENEFITS POOL	**1 Year or Less**	**2-5 Years**	**6-10 Years**	**Over 10 Years**	**Market value**
Corporate Bonds - Pension	2,298	11,118	22,747	16,417	52,580
Corporate Bonds - OPEB	953	7,004	9,615	9,888	27,460
Municipal Bonds - Pension	—	705	—	2,416	3,121
Municipal Bonds - OPEB	—	63	—	1,196	1,259
US Government Agency Bonds - Pension Plan	6	376	855	41,695	42,932
US Government Agency Bonds - OPEB Plan	—	1,953	556	19,707	22,216
US Treasury - Pension	—	17,122	6,342	—	23,464
US Treasury - OPEB	2,993	9,881	365	—	13,239
Money Market Funds - Pension	4,345	—	—	—	4,345
Money Market Funds - OPEB	664	—	—	—	664
	11,259	48,222	40,480	91,319	191,280
Equity Securities					546,623
Real Assets Funds					89,420
Alternative Investments					75,212
Cash Deposits					2,967
Total cash and investments in the retiree benefits pool					905,502
Total cash and investments					$ 2,245,753

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.

The following is a summary of the credit quality distribution for investments with credit exposure as rated by Standard and Poor's:

	Rating as of June 30, 2018		
	Operations Pool	**Retiree Benefits Pool**	**Total**
Corporate bonds			
AAA	$ 105,722	$ 2,721	$ 108,443
AA	46,049	2,022	48,071
A	166,725	7,319	174,044
A-1	20,775	—	20,775
BBB	64,102	54,850	118,952
BB	—	13,128	13,128
Municipal bonds			
AAA	4,240	—	4,240
AA	86,363	1,726	88,089
A	8,798	846	9,644
BBB	—	1,808	1,808
US Government Agencies			
AA	151,234	65,148	216,382
US Treasury Notes			
AA	296,177	36,703	332,880
Unrated cash and investments			
Cash with Fiscal Agents	278,483	—	278,483
Equity Securities	—	546,623	546,623
Real Assets Funds	—	89,420	89,420
Alternative Investments	—	75,212	75,212
LAIF	50,000	—	50,000
Money Market Funds	5,420	5,009	10,429
Deposits with Financial Institutions	56,163	2,967	59,130
TOTAL	$ 1,340,251	$ 905,502	$ 2,245,753

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, 2018, 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, 2018, 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, 2018:

	Fair Value Hierarchy			
Operations Pool	**Level 1**	**Level 2**	**Level 3**	**Fair Value**
Corporate Bonds	$ —	$ 403,373	$ —	$ 403,373
Municipal Bonds	—	99,401	—	99,401
US Government Agency Bonds	—	151,234	—	151,234
US Treasury	296,177	—	—	296,177
Subtotal	296,177	654,008	—	950,185
Not subject to the fair value hierarchy				
Money Market Funds				5,420
Cash with Fiscal Agents				278,483
LAIF				50,000
Cash Deposits				56,163
Subtotal				390,066
Cash and investments in the operations pool				1,340,251

	Fair Value Hierarchy			
Retiree Benefits Pool	**Level 1**	**Level 2**	**Level 3**	**Fair Value**
Corporate Bonds - Pension Plan	$ —	$ 52,580	$ —	$ 52,580
Corporate Bonds - OPEB Plan	—	27,460	—	27,460
Municipal Bonds - Pension Plan	—	3,121	—	3,121
Municipal Bonds - OPEB Plan	—	1,259	—	1,259
US Government Agency Bonds - Pension Plan	—	42,932	—	42,932
US Government Agency Bonds - OPEB Plan	—	22,216	—	22,216
US Treasury - Pension Plan	23,464	—	—	23,464
US Treasury - OPEB Plan	13,239	—	—	13,239
Mutual Funds and Equity-Based Investments	—	546,623	—	546,623
Subtotal	36,703	696,191	—	732,894
Net Asset Value				
Real Assets Funds				89,420
Alternative Investments				75,212
Subtotal				164,632
Not subject to the fair value hierarchy				
Money Market Funds - Pension				4,345
Money Market Funds - OPEB				664
Cash Deposits				2,967
Subtotal				7,976
Cash and investments in the retiree benefits pool				905,502
Total cash and investments				$ 2,245,753

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 other 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, 2018, 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	$ 2,734
British Pound Sterling	15,491
Brazilian Real	2,439
Canadian Dollar	2,208
Chilean Peso	468
Chinese Yuan	4
Colombian Peso	175
Czech Koruna	374
Danish Krone	985
Egyptian Pound	56
Euro	43,552
Hong Kong Dollar	15,604
Hungarian Forint	122
Indian Rupee	7,480
Indonesian Rupiah	792
Japanese Yen	11,897
Malaysian Ringgit	954
Mexican Peso	2,656
Pakistani Rupee	30
Philippine Piso	392
Poland Złoty	471
Qatari Rial	340
Singapore Dollar	1,573
Russian Ruble	1,144
South African Rand	2,758
South Korean Won	7,071
Swiss Franc	14,562
Taiwan Dollar	5,446
Thai Baht	855
Turkish lira	323
United Arab Emirates Dirham	235
Total	$ 143,191

NOTE 4 – INTERFUND TRANSACTIONS

The composition of interfund balances as of June 30, 2018, is as follows (in thousands):

	Due from other funds	Due to other funds
Enterprise Funds		
VTA Transit	$ 1,070 [1]	$ —
Express Lanes	—	190 [2]
Total	1,070	190
Governmental Funds		
2000 Measure A Program	705 [3]	—
2016 Measure B Program	—	1,663 [1]
Congestion Management Program	—	12 [4]
Congestion Management & Highway Program	90 [5]	—
Total	795	1,675
	$ 1,865	$ 1,865

[1]Represents mainly election costs of $1.6 million initially paid by VTA Transit on behalf of 2016 Measure B program

[2]Represents debt issuance costs initially paid for by Congestion Management Highway Program fund.

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

[4]Represents labor costs

[5]Represents funding of Congestion Management Highway Program projects by other funds

The transfers in the Statement of Revenues, Expenses, and Changes in Fund Net Position represent assets that were moved from 2000 Measure A Fund to either VTA Transit Fund or BART Operating Fund. During FY 2018, there were transfers of Assets Under Construction from 2000 Measure A Fund to VTA Transit Fund of $105.9 million (primarily parking garages, bus rapid transit, bus stop improvements) and BART Operating Fund of $86.8 million (mainly consisting of costs incurred for the Silicon Valley Berryessa Extension and BART vehicle procurement projects). This was caused by the change in reporting structure of 2000 Measure A from enterprise to governmental. The transfer to VTA Transit also includes Measure A Operating Assistance of $43.1 million and 2000 Measure A Repayment Obligation for Debt Service of $14.9 million. A summary of the composition of transfers in/out for the year ended June 30, 2018, is as follows:

Transfer from	Transfer to		Amount (in thousands)
2000 Measure A Prog	VTA Transit	AUC Transfer	$ 105,893
		Meas A Op Assistance	43,133
		Meas A Repayment Obligation	14,936
			163,962
2000 Measure A Prog	BART Operations	AUC Transfer	86,807
			$ 250,769

NOTE 5 – DUE FROM AND DUE TO OTHER AGENCIES

Due from other agencies as of June 30, 2018, consisted of the following (in thousands):

	Enterprise Funds					Governmental Funds				
DUE FROM OTHER AGENCIES	VTA Transit	BART Operating	Joint Devpt	Total	Fiduciary Funds	Congestion Management Program	2000 Measure A Program	2016 Measure B Program	Congestion Management & Highway Program	Total
Federal Government	$ 25,872	$ —	$ —	$ 25,872	$ —	$ 972	$ 25,219	$ —	$ 967	$ 27,158
State Government	50,513	7,853	—	58,366	—	—	35,491	33,235	432	69,158
Cities and other local agencies	1,556	—	4	1,560	11	—	11,488	—	4,963	16,451
Total	$ 77,941	$ 7,853	$ 4	$ 85,798	$ 11	$ 972	$ 72,198	$ 33,235	$ 6,362	$ 112,767

Due to other agencies as of June 30, 2018, consisted of the following (in thousands):

	Enterprise Fund	Governmental Funds			
DUE TO OTHER AGENCIES	VTA Transit	2000 Measure A Program	Congestion Management Program	Congestion Management & Highway Program	Total
Federal	$ 1,006	$ —	$ —	$ —	$ —
State	43,569	2,966	—	—	2,966
Caltrain	50	—	—	—	—
County of Santa Clara	(559)	3,083	104	10,727	13,914
City of Milpitas	—	410	—	60	470
City of San Jose	—	1,141	—	8,053	9,194
City of Sunnyvale	—	—	—	453	453
City of Fremont	—	11	—	—	11
City of Cupertino	—	—	—	343	343
Santa Clara Valley Water District	—	1,127	—	—	1,127
Others	—	—	—	74	74
Total	$ 44,066	$ 8,738	$ 104	$ 19,710	$ 28,552

NOTE 6 – CAPITAL ASSETS

Capital asset changes for VTA's business-type activities for the year ended June 30, 2018, were as follows (in thousands):

	July 1, 2017	Additions	Retirements	Transfers	June 30, 2018
Capital assets, not being depreciated					
Land and right-of-way	$ 1,126,872	$ —	$ —	$ —	$ 1,126,872
Construction in progress	2,906,098	277,054	—	(51,375)	3,131,777
Total capital assets, not being depreciated	4,032,970	277,054	—	(51,375)	4,258,649
Capital assets, being depreciated					
Caltrain Access (net)	2,203	—	—	—	2,203
Caltrain - Gilroy extension	43,072	—	—	—	43,072
Buildings improvements, furniture and fixtures	586,041	289	(674)	6,588	592,244
Vehicles	586,754	—	(11,406)	43,458	618,806
Light rail tracks and electrification	418,195	—	—	—	418,195
Leasehold improvement	9,686	—	—	—	9,686
Others	47,561	—	—	1,329	48,890
Total capital assets, being depreciated	1,693,512	289	(12,080)	51,375	1,733,096
Accumulated Depreciation					
Caltrain Access	—	(881)	—	—	(881)
Caltrain - Gilroy extension	(16,612)	(1,310)	—	—	(17,922)
Buildings, improvements, furniture and fixtures	(321,635)	(19,181)	674	—	(340,142)
Vehicles	(269,907)	(30,805)	11,389	—	(289,323)
Light rail tracks and electrification	(293,882)	(13,745)	—	—	(307,627)
Leasehold improvement	(4,239)	(442)	—	—	(4,681)
Others	(43,730)	(2,108)	—	—	(45,838)
Total accumulated depreciation	(950,005)	(68,472)	12,063	—	(1,006,414)
Total capital assets, being depreciated, net	743,507	(68,184)	(17)	51,375	726,681
Total capital assets, net	$ 4,776,477	$ 208,870	$ (17)	$ —	$ 4,985,330

Construction in Progress (CIP) includes capitalized costs and right-of-way acquisitions associated with the following projects as of June 30, 2018, (in thousands):

Silicon Valley Rapid Transit	$ 2,626,254
Light Rail Program	215,983
Bus Program	157,927
Operating Facilities & Equipment	32,048
Revenue Vehicles & Equipment	28,604
Information Systems Technology	26,877
Light Rail - Way, Power & Signal	25,268
Commuter Rail Program	10,563
Passenger Facilities	4,595
Non-Revenue Vehicle	2,679
Joint Development	956
Others	23
Total	$ 3,131,777

Additional information regarding projects in progress as of June 30, 2018, is as follows (in thousands):

Information Regarding Capital Expenditures:	Costs
Total Board approved capital budget	$ 7,510,249
Capital expenditures settling to CIP	(3,131,777)
Capital expenditures settling to capital assets	(51,375)
Capital expenditures settling to expense	(2,665,252)
Remaining capital budget available	$ 1,661,845
Anticipated funding sources are as follows:	
Federal, state, and other local assistance	$ 551,962
Local contributions	1,109,883
Total funding sources	$ 1,661,845

VTA has outstanding commitments of about $426.2 million as of June 30, 2018, related to the above capital projects.

NOTE 7 - LONG-TERM DEBT & LIABILITIES

Long-term debt as of June 30, 2018, consisted of the following (in thousands):

Enterprise Activities:

Secured by VTA's 1976 Measure A 1/2 Cent Sales Tax:	
2008 Series A-C Refunding	$ 114,920
2017 Series A Refunding	7,623
2017 Series B Refunding ($26,620 plus amortized premium of $5,067)	31,687
Secured by Toll Revenues:	
Silicon Valley Express Lanes State Route 237 Loan	2,126
Subtotal	156,356
Less: Current portion of long-term debt	(15,728)
Long term debt, excluding current portion	$ 140,628

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 ($526,070 plus unamortized premium of $1,489)	527,559
2015 Series A-B Refunding ($86,640 plus unamortized premium of $20,274)	106,914
Subtotal	870,348
Less: Current portion of long-term debt	(30,575)
Long term debt, excluding current portion	$ 839,773

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

- $168.6 million of 2008 Series A-C Sales Tax Revenue Refunding Bonds (2008 VTA Bonds) were issued to implement a current refunding and completely pay off the 2005 Sales Tax Revenue Refunding Bonds originally issued to finance the retirement of a portion of 2001 Bonds. The 2008 VTA 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 VTA Bonds at par value. The maturities of the 2008 VTA Bonds extend to June 1, 2026, 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 VTA Bonds, VTA entered into interest rate swap agreements described in item (d).

- 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.

(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.

(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 32.6%. 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 seven interest rate swap agreements outstanding as of year-end. Three swap agreements hedge the 1976 sales tax 2008 bonds (as shown in Business -type Activities table and four swap agreements hedge the 2000 Measure A 2008 bonds (as shown in Governmental Activities table). The 1976 sales tax 2008 bonds swap agreements require that VTA pay fixed interest rates and receive variable interest at the lower of: 1) 1 month LIBOR or, 2) greater of (A) a rate equal to 63.5% of 1 month LIBOR or (B) 55.5% of 1 month LIBOR plus 0.44%. The 2000 Measure A 2008 bond swap agreements require that VTA pay fixed interest rates and receive interest at 65% of three-month LIBOR.

<u>Summary</u>

The terms, fair values, and credit ratings of the outstanding swaps as of June 30, 2018, were as follows (dollars in thousands):

Business-type Activities:

Associated Bonds	Current Notional	Effective Date	Fixed Rate Paid	Variable Received	Fair Value*	Termination Date	Counterparty Credit Rating[CR]	Fair Value Hierarchy Level
2008 A	$ 46,010	7/7/2005[ED]	3.145%	Cal-E [VR]	$ (2,411)	6/1/2026	Aa2/AA-/ NR	2
2008 B	34,455	7/7/2005[ED]	3.145%	Cal-E [VR]	(1,806)	6/1/2026	A1/A/A+	2
2008 C	34,455	7/7/2005[ED]	3.145%	Cal-E [VR]	(1,806)	6/1/2026	A3/BBB+/A	2
Total	$114,920				$ (6,023)			

[CR]Moody's, Standard and Poor's and Fitch, respectively.
NR - No rating for Fitch
[ED]Amended June 26, 2008 to reflect on-market fixed rate to be paid of 3.145%.
[VR]Lower of 1 month LIBOR; or a rate equal to 63.5% of 1 month LIBOR or 55.5% of 1 month LIBOR plus 0.44%, whichever is greater.
*This represents the fair value of the base amount without the accrued interest of $100.0 thousand.

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	(20,233)	4/1/2036	A1/A/A+	2
MA 2008B	50,000	8/10/2006	3.765%	65% 3Mo LIBOR	(11,782)	4/1/2036	Aa3/A+/AA-	2
MA 2008C	50,000	8/10/2006	3.765%	65% 3Mo LIBOR	(11,782)	4/1/2036	Aa2/AA-/ NR	2
MA 2008D	50,000	8/10/2006	3.765%	65% 3Mo LIBOR	(11,782)	4/1/2036	A3/BBB+/A	2
Total	$235,875				$ (55,579)			

[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 2005 and 2006 respectively, 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, 2018, the swaps had a negative fair value of $61.6 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, 2018. 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:

Business-type Activities:

Swap	Counterparty Credit Rating as of 6/30/18[CR]	Collateral Threshold	Credit Rating for Threshold of Zero
VTA 2008A	Aa2/AA-	$15,000,000	Baa1/BBB+
VTA 2008B	A1/A	7,000,000	A3/A-
VTA 2008C	A3/BBB+	2,000,000	Baa3/BBB-

[CR]Moody's and Standard and Poor's, respectively.

Governmental Activities:

Swap	Counterparty Credit Rating as of 6/30/18[CR]	Collateral Threshold	Credit Rating for Threshold of Zero
MA 2008A	A1/A	7,000,000	A3/A-
MA 2008B	Aa3/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 three to four swap counterparties in each of its two transactions 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 34% 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. 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, 2018, there was a slightly favorable basis variance of 0.5% for the swaps related to the bonds secured by the 1976 sales tax and 0.4% for the swaps related to the bonds secured by the 2000 Measure A sales tax.

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, 2018, 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, 2018, VTA had $1.1 million of cash collateral posted with Citibank, related to the swaps associated with the long-term variable rate bonds secured by 2000 Measure A Sales Tax Revenues.

Swap Payments and Associated Debt: The table below presents net swap payments using rates as of June 30, 2018, debt service requirements on VTA's seven 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).

Business-type Activities:

Year Ending June 30,	Principal Total	Remarketing Interest Total	Interest Rate Swap-Net Total	Debt Service Total
2019	$ 11,095	$ 1,429	$ 1,829	$ 14,353
2020	11,425	1,290	1,651	14,366
2021	11,760	1,146	1,467	14,373
2022	15,115	995	1,274	17,384
2023	15,605	805	1,031	17,441
2024-2028	49,920	1,213	1,552	52,685
	$ 114,920	$ 6,878	$ 8,804	$ 130,602

Governmental Activities:

Year Ending June 30,	Principal Total	Remarketing Interest Total	Interest Rate Swap-Net Total	Debt Service Total
2019	$ —	$ 3,084	$ 5,312	$ 8,396
2020	—	3,084	5,312	8,396
2021	—	3,084	5,312	8,396
2022	—	3,084	5,312	8,396
2023	—	3,084	5,312	8,396
2024-2028	—	15,420	26,561	41,981
2029-2033	55,700	15,238	26,247	97,185
2034-2036	180,175	4,180	7,199	191,554
	$ 235,875	$ 50,258	$ 86,567	$ 372,700

(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 weekly based upon market conditions. Projected principal and interest obligations as of June 30, 2018, are as follows (in thousands):

Business-type Activities:

	Principal	Interest	Total
Year ending June 30:			
2019	$ 15,728	$ 5,039	$ 20,767
2020	16,213	4,634	20,847
2021	16,727	4,122	20,849
2022	17,436	3,589	21,025
2023	18,023	2,995	21,018
2024-2028	65,486	5,917	71,403
2029-2033	837	317	1,154
2034-2036	839	87	926
	151,289	$ 26,700	$ 177,989
Unamortized bond premium	5,067		
Total debt	156,356		
Less current portion	(15,728)		
Long-term portion of debt	$ 140,628		

Governmental Activities:

	Principal	Interest	Total
Year ending June 30:			
2019	$ 30,575	$ 42,482	$ 73,057
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
2024-2028	210,390	145,832	356,222
2029-2033	270,025	78,191	348,216
2034-2036	200,360	13,834	214,194
	848,585	$ 434,336	$ 1,282,921
Unamortized bond premium	21,763		
Total debt	870,348		
Less current portion	(30,575)		
Long-term portion of debt	$ 839,773		

(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:

(Dollars in thousands)	July 1, 2017	Additions	Reductions	June 30, 2018	Amounts Due Within One Year
Sales Tax revenue Bonds					
Secured by 1976 1/2 Cent Sales Tax					
2008 Series A-C	$ 125,695	$ —	$ 10,775	$ 114,920	$ 11,095
2011 Series A	31,445	—	31,445	—	—
2017 Series A	10,030	—	2,407	7,623	2,473
2017 Series B	—	27,760	1,140	26,620	2,155
Secured by Silicon Valley Express Lanes State Route 237 tolls					
Silicon Valley Express Lanes State Route 237 Loan	—	2,126	—	2,126	5
Plus (less) premium/discounts	1,707	5,067	1,707	5,067	—
Outstanding Debt, Net	168,877	34,953	47,474	156,356	15,728
Derivative Instruments Liability	10,507	—	4,484	6,023	—
Claims Liability:					
General Liability	6,361	7,941	3,281	11,021	2,116
Worker's Compensation	17,302	7,030	4,826	19,506	1,806
Compensated Absences	29,491	15,140	9,660	34,971	11,160
Total Long-Term Liabilities	$ 232,538	$ 65,064	$ 69,725	$ 227,877	$ 30,810

Governmental Activities:

(Dollars in thousands)	July 1, 2017	Additions	Reductions	June 30, 2018	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	552,260	—	26,190	526,070	27,495
2015 Series A-B	89,980	—	3,340	86,640	3,080
Plus (less) premium/discounts	23,430	—	1,667	21,763	—
Outstanding Debt, Net	901,545	—	31,197	870,348	30,575
Derivative Instruments Liability	72,257	—	16,678	55,579	—
Total Long-Term Liabilities	$ 973,802	$ —	$ 47,875	$ 925,927	$ 30,575

VTA's Transit Fund reported a deferred amount on refunding in the amount of $8.2 million related to the 2008 and 2017 bonds 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 $3.8 million as deferred outflows of resources, and 2008 bonds of $3.5 million as deferred inflows of resources.

NOTE 8 – SALES TAX REVENUES

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. In November 2008, county residents passed a 1/8-cent sales tax to fund the operating and maintenance costs of the BART Extension. 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 commenced in April 2017. Sales tax apportionments from inception to June 30, 2018 of $255.1 million was recognized as a liability as the 2016 Measure B is undergoing legal challenge.

The amount of the 1976 Sales Tax, 2000 Measure A Sales Tax, and BART Operating Sales Tax recognized during FY 2018 was $207.6 million, $207.9 million, $49.8 million, respectively. The California Department of Tax and Fee Administration indicated that the sales tax reported for the fiscal year to date is incomplete. Accordingly, any additional tax allocations pertaining to the quarter ending June 2018 will be reflected in subsequent monthly distributions.

NOTE 9 – VTA PROGRAMS FUNDED THROUGH LOCAL SALES TAX MEASURES

2000 Measure A Program

The Santa Clara Valley Transportation Authority 2000 Measure A Program was created in response to the Measure A ballot approved by the voters of Santa Clara County on November 7, 2000. The Measure A Program is funded by the half-cent sales tax to be imposed for a period of 30 years and took effect upon expiration of the current County of Santa Clara 1996 Measure B half-cent sales tax on March 31, 2006. The Measure A Program is responsible for 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, as noted below:

- Extend San Francisco Bay Area Rapid Transit District service ("BART") from Fremont through Milpitas to Downtown San Jose and the Santa Clara Caltrain Station (the "Silicon Valley Rapid Transit Project" or "SVRT");
- Provide connections from the San Jose International Airport to BART, Caltrain commuter rail service ("Caltrain") and VTA's light rail system;

- Extend VTA's light rail system from Downtown San Jose to the East Valley portion of Santa Clara County ("DTEV Extension");
- Purchase low floor light rail vehicles to better serve the disabled, senior, and other segments of the ridership;
- Improve Caltrain by extending the system's double track to Gilroy and providing funds to electrify the system;
- Increase Caltrain service;
- Construct a new Palo Alto Intermodal Transit Center;
- Improve bus service in major bus corridors;
- Upgrade the Altamont Corridor Express ("ACE") services;
- Improve the Highway 17 express bus service;
- Connect Caltrain with the Dumbarton Rail Corridor (serving Alameda and San Mateo County);
- Purchase zero emission buses and construct service facilities;
- Provide funds to develop new light rail corridors;
- Fund operating and maintenance costs associated with increased bus, rail, and paratransit service.

The following activities have either been completed or are in progress, funded by a combination of tax revenues, state and federal grants, bond proceeds, and other locally obtained funds. To date, Measure A efforts include, among others, the following:

- Completed the purchase of low floor light rail vehicles;
- Completed the Zero Emission Bus Demonstration project;
- Alum Rock Santa Clara Bus Rapid Transit (BRT) revenue service along the corridor commenced in May 2017. Administrative closeout of contracts and agreements is in progress. The El Camino Real Rapid Transit Policy Advisory Board decided not to pursue BRT dedicated lane options. It was recommended that VTA pursue transit speed and passenger amenity improvements in the corridor. Civil construction for new shelters, seating, lighting, and associated bus stop improvements for the Stevens Creek Rapid 523 was completed in April 2018. Shelter installation will be done under a separate contract which is expected to be awarded in Fall 2018. Modifications at Chaboya/North Divisions Phase 1 were completed in March 2015. Request for Proposal for design services of Phase II involving modification to the Chaboya Yard is planned for Fall 2018. Articulated buses (29 units) have been accepted by VTA and are operational. An option for 20 additional buses to operate on the Stevens Creek corridor is also available and is being considered;
- Received $900 million grant commitment from the FTA for the Silicon Valley Berryessa Extension (SVBX) Project in March 2012. In December 2012, the project received $50 million in State Transportation Improvement Program (STIP) funding to help expand and improve BART's Hayward Maintenance complex to accommodate the operation of the Berryessa Extension. Work continues on a range of elements at both the Milpitas and Berryessa stations including installation

of the exterior metal panels and station finishes. The parking structures were substantially completed. System-wide testing of the Traction Power System was completed, and station systems functional and integration testing continues. At both the Milpitas and Berryessa stations, field installation and functional testing of mechanical, electrical, and communications systems continues. All planting and landscaping, including tree installations, were completed. BART vehicle production continues at the car body manufacturing facility. As of May 2018, twenty production cars are in revenue service. Qualification testing on another 5 cars has been completed. Another 6 production cars were received by BART and are currently going through qualification testing at BART's test track;

- Relocated and constructed utilities in the freight rail corridor in Fremont and Milpitas. The Berryessa Creek crossing, Abel Street Seismic Retrofit, and Railroad Relocation contracts are complete. The Kato Grade Separation was opened to traffic in April 2013. The Montague Expressway Reconstruction Project is underway. The pedestrian overcrossing that spans Montague Expressway which connects to the new Milpitas BART station is in the design stage. Major construction elements of the Upper Penitencia Creek Trail have been completed. The Berryessa Station solar power system has been installed;
- The construction of the pedestrian improvements (sidewalk and landscaping) along Capitol Expressway was completed in Spring 2013. Construction of the transit center was completed in May 2015. In June 2016, the funding of Phase II of the Capitol Expressway Light Rail Extension to Eastridge was approved by the Board. An updated California Environmental Quality Act document is expected to be approved by the Board in Fall 2018. Final design and utility coordination are ongoing. Right-of-way acquisition and Utility Relocation is expected to be completed by mid-2019. Construction is expected to begin in early 2020. Construction phase is dependent on securing funding;
- Completed the Light Rail Systems Analysis, which was adopted by the VTA Board in May 2010. The Systems Analysis provides an evaluation of infrastructure and operational shortcomings of the existing light rail system as well as improvement plan for immediate action. The initial projects recommended from the Systems Analysis began planning, design and construction in Fall 2011. Funding for the Vasona LRT Extension/Winchester Light Rail Double Track and platform extension project was approved in June 2016. Contract was awarded at the May 2018 VTA Board meeting. Contract for the SR 85 Major Transit Investment Study was approved at the May 2017 VTA Board meeting. Transit Market Analysis was completed in June 2018. Further transit planning including concept development is dependent on securing funding;
- Santa Clara Pocket Track constructions was completed in early 2015. Phase 1 interlocking from Reamwood Station to Old Ironsides Stations was completed in March 2018; Two construction contracts under the Northern Light Rail Express project were completed in December 2015. Project closeout is ongoing. VTA local bus network service plan for BART Extension is complete. Express Bus Service Plan will be developed in 2019 under the BART Transit Integration Analysis project;

- Caltrain Service Upgrades include capital improvements to Caltrain system. Completed construction for the Blossom Hill Pedestrian Grade Separation in September 2012; Completed construction along the Joint Powers Board (JPB) segment. Design for next phase is complete, construction is pending High Speed Rail Project; Modifications to pedestrian access at the Mountain View Caltrain station is expected to be completed in 2019;
- Santa Clara Caltrain Station Pedestrian Underpass Extension project provides an extended pedestrian tunnel under the UPRR tracks to Brokaw Road at the Santa Clara Station. Construction contract was completed in June 2017;
- The Bike Share Pilot Program opened in August 2013 at Caltrain stations and downtown areas in San Jose, Mountain View, and Palo Alto. The grant-funded pilot concluded in June 2016;
- In July 2016, Caltrain Board approved contract awards to begin work on the Peninsula Corridor Electrification Project. The FTA approved the Full Funding Grant Agreement and Caltrain released the Notice to Proceed in June 2017. Work is proceeding, with foundations for electrical system being installed and final cost estimates being worked on. VTA continues to reimburse Caltrain for project-related cost;
- The second phase of VTA's 16.1-mile Silicon Valley Rapid Transit (SVRT) extension of BART, the Santa Clara Extension, is an approximately six-mile extension of BART service. In June 2018, Federal Transit Administration (FTA) notified VTA that a Record of Decision (ROD) was issued for the Phase II of the project. VTA continued efforts in pursuit of federal funding through the FTA's Capital Investment Grant (CIG) Program. VTA anticipates General Engineering Consultant selection to be completed by Fall 2018.

BART Operating Fund Sales Tax Ordinance

At the election held on November 4, 2008, the voters passed 2008 Measure B supporting the tax that would be dedicated to the operation, maintenance, improvement, and future capital needs of the 16.1 mile Santa Clara Bay Area Rapid Transit (BART) extension. The BART extension includes stations in Milpitas, San Jose, and Santa Clara, connecting with Caltrain from Gilroy to San Francisco and an Airport People Mover. In November 2011, 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. This ordinance is also known as the Santa Clara Valley Transportation Authority BART Operating and Maintenance Transactions and Use Tax Ordinance.

2016 Measure B

In November 2016, Santa Clara County voters approved 2016 Measure B, a 30-year half-cent countywide sales tax to enhance transit, highways, expressways and active transportation (bicycles, pedestrians and complete streets). Tax collections began in April 2017. As of June 30, 2018, tax apportionments (including related interest) of $256.1 million remain in escrow. This is reported as a liability due to pending litigation affecting the Tax Measure. The transportation programs to be funded by 2016 Measure B are: (1) VTA's BART Silicon Valley Phase II; (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, 2018, are summarized as follows (in thousands):

	Enterprise	Special Revenue	Capital Projects
Operating Grants:			
FTA Section 9 (49 USC 5307)	$ 3,831	$ —	$ —
Job Access Reverse Commute Fed Grant	50	—	—
Peninsula Family Services	161	—	—
Section 5311	79	—	—
Discover Opportunities In Transit	109	—	—
Federal Technical Studies	—	2,178	—
Pass-through Operating Grants	—	—	1,347
Total Operating Grants	4,230	2,178	1,347
Capital Grants:			
FTA New Starts FFGA	—	57,535	—
FTA Section 5307, 5309, 5337, 5339 and Federal Security	48,229	1,646	—
Pass-through Capital Grants	140	—	—
Total Capital Grants	48,369	59,181	—
Total operating & capital grants	$ 52,599	$ 61,359	$ 1,347

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.

The Job Access and Reverse Commute was authorized in Section 5316 of the Transportation Equity Act of the 21st Century (TEA-21). This program, administered by the FTA, is intended to implement a variety of transportation services that will connect welfare recipients to employment and other job-related activities and opportunities.

Through the Drive Forward program in Santa Clara County, Peninsula Family Services provides low-interest auto loans to individuals who are unable to access consumer loan financing. These loans allow for the purchase or repair of a car to qualified families and individuals.

The Section 5311 program is the FTA non-urbanized area formula grant. The program provides funding for public transportation projects serving areas outside of an urban boundary with a population of 50,000 or less. Funds may be used for capital, operating, planning, or technical assistance projects.

The objective of the Discover Opportunities - In Transit Program is to prepare and direct under served, underemployed, and/or minority groups into the Transportation Planner career path. VTA has identified through recent recruiting attempts that the Transportation Planner series is underrepresented within the agency and is committed to work with strategic partners to develop training materials geared to enhance the minimum qualifications of targeted student groups to prepare them for an entry level position in this field.

Federal technical studies grant under the Special Revenue Fund represents interagency agreement with the Metropolitan Transportation Commission (MTC) for the purpose of conducting specific planning and programming activities to assist MTC in meeting the requirements of federal legislation and related State and regional planning and programming policies and guidelines.

The pass-through federal grants under the Capital Project Funds represent fund agreements covering highway projects with various government agencies of the State of California.

In March 2012, 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 increment of New Starts fund up to 2018. 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. 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 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.

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 pass-through federal grants reported in the enterprise funds include Demonstration Projects. These projects are provided as part of the transportation appropriation acts. Grade separations, widening and demolition of bridges, new crossing configurations are examples of projects funded with Demonstration funds. The pass-through federal grants under the capital project fund represent fund agreements covering highway projects with various governmental agencies of the State of California.

(b) State and Local Grants and Assistance

State and local grants for the year ended June 30, 2018, are summarized as follows (in thousands):

	Enterprise Funds	Special Revenue Funds	Capital Projects Funds
Operating grants:			
Transportation Development Act	$ 103,052	$ —	$ —
State Transit Assistance	21,142	—	—
Apprenticeship Program	665	—	—
State Operating Assistance Grants	—	945	—
AB 434	1,830	—	—
Congestion Management & Highway Program-State Grants	—	—	(55)
Congestion Management & Highway Program-2000 Measure A Swap Program	—	—	5,756
Other Local Grants:			
Santa Clara County (Fund Swap Program)	—	—	89
Various cities, counties and others	—	—	9,428
Total operating grants	126,689	945	15,218
Capital grants:			
Traffic Congestion Relief Program	—	829	—
PTMISEA	2,260	3,185	—
Proposition 1B Fund	4,670	884	—
High-Speed Rail	4	—	—
Transportation Fund Clean Air	668	—	—
Low Carbon Transit Operation Program	1,436	—	—
California Energy Commission	87	—	—
Other Local Grants:			
Various cities, counties and others	765	15,406	—
Total Capital Grants	9,890	20,304	—
Total State and Local Grants	$ 136,579	$ 21,249	$ 15,218

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.

VTA and West Valley Mission Community College District entered into a Memorandum of Understanding to institutionalize a California Division of Apprenticeship Standards (DAS) apprenticeship model for VTA training of new workers and to provide career pathways for alternative fuel fleet maintenance and repair positions.

State Operating Assistance Grants under the Congestion Management Program represent grant receipts from the California Department of Transportation for project planning, programming and monitoring activities related to development of the Regional Transportation Improvement Program.

AB 434 fees represent funds received from the Bay Area Air Quality Management District. These funds are used for shuttle services and projects promoting clean air in the South Bay.

Capital Projects revenues consist of state and local grant revenues pertaining to Congestion Management and Highway Program (CMHP) of $15.2 million. The CMHP state grants consist primarily of Corridor Mobility Improvement Account (CMIA) grant. The scope of this grant includes performance improvements on the state highway system and major access routes to the state highway system. The CMHP-State grant was a negative $55 thousand due to state disallowance. This resulted to a reclassification adjustment from state to local in 2018.

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 Traffic Congestion Relief Program (TCRP) provides funds for projects throughout the state of California to reduce traffic congestion, provide for safe and efficient movement of goods, and provide system connectivity. TCRP is being implemented by the California Transportation Commission (CTC), in consultation with State Department of Transportation.

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		5,818
Spent in prior year		(177,208)
Beginning unspent grant amounts		38,843
Spent in current year		(5,445)
Interest earned in current year		637
Total proceeds available plus interest earned	$	34,035

Proposition 1B Fund provides funding under the California Transit Security Grant Program and is administered by the California Emergency Management Agency.

The California High-Speed Rail Authority is responsible for the planning, design, construction and operation of the high-speed rail system in the nation. The System will connect the mega-regions of the State, contribute to economic development and a cleaner environment, create jobs and preserve agricultural and protected lands.

The Transportation Fund for Clean Air (TFCA) is generated by a $4.00 surcharge on vehicle registrations in the nine-county Bay Area. The Bay Area Air Quality Management District (BAAQMD) administers the funds. The money is available for allocation to alternative fuels, arterial management, bicycle, and trip-reduction projects that reduce vehicle emissions.

The Low Carbon Transit Operations Program (LCTOP) is part of the Transit, Affordable Housing, and Sustainable Communities Program established by the California Legislature in 2014 by Senate Bill 862. LCTOP was created to provide operating and capital assistance for transit agencies to reduce greenhouse gas emission and improve mobility, specifically for serving disadvantaged communities.

California Energy Commission provides funding as part of the Electric Program Investment Charge for applied research and development, technology demonstration and deployment and market facilitation for clean energy technologies. This revenue is received by VTA as a pass-through agreement with Prospect Silicon Valley.

Various cities, counties, and other agencies mainly include funding received from the City of Sunnyvale, City of San Jose, City of Cupertino, City of Milpitas, Santa Clara Valley Water District and bridge tolls. 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 0.95% effective 10/10/2016 and 1.90% effective 10/9/2017.

New Employees

Plan benefit provisions and all other requirements are established by California Public Employees' Pension Reform Act of 2013 (PEPRA) and Plan amendments as 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 5.5% effective 10/24/2016. This was increased to 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, 2018, is as follows:

Membership Status	
Retirees and beneficiaries currently receiving benefits	1,443
Terminated vested members not yet receiving benefits	137
Active Members	1,607
Total	3,187

(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.

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price on the last business day of the fiscal year at current exchange rates. Purchases and sales of securities are reflected on the trade date and investment income is recognized as earned.

(c) Contribution Requirements

For FY 2018, the actuarially-determined contribution was $28.5 million. As the Plan elected to use June 30, 2018 as its measurement date, employer contributions for FY 2018 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 rate and approved by the Board. The rate 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 Plan's net pension liability was $197.7 million as of June 30, 2018. The following table shows the changes in net pension liability recognized over the measurement period (in thousands).

	Increase/(Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (c) = (a) - (b)
Balance at June 30, 2017	$ 701,580	$ 531,467	$ 170,113
Changes Recognized for the Measurement Period:			
Service cost	16,953	—	16,953
Interest (includes interest on service cost)	47,850	—	47,850
Differences between expected and actual experience	12,285	—	12,285
Changes of assumptions	21,918	—	21,918
Contributions - Employer	—	28,524	(28,524)
Contributions - Member	—	2,725	(2,725)
Net investment income	—	40,605	(40,605)
Benefit Payments, including Refunds of Employee Contributions	(41,566)	(41,566)	—
Administrative expense	—	(403)	403
Net changes during FY 2018	57,440	29,885	27,555
Balance at June 30, 2018	$ 759,020	$ 561,352	$ 197,668

(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 43%. A one percent increase in the discount rate decreases the net pension liability by approximately 37%.

	Discount rate -1% 5.96%	Discount rate 6.96%	Discount rate + 1% 7.96%
		(in thousands)	
Net Pension Liability	$ 283,285	$ 197,668	$ 125,254

(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, 2017, and projected forward to the beginning of the measurement year of June 30, 2017. The TPL at the end of the measurement year, June 30, 2018, is measured as of a valuation date of January 1, 2018, and projected forward to June 30, 2018.

A summary of key assumptions is as follows:

Actuarial cost method:	Entry Age
Inflation:	2.75% (reduced from 3% in the 2016 valuation)
Salary increases:	3.00% plus merit component
COLA increases:	0.00%
Investment rate of return:	7%, net of investment expense
Post-retirement Mortality:	Sex distinct RP-2014 Adjusted to 2006 health Employee and Annuitant Blue Collar mortality tables with generational improvements using Scale-MP-2017 (changed from RP-2000 Combined Healthy Blue Collar Mortality, projected to 2025 using 50% of Scale BB, with a one year set-back for female members, in the 2017 valuation.

(g) Discount Rate

The discount rate used to measure the net pension liability was increased from 6.94% to 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 as 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 2081 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 3.87%, based on the Bond Buyer 20-Bond GO Index as of June 28, 2018, to the extent they are not available. The single equivalent rate used to determine the total pension liability as of June 30, 2018 is 6.96%.

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return [1]
Domestic Equity-Large Cap Active	15%	4.55%
Domestic Equity-Large Cap Index	10%	4.55%
Domestic Equity-Small Cap	10%	4.77%
International Equity	13%	4.77%
Emerging Markets Equity	5%	6.16%
Domestic Fixed Income	22%	0.97%
Absolute Return	9%	3.48%
Real-Estate	10%	3.61%
Real Assets	5%	3.85%
Cash	1%	0.00%
	100%	

[1]Source: NEPC, LLC as of June 30, 2018; All assumptions based on 30-year forecast

(h) Plan's Fiduciary Net Position

This refers to the fair or market value of assets. As of June 30, 2018, the plan's fiduciary net position amounts to $561.4 million. Detailed information about the pension plan's fiduciary net position is available in a separate financial report available on VTA's website.

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

For the measurement period ending June 30, 2018, VTA incurred pension expense of $43.7 million. This is the change in the Net Pension Liability plus the changes in deferred amounts plus employer contributions.

	Amount (In thousands)
Service cost	$ 16,953
Employee contributions	(2,725)
Administrative expenses	403
Interest cost	47,850
Expected return on assets	(37,849)
Recognition of assumption changes	8,267
Recognition of liability gains and losses	5,165
Recognition of investment gains and losses	5,608
Pension expense	$ 43,672

As of June 30, 2018, VTA's deferred outflows related to the ATU pensions are as follows (in thousands):

Differences between expected and actual experience	$	19,910
Changes in assumptions		34,290
Net difference between projected and actual earnings on pension plan investments		992
Total	$	55,192

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

Fiscal Year		Deferred Outflows of Resources
2019	$	19,040
2020		14,904
2021		7,141
2022		8,407
2023		5,700
Thereafter		—
	$	55,192

(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 (Pension-related)	$	55,192	$	33,696	$	88,888
Deferred Inflows (Pension-related)		—		3,084		3,084
Net Pension Liability		197,668		121,774		319,443
Pension Expense		43,672		20,393		64,065

*Total may not be exact due to rounding

NOTE 12 – PUBLIC EMPLOYEES' RETIREMENT PLAN

(a) Plan Description and Benefits Provided

All eligible non-ATU employees of VTA participate in the California Public Employees' Retirement System (CalPERS). Prior to separation from the County on January 1, 1995, all eligible VTA employees participated in CalPERS through the County. As a result of the separation from the County, certain administrative employees were transferred from the County to VTA. All of those administrative employees' service credits earned during the period they worked for the County's transportation agency were transferred to VTA's CalPERS account.

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.

Retirement and survivor allowances are adjusted each year in May for cost of living, beginning the second calendar year after the year of retirement. The standard cost-of-living adjustment (COLA) is 2%.

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

Retirees and beneficiaries receiving benefits	611
Terminated and vested members not yet receiving benefits	449
Active members	656
Total	1,716

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 pending resolution of the employee classification with CalPERS.

The employer's contribution rate from July 1, 2017, through June 30, 2018, was 9.139%. 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 2018, VTA contributed $12.2 million, which is equal to the actuarially-determined contributions. The required contribution for FY 2018 was based on the actuarial valuation report as of June 30, 2015 using the entry age normal cost method with the contributions determined as a percent of pay. VTA's annual pension contribution of $12.2 million in FY 2018 was deferred as VTA opted for June 30, 2017, to be its measurement date.

(d) Net Pension Liability

VTA's net pension liability to the CalPERS Plan was $121.8 million as of June 30, 2018. The net pension liability was measured using an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. The following table shows the changes in net pension liability recognized over the measurement period (in thousands).

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (c) = (a) - (b)
Balance at June 30, 2017	$ 390,756	$ 283,176	$ 107,580
Changes Recognized for the Measurement Period:			
Service cost	11,137	—	11,137
Interest on the Total Pension Liability	29,287	—	29,287
Changes of Assumptions	24,077	—	24,077
Differences between Expected and Actual Experience	(2,259)	—	(2,259)
Plan to Plan Resource Movement	—	37	(37)
Contributions from the Employer	—	11,865	(11,865)
Contributions from Employees	—	4,875	(4,875)
Net investment income	—	31,689	(31,689)
Benefit Payments, including Refunds of Employee Contributions	(17,083)	(17,083)	—
Administrative Expense	—	(418)	418
Net changes during FY 2018	45,159	30,965	14,194
Balance at June 30, 2018	$ 435,915	$ 314,141	$ 121,774

(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	$ 180,412	$ 121,774	$ 73,120

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

For the measurement period ended June 30, 2017, the total pension liability was determined by rolling forward the June 30, 2016 total pension liability. Total pension liability was based on the following actuarial methods and assumptions:

Valuation date	June 30, 2016
Actuarial cost method	Entry Age - Normal
Actuarial Assumptions	
Discount rate	7.15%
Inflation	2.75%
Salary increases	Varies by entry age and service
Payroll growth	3.00%
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 1997 to 2011. Pre-retirement and Post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries.

(g) Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. CalPERS concluded, based on the results of the stress test, that the current 7.15 percent 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 table below 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	Real Return Years 1-10[1]	Real Return Years 11+[2]
Global Equity	47.00%	4.90%	5.38%
Global Fixed Income	19.00%	0.80%	2.27%
Inflation Sensitive	6.00%	0.60%	1.39%
Private Equity	12.00%	6.60%	6.63%
Real Estate	11.00%	2.80%	5.21%
Infrastructure & Forestland	3.00%	3.90%	5.36%
Liquidity	2.00%	-2.20%	-2.70%
	100.00%		

[1]An expected inflation of 2.5% used for this period
[2]An expected inflation of 3.0% used for this period
Source: CalPERS GASB 68 Valuation, measurement date of June 30, 2017

(h) Pension Plan's Fiduciary Net Position

The plan's fiduciary net position as of June 30, 2017 is $314.1 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 Related to Pensions

For the year ended June 30, 2018, VTA incurred a pension expense of $20.7 million for the Plan.

	Amount (In thousands)
Service cost	$ 11,137
Interest on the Total Pension Liability	29,287
Recognized changes in assumptions	5,290
Recognized changes between expected and actual experience	(270)
Plan to Plan resource movement	(37)
Employee contributions	(4,875)
Projected earnings on Pension Plan investments	(20,178)
Recognized differences between projected and actual earnings on Plan investments	(30)
Administrative Expense	418
Pension Expense	$ 20,742 *

* This is based on the GASB 68 actuarial report. VTA recorded a $20.4 million of pension expense, net of the difference between actual 2017 employer contribution of $11.8 million and 2018 employer contribution deferral of $11.5 million.

As of June 30, 2018, 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	$	16,996	$	(1,075)
Differences between Expected and Actual Experiences		415		(2,009)
Net Difference between Projected and Actual Earnings on Pension Plan Investments		4,077		—
Pension Contributions subsequent to measurement date		12,208		—
Total	$	33,696	$	(3,084)

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, 2019. 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	
2019	$	5,431
2020		10,984
2021		4,290
2022		(2,301)
Thereafter		—
	$	18,404

(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, 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 $133 per month in 2018.

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.

As of June 30, 2018, 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	1,104	538	1,642
Active (Vested)	741	467	1,208

(b) Basis of Accounting

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.

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price on the last business day of the fiscal year at current exchange rates. Purchases and sales of securities are reflected on the trade date and investment income is recognized as earned.

(c) Contribution Requirements

Benefit allowance provisions are established through agreements and memorandums of understanding (MOU) between VTA and unions representing its employees. VTA's contributions to the plans are based on Actuarially Determined Contribution (ADC) as determined by an actuarial valuation study. In FY 2008, VTA established an irrevocable trust to fund the ADC.

As of June 30, 2018, the Trust's net position of $315.4 million was available to cover costs of the ATU and Non-ATU Programs.

(d) Changes in Net OPEB Asset

The Net OPEB Asset was $66.4 million as of June 30, 2018. 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 Liability/(Asset) (c) = (a) - (b)
Balance at June 30, 2017	$ 241,867	$ 299,894	$ (58,027)
Changes Recognized for the Measurement Period:			
Service cost	5,697	—	5,697
Interest (includes interest on service cost)	16,695	—	16,695
Changes of assumptions	(1,057)	—	(1,057)
Other Liability Experience Loss/(Gain)	(1,670)	—	(1,670)
Contributions -Employer	—	—	—
Benefit Payments [1]	(12,539)	(12,539)	—
Non-Benefit Related Admin Expenses from Plan Trusts	—	(109)	109
Expected Investment Return	—	20,550	(20,550)
Investment Experience (Loss)/Gain	—	7,575	(7,575)
Net changes during FY 2018	7,126	15,477	(8,351)
Balance at June 30, 2018	$ 248,993	$ 315,371	$ (66,378)

[1] 2017/2018 Benefit Payments include an implicit subsidy of $3,000,000 which was explicitly paid out of the Plan Trust with no offsetting contribution.

(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.

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Net OPEB Asset	$ 38,364	$ 66,378	$ 90,004

(f) Health Care Trend rates

The CalPERS benefit trend rates begin at various levels ranging from 0.95% (for the PERS Care non-Medicare PPO) to 17.95% (for the non-Medicare UHC HMO). These first year percentages are based on the actual 2018 renewal and the type of medical plans (HMO vs. PPO, Medicare vs.

non-Medicare), and then are graded down to an ultimate rate of 4.0% (reflecting the expected long-term trend for the medical Consumer Price Index).

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:

	1% Decrease 3%	Current Trend Rate 4%	1% Increase 5%
Net OPEB Asset	$ 93,572	$ 66,378	$ 33,910

(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, 2017
Actuarial Cost Method		Entry Age, level percentage of pay
Actuarial assumptions:	Discount rate	7%
	Inflation	2.5%
	Mortality	RP2000 Combined Healthy Blue Collar using 50% of Scale BB.

(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 plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Geometric)[1]
Domestic Equity-Large Cap Active	30%	4.55%
International Equity	18%	4.77%
Emerging Markets Equity	6%	6.16%
Domestic Fixed Income	21%	0.97%
Absolute Return	8%	3.48%
Real-Estate	11%	3.61%
Real Assets	5%	3.61%
Cash	1%	—%
	100%	

[1]Source: NEPC, LLC as of June 30, 2018 (All assumptions based on 30 year forecast)

(i) Plan's Fiduciary Net Position

This refers to the fair or market value of assets. As of June 30, 2018, the Plan's Fiduciary Net Position amounts to $315.4 million. Detailed information about the OPEB plans, fiduciary position is available in a separate financial report available on VTA's website.

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

For the year ended June 30, 2018, the Trust incurred OPEB expense of $50 thousand. This is the change in the Net OPEB Asset plus the changes in deferred amounts.

		Amount (In thousands)
Service cost	$	5,697
Interest cost		16,695
Expected Investment Return		(20,550)
Non-Benefit-Related Administrative Expenses from Plan Trusts		109
Amortizations of other changes in Net OPEB Liability		(1,901)
OPEB expense	$	50

As of June 30, 2018, VTA's deferred inflows related to the OPEB are as follows (in thousands):

Changes in assumptions	$	907
Difference between expected and actual experience		1,434
Difference between expected and actual investment earnings		6,059
Total	$	8,400

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

Fiscal Year		Deferred Inflow of Resources
2019	$	1,901
2020		1,901
2021		1,901
2022		1,901
2023		386
Thereafter		410
	$	8,400

NOTE 14 – INTERNAL SERVICE FUND

As of June 30, 2018, 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	$ 19,542	$ 11,068	$ 22,425	$ 53,035
Liabilities*	19,542	11,068	34,971	65,581
Net Position	$ —	$ —	$ (12,546)	$ (12,546)

*includes short-term liabilities

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, 2018 disclosed that the present values of estimated outstanding losses, at 2% average discount rate using a 60% confidence level, are $19.5 million and $11.07 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, 2017, and June 30, 2018, are as follows (in thousands):

	Workers' Compensation	General Liability
Unpaid claims at June 30, 2016	$ 17,290	$ 7,025
Provision for claims and claims adjustment expense	6,250	2,830
Changes in estimates for provision for future claims	(1,991)	1,560
Payment for claims and other adjustments	(4,247)	(5,054)
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

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, 2018, the outstanding balance of compensated absences liability is $35 million.

NOTE 15 – 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, 2018, VTA had net position of approximately $17.5 million for the ATU Spousal Medical Fund and $12 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, 2018, there were 394 participating spouses who were eligible for benefits from the Spousal Medical Fund. FY 2018 contributions were approximately $1.6 million while benefit payments made by the Fund were approximately $1.4 million and investment earnings were $1.4 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, 2018, there were 1,092 eligible participants. Contributions and investment earnings for the fiscal year were approximately $398 thousand and $1 million respectively, while benefit payments were approximately $325 thousand.

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

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 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	80,000,000
Flood	5,000	500,000
Light Rail Vehicles	250,000	100,000,000
Light Rail Spare Parts	25,000	Stated Value
Buses	150,000 & 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 – LEASES

VTA leases various properties for use as transfer facilities, parking lots, information centers, office buildings, and warehouses under lease agreements that expire at various dates through 2024. VTA may renew the leases after their expiration. Some of these agreements were accounted for as operating leases in VTA Transit Fund for approximately $354 thousand in FY 2018. Other leases were charged to capital project expenditures in FY 2018 for approximately $1.1 million. The future lease payments under non-cancellable lease agreements are as follows (in thousands):

Years ending June 30,	Future Lease Payments
2019	$ 1,779
2020	1,898
2021	1,892
2022	1,949
2023	1,964
2024	1,936
2025	1,994
2026	2,054
2027	1,396
Total	$ 16,862

NOTE 18 – LITIGATION

2016 Measure B

In November 2016, the voters of Santa Clara County overwhelmingly passed Measure B, a 30-year half-cent sales tax that would help VTA fund a series of transportation-related projects including local streets and roads repair, bicycle/pedestrian improvements, Caltrain grade separations, and Phase II of the BART extension. Collection of the half-cent sales tax began in April 2017.

In January 2017, a Santa Clara County resident individually filed a lawsuit against VTA on the validity of the 2016 Measure B. (*Cheriel Jensen v. Santa Clara Transportation Authority*, *et al*., Santa Clara County Superior Court case No. 17-CV-304960). VTA challenged the lawsuit as lacking merit and the court agreed and dismissed the case. However, the Plaintiff filed an appeal with the Sixth District Court of Appeal on August 17, 2017, Case No. H044974. On October 18, 2018, the Court of Appeal upheld the validity of Measure B. The Plaintiff still has an opportunity to appeal the Sixth District Court's decision to the California Supreme Court.

VTA is required to keep all 2016 Measure B tax collections in an escrow account (which VTA has been doing) "until the legality of the tax is finally resolved by a final and non-appealable decision…" (California Revenue and Taxation Code, Rev. & Tax. Code § 7270(c).) Therefore, the court process will impede VTA from distributing any 2016 Measure B funds unless and until the lawsuit is finally resolved in favor of VTA.

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 19 – CONTRACTED SERVICES PROVIDED BY THE COUNTY OF SANTA CLARA

The County provides support services to VTA for protection (Office of the Sheriff), vehicle maintenance and fuel. As of June 30, 2018, the support services totaled $14.9 million and are included in Operating Expenses.

NOTE 20 – 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 2018, 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, 2018, VTA paid $9.0 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.

The following is a summary financial information (not included in VTA's financial statements) for the PCJPB for the years ended June 30, 2017 and 2016 (in thousands). FY 2017 is the most recent audited financial information.

PCJPB Financial Information	2017	2016
Total assets	$ 1,763,538	$ 1,495,016
Total liabilities	(244,172)	(136,381)
Total net position	$ 1,519,366	$ 1,358,635
Operating revenues	$ 102,030	$ 95,433
Operating expenses	(216,555)	(211,383)
Non-operating revenues, net	28,489	26,281
Capital contributions	246,767	131,329
Change in net position	$ 160,731	$ 41,660

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 (SJRRC) 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, SJRRC, 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, 2018, VTA contributed approximately $3.4 million for operating costs.

The summary financial information (not included in VTA's financial statements) for the Altamont Corridor Express for the years ended June 30, 2017, and 2016 (in thousands), appear as follows. FY 2017 is the most recent audited financial information.

ACE Financial Information	2017	2016
Total assets	$ 182,775	$ 183,530
Total liabilities	(55,433)	(57,738)
Total net position	$ 127,342	$ 125,792
Operating revenues	$ 8,899	$ 8,558
Operating expenses	(29,595)	(24,227)
Non-operating revenues, net	22,484	20,494
Extraordinary item	(238)	(1,071)
Change in net position	$ 1,550	$ 3,754

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 21 – OTHER FINANCING TRANSACTIONS

Lease/Leaseback

In 1998 and 2003 VTA entered into a total of six lease/leaseback transactions with five investors: KBC Bank N.V., Firth Third Leasing Company, Comerica Leasing Corporation, US Bancorp, and First Hawaiian Leasing Inc. The leases involved a total of 116 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, each 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, also 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.

Subsequent to these adverse developments KBC Bank N.V., US Bancorp and Comerica Leasing Corporation were each willing to terminate their transactions on favorable terms. With respect to First Hawaiian Leasing Corporation VTA exercised its purchase option on January 2, 2017. The purchase option was funded from the maturing securities invested at the outset of the lease. The remaining lease is with Fifth Third Leasing Company and have purchase option dates of January 1, 2034.

NOTE 22 – SUBSEQUENT EVENTS

Federal Funding Grant Agreement

The 2017 Federal Section 5309 New Starts funding for the VTA's Silicon Valley Berryessa Extension Project of $97.4 million was awarded in September 2018. This award completes the $900 million grant commitment from the FTA for the project.

NOTE 23 – RESTATEMENT DUE TO CHANGE IN ACCOUNTING PRINCIPLES

In FY 2018, the 2000 Measure A Program Fund was reclassified from an enterprise to a governmental fund. All capital assets reported under the former Measure A fund were transferred to the BART Operating Fund or the Transit Fund. In addition, as discussed in Note 2q, VTA implemented the requirement of GASB Statement No. 75, *Accounting and Reporting for Postemployment Benefits Other than Pensions*, which required recognition of an additional OPEB asset.

The following is a summary of the reclassification and restatements due to change in accounting principles and Measure A fund reclassification:

Transit Fund	2017 Previously Presented	Fund Reclassification and OPEB Restatement	2017 Reclassified
Capital assets	$ 1,958,003	$ 363,003	$ 2,321,006
OPEB asset	15,865	42,162	58,027
Net position	1,934,006	405,165	2,339,171

BART Operating Fund	2017 Previously Presented	Fund Reclassification	2017 Reclassified
Capital assets	$ —	$ 2,454,787	$ 2,454,787
Net position	238,006	2,454,787	2,692,793

2000 Measure A Fund	2017 Previously Presented	Fund Reclassification	2017 Reclassified
Capital assets	$ 2,817,790	$ (2,817,790)	$ —
Deferred outflows	76,291	(76,291)	—
Long-term debt	901,545	(901,545)	—
Bond interest and other fees payable	11,039	(11,039)	—
Derivative instruments	72,257	(72,257)	—
Deferred inflows	3,670	(3,670)	—
Net position/Fund balance	2,405,253	(1,905,570)	499,683

Business-type Activities	2017 Previously Presented	Reclassification and OPEB Restatement	2017 Restated
Measure A assets, less liabilities	$ (412,537)	$ 412,537	$ —
Net OPEB asset	15,865	42,162	58,027
Net position	4,600,148	454,699	5,054,847

Governmental Activities	2017 Previously Presented	Reclassification	2017 Reclassified
Measure A assets, less liabilities	$ —	$ (412,537)	$ (412,537)
Net position	(1,052)	(412,537)	(413,589)

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

(Unaudited)

(In thousands)

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

***<u>Notes to schedule</u>**

Investment rate of return: 7.00% net of investment expense

Inflation: 2.75%

Benefit changes: There were no changes in the benefit during the year.

Information not available prior to FY 2014.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Required Supplementary Information
Schedule of Employer Contributions

Amalgamated Transit Union Pension Plan
(Unaudited)
(In thousands)

	2018*	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially-determined Contribution	$ 28,524	$ 27,385	$ 25,720	$ 25,549	$ 25,787	$ 24,413	$ 19,148	$17,807	$17,905	$14,843
Contributions in Relation to the Actuarially-determined Contribution	28,524	27,385	25,751	25,590	25,787	24,413	19,148	17,807	17,905	14,843
Contributions Deficiency/ (Excess)	$ —	$ —	$ (31)	$ (41)	$ —	$ —	$ —	$ —	$ —	$ —
Covered Payroll	$139,288	$131,544	$126,796	$115,914	$107,880	$104,136	$104,726	$98,741	$98,036	$99,775
Contributions as a Percentage of Covered Payroll	20.48%	20.82%	20.31%	22.08%	23.90%	23.44%	18.28%	18.03%	18.26%	14.88%

***Notes to schedule:**

Timing	Actuarially-determined contribution rates are calculated based on the actuarial valuation six months prior to the beginning of the fiscal year

Key Methods and Assumptions Used to Determine Contribution Rate:

Actuarial cost method	Entry Age
Asset valuation method	5-year smoothed market, subject to 80%/120% corridor
Amortization method	All unfunded liability charges are amortized over a rolling 20-year period as a level dollar amount
Discount rate	7.00%
Amortization growth rate	0.00%
Price inflation	2.75%
Salary increases	3.00% plus merit component based on years of service
Mortality	Sex distinct RP-2000 Combined Blue Collar Mortality, (setback one year for females) projected to 2025 using 50% of Scale BB

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Required Supplementary Information

Schedule of Changes in Net Pension Liability and Related Ratios

California Public Employees' Retirement System (CalPERS)

(Unaudited)

(In thousands)

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

***Notes to schedule:**

Benefit Changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2016 valuation date. This applies for voluntary changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes of assumptions: In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense).

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)

(Unaudited)

(In thousands)

	2018[a]	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually Required Contribution	$12,208	$ 11,516	$10,567	$ 8,965	$ 8,845	$ 7,497	$ 7,159	$ 6,090	$ 6,167	$ 6,507
Contributions in Relation to the Contractually Required	12,208	11,516	10,567	8,965	8,845	7,497	7,159	6,090	6,167	6,507
Contributions Deficiency/(Excess)	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Covered Payroll	$71,140	$ 68,156	$61,209	$60,375	$ 54,294	$52,712	$53,950	$ 51,626	$53,231	$ 54,589
Contributions as a Percentage of Covered Payroll	17.16%	16.90%	17.26%	14.85%	16.29%	14.22%	13.27%	11.80%	11.59%	11.92%

Notes to schedule:

[a]The actuarial methods and assumptions used to set the actuarially-determined contributions were based on valuation reports three years prior.

Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of Payroll
Asset valuation method	Market value of assets
Inflation	2.75%
Salary increases	Varies by entry age and service
Payroll growth	3.00%
Investment rate of return	7.15% Net of Pension Plan Investment expenses; includes inflation.
Retirement age	The probabilities of Retirement are based on the 2014 CalPERS Experience Study for the period 1997 to 2011.
Mortality	The probabilities of mortality are based on the 2014 CalPERS Experience Study for the period 1997 to 2011. Pre-retirement and Post-retirement rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Required Supplementary Information

Schedule of Changes in the Plan's Net OPEB Liability and Related Ratios

Retirees' Other Post Employment Benefits (OPEB) Trust

(Unaudited)

(In thousands)

	2018*	2017
Total OPEB Liability (TOL)		
Service cost	$ 5,697	$ 5,888
Interest cost	16,695	15,872
Benefit payments[1]	(12,539)	(13,055)
Effect of Change in Actuarial Assumptions/Methods	(1,057)	—
Other Liability Experience Loss/(Gain)	(1,670)	—
Net change in TOL	7,126	8,705
TOL at Beginning of Year	241,867	233,162
TOL at End of Year (a)	248,993	241,867
Plan's Fiduciary Net Position (FNP)		
Contributions to Plan Trusts[1]	—	4,047
Benefit Payments from Plan Trusts[1]	(12,539)	(13,054)
Administrative Expenses from Plan Trusts	(109)	(25)
Expected Investment Return	20,550	18,976
Investment Experience (Loss)/Gain	7,575	14,350
Net Change in FNP	15,477	24,294
FNP at Beginning of Year	299,894	275,600
FNP at End of Year (b)	315,371	299,894
Net OPEB Liability (NOL) at Beginning of Year	(58,027)	(42,439)
Net OPEB Liability (NOL) at End of Year = (a) - (b)	$ (66,378)	$ (58,027)
Plan's FNP as a % of the TOL = (b) / (a)	126.66 %	123.99 %
Covered Payroll	$ 185,861	$ 176,709
NOL as a % of Covered Payroll	(35.71)%	(32.84)%

[1]2017/2018 Benefit Payments include an implicit subsidy of $3 million which was explicitly paid out of the Plan Trust with no offsetting contribution. The $4 million contribution for Fiscal 2016/2017 consists entirely of an implicit subsidy benefit payment.

***Notes to schedule:**

Assumption changes for the Fiscal Year Ending June 30, 2018 (as per the July 1, 2017 actuarial valuation): Future retiree provider selection rates were updated, PPO trend rates during the select period were increased, and the underlying wage increase component of the salary scale was lowered from 3.25% to 3.00%.

Assumption changes for the Fiscal Year Ending June 30, 2017 (July 1, 2016 actuarial valuation date): No changes in actuarial assumptions were made since the valuation.

Information not available prior to 2017.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Required Supplementary Information

Schedule of Employer Contributions

Retirees' Other Post Employment Benefits (OPEB) Trust

(Unaudited)

(In thousands)

	2018*	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially-determined Contribution	$ (2,113)	$ 4,574	$ 4,785	$ 12,093	$ 14,100	$ 17,315	$ 17,321	$ 16,208	$ 14,849	$ 15,350
Contributions in Relation to the Actuarially-determined Contribution[1]	—	4,047	4,785	12,093	14,100	37,965	17,321	15,371	14,213	15,900
Contributions Deficiency/(Excess)	$ (2,113)	$ 527	$ —	$ —	$ —	$(20,650)	$ —	$ 837	$ 636	$ (550)
Covered Payroll	$185,861	$176,709	$168,869	$167,124	$162,902	$152,218	$142,651	$137,050	$ 140,601	$148,014
Contributions as a Percentage of Covered Payroll	—%	2.29%	2.83%	7.24%	8.66%	24.94%	12.14%	11.22%	10.11%	10.74%

[1]For Fiscal 2017/2018, a $3,000,000 implicit subsidy was explicitly paid out of the Plan Trust with no offsetting contribution.

The $4,047,200 contribution for Fiscal 2016/2017 consists entirely of an implicit subsidy benefit payment.

***Notes to schedule:**

Valuation Date: July 1, 2017, with the liability rolled forward to June 30, 2018, using actuarial assumptions provided in Note 13.

Actuarially -determined contribution is calculated as of July 1, twelve months prior to the fiscal year in which contribution is reported.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Required Supplementary Information
Budgetary Comparison Schedule
Congestion Management Program Special Revenue Fund
For the year ended June 30, 2018
(In thousands)

	Original Budget	Final Budget	Actual	Variance Final to Actual Positive/ (Negative)
Revenue:				
Assessments to member agencies	$ 2,528	$ 2,528	$ 2,528	$ —
Federal grant revenues	2,095	2,095	2,178	83
Administrative fees	120	120	136	16
State and local operating assistance grants	783	783	945	162
Other revenues	143	143	346	203
Investment earnings	12	12	2	(10)
Total Revenue	5,681	5,681	6,135	454
Expenditures:				
VTA labor and overhead costs	4,333	4,633	4,632	1
Services and other:				
Professional services	1,300	1,200	817	383
Other services	15	15	14	1
Data processing	7	7	—	7
Contribution to Other Agencies	300	100	116	(16)
Total Expenditures	5,955 *	5,955	5,579	376
Change in fund balance, on a budgetary basis	$ (274)*	$ (274)	556	$ 830
Fund Balance, Beginning of Year			611	
Fund Balance, End of Year			$ 1,167	

*Differs slightly from 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
2000 Measure A Program Special Revenue Fund
For the year ended June 30, 2018
(In thousands)

	Original Operating Budget	Final Operating Budget	Actual	Variance Final to Actual Positive/ (Negative)
Revenues:				
Sales tax receipts	$ 215,343	$ 215,343	$ 207,870	$ (7,473)
Investment earnings	5,256	5,256	7,379	2,123
Federal subsidy for Build America Bonds	8,750	8,750	8,784	34
Other income	391	391	414	23
Total revenues	229,740 *	229,740	224,447	(5,293)
Non-project expenditures:				
Operating assistance to VTA Transit	44,684	44,684	43,133	1,551
Professional, special and other services	790	790	560	230
Contributions to other agencies	673	673	195	478
Miscellaneous	27	27	25	2
Repayment of debt service to VTA Transit	15,596	15,596	14,936	660
Principal payment, bond interest and other bond charges	38,638	38,638	37,598	1,040
Total non-project expenditures	100,408 *	100,408	96,447	3,961
Change in fund balance, on a budgetary basis	$ 129,332 *	$ 129,332	128,000	$ (1,332)
GAAP reconciliation and unbudgeted items:				
Federal, state and local grant revenues			79,485	
Contribution to other agencies			(54,203)	
Unrealized gain/(loss) on investments			(4,234)	
Amortization of premium/discounts on investment			(334)	
Amortization of bond premium, gain/(loss) on debt refunding and change in accrued interest payable			(2,038)	
Other expenditures			(672)	
Transfers out			(192,700)	
Total GAAP reconciliation and unbudgeted items			(174,696)	
Change in fund balance, on a GAAP basis			(46,696)	
Restated beginning fund balance			499,682	
Fund balance, end of year			$ 452,986	

*Differs slightly from 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, 2018
(In thousands)

	Original Budget	Final Budget	Actual	Variance Final to Actual Positive/ (Negative)
Revenue:				
Sales Tax Revenues	$ 215,343	$ —	$ —	$ —
Investment earnings	764	—	—	—
Total Revenue	216,107	—	—	—
Change in fund balance, on a budgetary basis	$ 216,107	$ —	—	$ —
Fund Balance, Beginning of Year			(1,663)	
Fund Balance, End of Year			$ (1,663)	

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, and 2000 Measure A Program Special Revenue Funds. In FY 2018, 2000 Measure A Program Fund was reclassified from enterprise to governmental for financial reporting purposes. The budget for the Special Revenue Fund is prepared on a modified accrual basis but excludes unrealized gains and losses on investments, amortization of premiums and discounts, certain capital federal and state revenues, and transfers.

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.

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)

	2018	2017 [a]
ASSETS		
Current assets:		
Cash and cash equivalents	$ 28,331	$ 34,044
Cash and cash equivalents with fiscal agent	4,410	2,176
Investments	533,610	537,710
Receivables, net	4,978	4,336
Due from other agencies	85,798	58,477
Inventories	35,472	35,452
Due from other funds	1,070	1,887
Other current assets	1,193	1,236
Total current assets	694,862	675,318
Restricted assets:		
Cash and investments with fiscal agent	—	89
Investments	6,023	10,507
Total restricted current assets	6,023	10,596
Non-current assets:		
Net OPEB asset	66,378	15,865
Capital Assets		
Nondepreciable:		
Land and right-of-way	1,126,872	1,126,872
Construction in progress	3,131,777	2,906,098
Depreciable:		
Intangible Assets	2,203	2,203
Caltrain - Gilroy extension	43,072	43,072
Buildings, improvements, furniture, and fixtures	592,244	586,041
Vehicles	618,806	586,754
Light-rail tracks and electrification	418,194	418,195
Leasehold improvement	9,686	9,686
Others	48,890	47,561
Less: Accumulated depreciation	(1,006,414)	(950,005)
Net capital assets	4,985,330	4,776,477
Total assets	5,752,593	5,478,256
DEFERRED OUTFLOWS OF RESOURCES		
Hedging derivative instruments	6,023	10,507
Refunding amounts	8,151	8,663
Pension-related	88,888	70,966
Total deferred outflows of resources	103,062	90,136

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

	2018	2017 [a]
LIABILITIES		
Current liabilities:		
Current portion of long-term debt	15,728	15,492
Accounts payable and accrued expenses	29,278	25,600
Deposits	362	379
Accrued payroll and related liabilities	10,380	10,536
Bond interest and other fees payable	378	409
Unearned revenues	4,495	3,521
Due to other funds	190	5
Due to other agencies	44,066	45,801
Other accrued liabilities	52	36
Total current liabilities	104,929	101,779
Non-current liabilities		
Long-term debt, excluding current portion	140,628	153,385
Derivative instruments	6,023	10,507
Net pension liability*	319,443	277,694
Total non-current liabilities	466,094	441,586
Total liabilities	571,023	543,365
DEFERRED INFLOWS RELATED TO PENSION AND OPEB	11,484	3,576
NET POSITION	$ 5,273,148	$ 5,021,451

[a]FY 2017 was restated for comparative purposes as the 2000 Measure A Fund changed its classification from enterprise to governmental in FY 2018.

*Resulting from GASB 68 implementation. In FY 2018, this consists of $121.8 million for CalPERS and $197.6 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)

	2018	2017 [a]
OPERATING REVENUES:		
Fares - Transit	$ 34,511	$ 33,719
Fares - Paratransit	2,044	1,064
Toll revenues collected	1,297	1,258
Advertising and others	3,649	3,478
Charges for services	933	675
Total operating revenues	42,434	40,194
OPERATING EXPENSES:		
Labor cost	347,412	321,824
Materials and supplies	41,623	38,656
Services	39,942	36,725
Utilities	9,373	8,854
Casualty and Liability	10,404	6,901
Purchased transportation	23,083	25,241
Leases and rentals	568	678
Miscellaneous	1,966	1,732
Depreciation expense	68,472	68,539
Costs allocated to capital and other programs	(34,047)	(27,641)
Total operating expenses	508,796	481,509
Operating loss	(466,362)	(441,315)
NON-OPERATING REVENUES (EXPENSES)		
Sales tax revenue	257,380	259,029
Federal operating assistance and other grants	4,230	4,232
State and local operating assistance grants	126,689	110,959
Caltrain subsidy	(8,967)	(8,390)
Capital expenses on behalf of, and contribution to other agencies	(7,344)	(6,497)
Altamont Corridor Express subsidy	(3,383)	(3,270)
Investment earnings	3,072	1,952
Interest expense	(6,972)	(7,326)
Other non-operating income	2,821	4,609
Other non-operating expense	(657)	(576)
Non-operating revenues, net	366,869	354,722
INCOME (LOSS) BEFORE CONTRIBUTIONS	(99,493)	(86,593)
CAPITAL CONTRIBUTIONS	58,259	38,713
TRANSFERS IN/(OUT)	250,769	340,682
CHANGE IN NET POSITION	209,535	292,802
NET POSITION, BEGINNING OF YEAR	5,021,451	4,728,649
Adjustment due to GASB 75 Implementation	42,162	—
NET POSITION, BEGINNING OF YEAR, AS RESTATED	5,063,613	4,728,649
NET POSITION, END OF YEAR	$ 5,273,148	$ 5,021,451

[a]FY 2017 was restated for comparative purposes as the 2000 Measure A Fund changed its classification from enterprise to governmental in FY 2018.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Comparative Schedule of Cash Flows

Enterprise Funds

For the years ended June 30,

(In thousands)

	2018	2017 [a]
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from transit fares	$ 35,299	$ 34,786
Cash received from paratransit fares	2,044	1,064
Cash received from toll revenues collected	1,297	1,258
Cash received from advertising	3,729	3,738
Cash paid for labor costs	(290,136)	(278,713)
Cash paid to suppliers	(99,635)	(90,633)
Cash paid for purchased transportation	(23,083)	(25,241)
Other receipts/(payments)	869	641
Net cash provided by/(used in) operating activities	(369,616)	(353,100)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating grants received	115,677	116,626
Sales tax received	263,240	256,882
Caltrain subsidy	(8,967)	(8,390)
Altamont Corridor Express subsidy	(3,383)	(3,270)
Capital contribution to other agencies	(11,016)	(8,191)
Net cash provided by/(used in) non-capital financing activities	355,551	353,657
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payment of long-term debt	(47,474)	(24,735)
Proceeds from issuance of long-term debt	34,953	10,030
Advance (to)/from other governments	(2,385)	(2,169)
Interest and other fees paid on long-term debt	(6,491)	(7,966)
Acquisition and construction of capital assets	(84,644)	(56,121)
Capital contribution from other entities	47,354	43,115
Transfers in	58,069	54,386
Transfers out	—	(976)
Net cash provided by/(used in) capital and related financing activities	(618)	15,564
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	977,465	1,193,813
Purchases of investments	(974,164)	(1,247,028)
Interest income received	7,814	6,451
Net cash provided by/(used in) investing activities	11,115	(46,764)
Net increase/(decrease) in cash and cash equivalents	(3,568)	(30,643)
Cash and cash equivalents, beginning of year	36,309	66,952
Cash and cash equivalents, beginning of year	$ 32,741	$ 36,309

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Comparative Schedule of Cash Flows *(Continued)*

Enterprise Funds

For the years ended June 30,

(In thousands)

	2018	2017 [a]
RECONCILIATION OF OPERATING INCOME/(LOSS) TO NET CASH PROVIDED BY/(USED IN) OPERATING ACTIVITIES:		
Operating income/(loss)	$ (466,362)	$ (441,315)
Adjustments to reconcile operating income/(loss) to net cash provided by/(used in) operating activities:		
Depreciation	68,472	68,539
Changes in operating assets and liabilities:		
Other current assets	43	339
Receivables	(104)	339
Inventories	(20)	(3,412)
Accounts payable	3,740	6,212
Other accrued liabilities	(140)	496
Deposits from others	478	(150)
Unearned revenue	892	1,113
Net pension liability	23,385	14,739
Net cash provided by/(used in) operating activities	$ (369,616)	$ (353,100)
Reconciliation of cash and cash equivalents to the Statement of Fund Net Position:		
Cash and cash equivalents, end of year:		
Unrestricted	$ 32,741	$ 36,220
Restricted	—	89
	$ 32,741	$ 36,309
NONCASH ACTIVITIES:		
Increase/(Decrease) in fair value of investments	$ (5,284)	$ (4,410)
Noncash capital contributions	14,072	1,198
Amortization expense of Caltrain Access Fee	(882)	—
Total non-cash activities	$ 7,906	$ (3,212)

[a]FY 2017 was restated for comparative purposes as the 2000 Measure A Fund changed its classification from enterprise to governmental in FY 2018.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Budgetary Comparison Schedule - Enterprise Fund

VTA Transit Fund

For the year ended June 30, 2018

(In thousands)

	FY 2018 Adopted Budget	Final Budget	Actual	Positive (Negative)
REVENUES				
Fares - Transit	$ 35,742	$ 35,742	$ 34,511	$ (1,231)
Fares - Paratransit	2,328	2,328	2,044	(284)
1976 1/2 Cent Sales Tax	215,343	215,343	207,588	(7,755)
Transportation Development Act funds	101,211	101,211	103,052	1,841
2000 Measure A Sales Tax Operating Assistance	44,684	44,684	43,133	(1,551)
2016 Measure B -Transit Operations	14,060	14,060	—	(14,060)
STA	10,300	10,300	21,143	10,843
Federal Operating Grants	3,831	3,831	4,230	399
State Operating Grants	1,373	1,373	2,494	1,121
Investment Earnings	3,584	3,584	2,805	(779)
Advertising Income	2,800	2,800	2,752	(48)
Other Income	19,769	19,769	17,978	(1,791)
Total revenues	**455,024**	**455,024**	**441,731**	**(13,294)**
OPERATING EXPENSES				
Labor Costs	329,982	329,486	324,031	5,455
Materials & Supplies	38,191	36,693	33,911	2,781
Security	17,409	17,409	14,853	2,556
Professional & Special Services	8,715	8,645	5,454	3,191
Other Services	10,488	10,778	10,927	(150)
Fuel	10,716	10,369	9,896	472
Traction Power	5,312	5,312	4,323	988
Tires	2,387	2,387	2,160	227
Utilities	3,593	3,593	3,325	268
Insurance	6,467	9,882	10,404	(522)
Data Processing	5,022	5,022	4,837	185
Office Expense	425	425	299	126
Communications	1,620	1,620	1,723	(103)
Employee Related Expense	1,124	1,211	997	214
Leases & Rents	904	904	568	337
Miscellaneous	878	979	929	50
Reimbursements	(36,555)	(36,555)	(43,379)	6,824
Total operating expenses	**406,679**	**408,159**	**385,258**	**22,901**

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

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Budgetary Comparison Schedule - Enterprise Fund (*continued*)

VTA Transit Fund

For the year ended June 30, 2018

(In thousands)

	FY 2018 Adopted Budget	Final Budget	Actual	Positive (Negative)
OTHER EXPENSES				
Paratransit	24,671	24,671	21,347	3,325
Caltrain	8,967	8,967	8,967	—
Altamont Corridor Express	5,177	5,177	5,119	59
Highway 17 Express	370	370	350	20
Monterey-San Jose Express Service	35	35	35	—
Contribution to Other Agencies	998	1,082	1,020	62
Debt Service	21,581	21,581	20,404	1,177
Transfer to capital reserve	5,000	5,000	5,000	—
Contingencies	2,000	—	—	—
Total other expenses	**68,799**	**66,883**	**62,242**	**4,642**
Total operating and other expenses	**475,478**	**475,042**	**447,500**	**27,543**
Change in net position, on a budgetary basis	**$ (20,454)**	**$ (20,018)**	**(5,769)**	**$ 14,249**
Reconciliation of net income on a budgetary basis to net income on a GAAP Basis:				
Capital Contributions			58,245	
Project Expenditures			(9,322)	
Capital Contributions to Other Agencies			(5,061)	
Bond Principal Payment			14,322	
Amortization of investment premium and discount			(178)	
Amortization of bond premium and deferred loss			(890)	
Unrealized loss on investment			(1,833)	
Debt Reduction Fund Interest Earnings			752	
Other non-operating income (gain on disposal)			(17)	
Other non-budgetary revenues/(expenses)			2,731	
Pension-related (GASB 68) & OPEB-related (GASB 75) expenses			(23,382)	
Transfer to capital reserve			5,000	
Transfer from 2000 Measure A Program			105,893	
1996 Measure B Transit activities			678	
Depreciation			(68,472)	
Net change in net position, on a GAAP Basis			$ 72,697	

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)

	2018				2017*			
	2000 Measure A Program	2016 Measure B Program	Congestion Management Program	Total	2000 Measure A Program	2016 Measure B Program	Congestion Management Program	Total
Sales tax revenue	$ 207,870	$ —	$ —	$ 207,870	$ 208,672	$ —	$ —	$ 208,672
Federal grant revenues	59,181	—	2,178	61,359	109,543	—	1,219	110,762
State and local grants	20,304	—	945	21,249	40,600	—	966	41,566
Federal subsidy for Build America Bonds	8,784	—	—	8,784	8,753	—	—	8,753
Investment earnings	2,811	—	2	2,813	2,404	—	7	2,411
Assessment to member agencies	—	—	2,528	2,528	—	—	2,407	2,407
Other revenues	414	—	346	760	407	—	124	531
Administrative fees	—	—	136	136	—	—	142	142
Total Revenues	299,364	—	6,135	305,499	370,379	—	4,865	375,244
Contribution to agencies	(54,203)	—	(116)	(54,319)	(79,587)	—	(83)	(79,670)
Debt Service:								
Principal	(29,530)	—	—	(29,530)	(28,160)	—	—	(28,160)
Interest	(10,107)	—	—	(10,107)	(10,721)	—	—	(10,721)
Salaries and benefits	—	—	(4,632)	(4,632)	—	—	(4,251)	(4,251)
Other expenditures	(1,452)	—	—	(1,452)	(2,352)	—	—	(2,352)
Professional services	—	—	(817)	(817)	—	(1,663)	(1,058)	(2,721)
Material and Services	—	—	(14)	(14)	—	—	(19)	(19)
Total Expenditures	(95,292)	—	(5,579)	(100,871)	(120,820)	(1,663)	(5,411)	(127,894)
Transfers out	(250,769)	—	—	(250,769)	(340,682)	—	—	(340,682)
Change in fund balances	(46,697)	—	556	(46,141)	(91,123)	(1,663)	(546)	(93,332)
Fund balances, beginning of year	2,405,253	(1,663)	611	2,404,201	2,178,434	—	1,157	2,179,591
Long-term liabilities which are not due and payable in the current period	—	—	—	—	943,172	—	—	943,172
Restatement due to change in accounting principles, Note 23	(1,905,570)	—	—	(1,905,570)	(2,530,801)	—	—	(2,530,801)
Fund balances, beginning of year as restated	499,683	(1,663)	611	498,631	590,805	—	1,157	591,962
Fund balances, end of year	$ 452,986	$ (1,663)	$ 1,167	$ 452,490	$ 499,682	$ (1,663)	$ 611	$ 498,630

*FY 2017 was restated for comparative purposes as the 2000 Measure A Fund changed its classification from enterprise to governmental in FY 2018.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Combining Statement of Fiduciary Net Position

Retiree Benefits Trust Funds

June 30, 2018

(In thousands)

	ATU Pension Trust	OPEB Trust	ATU Medical Trusts: Spousal Medical	ATU Medical Trusts: Vision/ Medical	ATU Medical Trusts: Total Medical Trusts	Total
ASSETS						
Cash and cash equivalents	$ 780	$ 1,644	$ 322	$ 221	$ 543	$ 2,967
Investments	560,128	313,380	17,196	11,831	29,027	902,535
Receivables	840	475	—	—	—	1,315
Due from other agencies	1	10	—	—	—	11
Total assets	561,749	315,509	17,518	12,052	29,570	906,828
LIABILITIES						
Accounts payable	367	139	1	—	1	507
Unearned revenues	30	—	—	—	—	30
Total liabilities	397	139	1	—	1	537
NET POSITION						
Restricted for:						
Pension benefits	561,352	—	—	—	—	561,352
Other post-employment benefits	—	315,370	—	—	—	315,370
Spousal medical benefits	—	—	17,517	—	17,517	17,517
Retiree dental and vision benefits	—	—	—	12,052	12,052	12,052
TOTAL NET POSITION	$ 561,352	$ 315,370	$ 17,517	$ 12,052	$ 29,569	$ 906,291

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Combining Statement of Changes in Fiduciary Net Position

Retiree Benefits Trust Funds

For the year ended June 30, 2018

(In thousands)

	ATU Pension Trust	OPEB Trust	ATU Medical Trusts: Spousal Medical	ATU Medical Trusts: Vision/ Dental	ATU Medical Trusts: Total Medical Trusts	Total
ADDITIONS						
Employee contributions	$ 2,725	$ —	$ 1,596	$ 398	$ 1,994	$ 4,719
Employer contributions	28,524	—	—	—	—	28,524
Total contributions	31,249	—	1,596	398	1,994	33,243
Investment earnings:						
Investment income	47,989	75,732	1,221	849	2,070	125,791
Net change in the fair value of investments	(5,065)	(47,177)	221	153	374	(51,868)
Investment expense	(2,319)	(431)	(3)	(2)	(5)	(2,755)
Net investment earnings	40,605	28,124	1,439	1,000	2,439	71,168
Total additions	71,854	28,124	3,035	1,398	4,433	104,411
DEDUCTIONS						
Benefit payments	41,566	12,539	1,393	325	1,718	55,823
Services	—	—	12	7	19	19
Administrative expenses	403	109	—	—	—	512
Total deductions	41,969	12,648	1,405	332	1,737	56,354
Change in net position	29,885	15,476	1,630	1,066	2,696	48,057
Net position, beginning of year	531,467	299,894	15,887	10,986	26,873	858,234
Net position, end of year	$ 561,352	$ 315,370	$ 17,517	$ 12,052	$ 29,569	$ 906,291

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Combining Statement of Assets and Liabilities

Agency Funds

June 30, 2018

(In thousands)

	BAAQMD Program	SB83 VRF Agency	Total
Assets			
Cash and cash equivalents	$ 1,315	$ 3,002	$ 4,317
Investments	4,373	26,173	30,546
Total Assets	$ 5,688	$ 29,175	$ 34,863
Liabilities			
Accounts Payable	$ 634	$ 11	$ 645
Program payable	5,054	29,164	34,218
Total Liabilities	$ 5,688	$ 29,175	$ 34,863

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Combining Statement of Changes in Assets and Liabilities

Agency Funds

For the year ended June 30, 2018

(In thousands)

BAAQMD Program	Balance July 1, 2017	Increase	Decrease	Balance June 30, 2018
Assets				
Cash and cash equivalents	$ 280	$ 1,035	$ —	$ 1,315
Investments	3,608	765	—	4,373
Total assets	$ 3,888	$ 1,800	$ —	$ 5,688
Liabilities				
Accounts Payable	$ 20	$ 614	$ —	$ 634
Program payable	3,868	1,186	—	5,054
Total liabilities	$ 3,888	$ 1,800	$ —	$ 5,688
SB83 VRF Program				
Assets				
Cash and cash equivalents	$ 312	$ 2,690	$ —	$ 3,002
Investments	27,720	—	1,547	26,173
Total assets	$ 28,032	$ 2,690	$ 1,547	$ 29,175
Liabilities				
Accounts Payable	$ 27	$ —	$ 16	$ 11
Program payable	28,005	1,159	—	29,164
Total liabilities	$ 28,032	$ 1,159	$ 16	$ 29,175
Total - All Agency Funds				
Assets				
Cash and cash equivalents	$ 592	$ 3,725	$ —	$ 4,317
Investments	31,328	765	1,547	30,546
Total assets	$ 31,920	$ 4,490	$ 1,547	$ 34,863
Liabilities				
Accounts Payable	$ 47	$ 614	$ 16	$ 645
Program payable	31,873	2,345	—	34,218
Total liabilities	$ 31,920	$ 2,959	$ 16	$ 34,863

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 Components

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 - Overlapping Revenue

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 - Employees

Table 28 - Capital Assets

Source: Unless otherwise indicated, the source of information presented in the Statistical Section is VTA's current or prior years' CAFR.

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Table 1
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Financial Trend - Changes in Net Position
Ten Years Ended June 30, 2018
(In thousands)

	2009	2010	2011	2012	2013	2014	2015	2016	2017 [3]	2018
EXPENSES										
Business-type activities:										
Transit										
Operations and Operating Projects	$ 343,973	$ 338,771	$ 343,302	$ 364,723	$ 375,086	$ 392,042	$ 407,618	$ 431,212	$ 471,655	$ 495,785
Caltrain Subsidy	15,878	15,878	14,135	10,207	13,700	7,291	8,390	8,414	8,390	8,967
Capital Expenses on behalf of, and contribution to other agencies	42,626	81,714	66,782	80,083	138,794	93,952	61,445	53,094	6,497	7,344
Altamont Corridor Express Subsidy	2,707	2,707	2,706	2,707	2,939	3,019	3,097	3,166	3,270	3,383
Interest Expense	11,651	20,583	23,536	31,307	31,655	27,088	15,204	11,330	7,326	6,972
Other Expenses	5,446	7,268	15,434	8,059	5,865	11,096	5,734	4,177	576	657
Benefit Payments	9,826	7,693	8,410	11,419	10,689	17,947	8,881	12,999	12,654	17,437
Total Business-Type Activities Expenses	432,107	474,614	474,305	508,505	578,728	552,435	510,369	524,392	510,368	540,545
Governmental activities:										
Congestion Management										
Operations and operating projects	8,840	7,164	7,196	6,692	7,622	7,544	8,071	8,228	8,868	8,159
Interest Expense	—	—	—	—	—	—	—	—	7,928	8,068
Other Expenses	—	—	—	—	—	—	—	—	2,352	1,452
Contribution to agencies	—	—	867	37	25	68	168	210	79,670	54,319
Capital projects for the benefit of other agencies	26,398	19,402	21,091	19,052	34,245	36,184	20,127	11,189	9,886	13,869
Total governmental activities expenses	35,238	26,566	29,154	25,781	41,892	43,796	28,366	19,627	108,704	85,867
Total primary government expenses	$ 467,345	$ 501,180	$ 503,459	$ 534,286	$ 620,620	$ 596,231	$ 538,735	$ 544,019	$ 619,072	$ 626,412
PROGRAM REVENUES										
Business-type activities:										
Charges for services	$ 38,439	$ 38,830	$ 40,014	$ 40,070	$ 41,821	$ 42,420	$ 43,054	$ 42,316 [1]	$ 40,194	$ 42,434
Operating grants	114,937	126,934	137,804	140,419	142,577	148,669	134,796	126,988	115,191	130,919
Capital grants	82,175	92,594	148,303	115,584	272,950	193,899	277,421	271,057	38,713	58,259
Total business-type activities program revenues	235,551	258,358	326,121	296,073	457,348	384,988	455,271	440,361	194,098	231,612
Governmental activities:										
Charges for services	2,618	2,606	2,520	2,503	2,520	2,519	2,526	2,529 [2]	2,549	2,664
Operating grants	1,496	1,854	2,127	2,110	1,775	2,424	2,096	16,585	172,844	107,957
Capital grants	29,479	22,314	24,051	21,530	37,612	38,989	22,964	—	—	—
Total governmental activities program revenues	33,593	26,774	28,698	26,143	41,907	43,932	27,586	19,114	175,393	110,621
Total primary government revenues	$ 269,144	$ 285,132	$ 354,819	$ 322,216	$ 499,255	$ 428,920	$ 482,857	$ 459,475	$ 369,491	$ 342,233
NET PROGRAM (EXPENSES)/REVENUES										
Business-type activities	$(196,556)	$(216,256)	$(148,184)	$(212,432)	$(121,380)	$(167,447)	$ (55,098)	$ (84,031)	$(316,270)	$(308,933)
Governmental activities	(1,645)	208	(456)	362	15	136	(780)	(513)	66,689	24,754
Total primary government net program (expenses)/revenues	$(198,201)	$(216,048)	$(148,640)	$(212,070)	$(121,365)	$(167,311)	$ (55,878)	$ (84,544)	$(249,581)	$(284,179)

Table 1
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Financial Trend - Changes in Net Position (continued)
Ten Years Ended June 30, 2018
(In thousands)

	2009	2010	2011	2012	2013	2014	2015	2016	2017 [3]	2018
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION										
Business-type activities:										
Sales tax revenue	$ 274,903	$ 279,342	$ 306,456	$ 332,847	$ 395,163	$ 417,486	$ 446,374	$ 460,316	$ 259,029	$ 257,380
Investment income	16,862	7,352	11,039	19,289	316	9,861	9,420	19,102	2,055	3,222
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	3,385	3,241	6,865	6,007	3,254	7,325	4,261	3,335	5,233	3,317
Transfers	—	—	—	—	—	—	—	—	286,989	250,769
Special items:										
Change in provisions for workers' compensation claims	3,500	—	5,716	—	—	—	—	—	—	—
Total business-type activities	298,650	289,935	336,566	373,842	411,911	443,427	485,502	482,753	553,306	514,688
Governmental activities:										
Sales tax revenue	—	—	—	—	—	—	—	—	208,672	207,870
Investment income	41	12	10	31	8	23	9	16	2,411	2,813
Other income	161	15	1,106	104	115	279	250	155	531	760
Transfers	—	—	—	—	—	—	—	—	(340,682)	(250,769)
Total governmental activities	202	27	1,116	135	123	302	259	171	(129,068)	(39,326)
TOTAL PRIMARY GOVERNMENT	298,852	289,962	337,682	373,977	412,034	443,729	485,761	482,924	424,238	475,362
CHANGE IN NET POSITION										
Business-type activities	102,094	73,679	188,382	161,410	290,531	275,980	430,404	398,722	290,729	205,755
Governmental activities	(1,443)	235	660	497	138	438	(521)	(342)	(62,379)	(14,572)
Total primary government	$ 100,651	$ 73,914	$ 189,042	$ 161,907	$ 290,669	$ 276,418	$ 429,883	$ 398,380	$ 228,350	$ 191,183

[1]Starting with FY 2016, BABs subsidy was reported under Program Revenues-Operating Grants.
[2]Capital 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.
[3]FY 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, 2018
(In thousands)

	2009 [1]	2010	2011	2012	2013	2014	2015	2016	2017 [2]	2018
BUSINESS-TYPE ACTIVITIES										
Net Investment in Capital Assets	$2,180,768	$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
Restricted	362,079	449,096	572,054	548,367	649,724	759,608	822,834	789,000	11,572	9,910
Unrestricted	196,628	168,268	209,364	262,903	321,948	356,559	197,852	186,049	384,850	411,441
Total Business-Type Activities Net Position	2,739,475	2,813,154	3,001,536	3,162,946	3,453,477	3,729,457	3,970,867	4,369,589	5,012,685	5,260,602
GOVERNMENTAL ACTIVITIES										
Restricted	52	287	947	1,444	1,582	2,020	1,499	1,157	72,868	56,746
Unrestricted	—	—	—	—	—	—	—	—	(486,458)	(484,907)
Total Governmental-Type Activities Fund Balance	52	287	947	1,444	1,582	2,020	1,499	1,157	(413,590)	(428,161)
PRIMARY GOVERNMENT										
Net Investment in Capital Assets	2,180,768	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
Restricted	362,131	449,383	573,001	549,811	651,306	761,628	824,333	790,157	84,440	66,656
Unrestricted	196,628	168,268	209,364	262,903	321,948	356,559	197,852	186,049	(101,608)	(73,466)
Total Primary Governmental Net Position	$2,739,527	$2,813,441	$3,002,483	$3,164,390	$3,455,059	$3,731,477	$3,972,366	$4,370,746	$4,599,095	$4,832,441

[1] Business-type amount reclassified to match 2010 presentation.
[2] FY 2017 was restated due to change of 2000 Measure A Program Fund from enterprise to governmental in FY 2018.

Table 3
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Financial Trends – Fund Balances and Changes in Fund Balances, Governmental Funds
Ten Years Ended June 30, 2018
(Modified Accrual Basis of Accounting)
(In thousands)

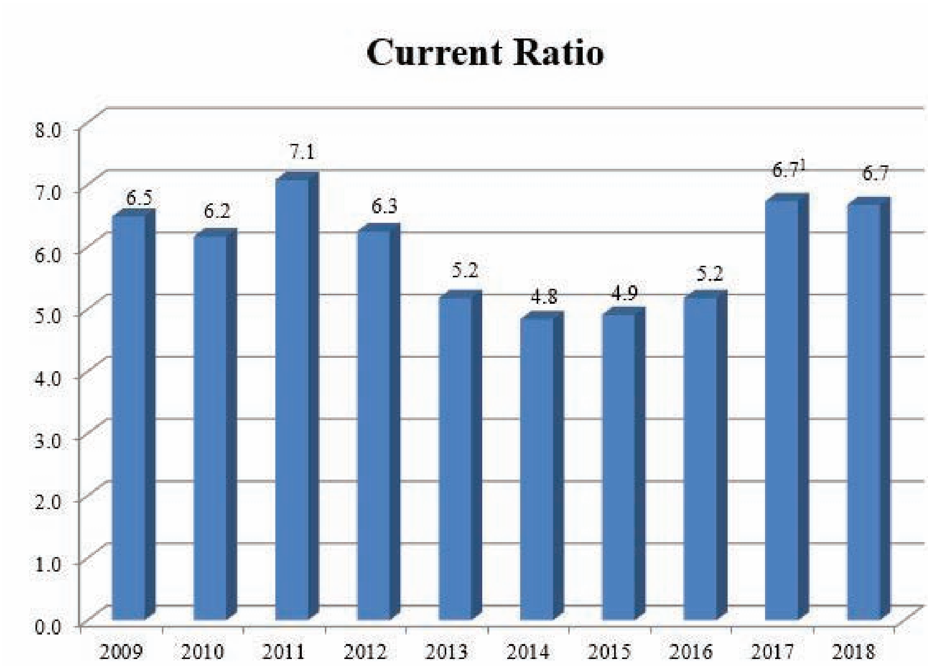
	Fiscal Years									
	2009	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017 [2]**	**2018**
REVENUES										
Member Agency Assessment Revenue	$ 2,495	$ 2,495	$ 2,407	$ 2,407	$ 2,407	$ 2,407	$ 2,407	$ 2,407	$ 2,407	$ 2,528
Federal Technical Studies Operating Assistance Grants	915	1,235	1,398	1,367	1,014	1,728	1,371	1,887	1,219	2,178
Administrative Fees	123	111	113	96	113	112	119	122	142	136
Federal, State and Local Grant Revenues	30,060	22,933	24,780	22,273	38,373	39,685	23,689	14,698 [1]	162,872	96,995
Federal subsidy for Build American Bonds	—	—	—	—	—	—	—	—	8,753	8,784
Sales tax revenue	—	—	—	—	—	—	—	—	208,672	207,870
Investment Earnings	41	12	10	31	8	23	9	16	2,411	2,813
Other Revenues	161	15	1,106	104	115	279	250	155	531	760
Total Revenues	33,795	26,801	29,814	26,278	42,030	44,234	27,845	19,285	387,007	322,064
EXPENDITURES										
Current:										
Congestion Management:										
VTA Labor and Overhead Costs	8,006	6,606	6,814	6,245	7,044	7,160	6,826	7,031	6,128	7,328
Professional Services	793	541	374	436	563	359	1,225	1,176	2,721	817
Program Expenditures	41	17	8	11	15	25	19	21	19	14
Other expenditures	—	—	—	—	—	—	1	—	2,352	1,452
Debt Service:										
Principal	—	—	—	—	—	—	—	—	28,160	29,530
Interest	—	—	—	—	—	—	—	—	10,721	10,107
Contribution to agencies	—	—	867	37	25	68	168	210	79,670	54,319
Capital Improvement Projects	26,398	19,402	21,091	19,052	34,245	36,184	20,127	11,189	9,886	13,869
Total Expenditures	35,238	26,566	29,154	25,781	41,892	43,796	28,366	19,627	139,657	117,436
Excess (Deficiency) of Revenues Over Expenditures	(1,443)	235	660	497	138	438	(521)	(342)	247,350	204,628
OTHER FINANCING SOURCES (USES):										
Transfers Out	—	—	—	—	—	—	—	—	(340,682)	(250,769)
Total Other Financing Sources (Uses)	—	—	—	—	—	—	—	—	(340,682)	(250,769)
Net Change in Fund Balances	$ (1,443)	$ 235	$ 660	$ 497	$ 138	$ 438	$ (521)	$ (342)	$ (93,332)	$ (46,141)
TOTAL GOVERNMENTAL FUNDS										
Restricted – Special Revenue Funds	52	287	947	1,444	1,582	2,020	1,499	1,157	500,293	454,153
Unassigned – Special Revenue Funds	—	—	—	—	—	—	—	—	(1,663)	(1,663)
Total Governmental Funds	$ 52	$ 287	$ 947	$ 1,444	$ 1,582	$ 2,020	$ 1,499	$ 1,157	$ 498,630	$ 452,490

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

[2]FY 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, 2018

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.

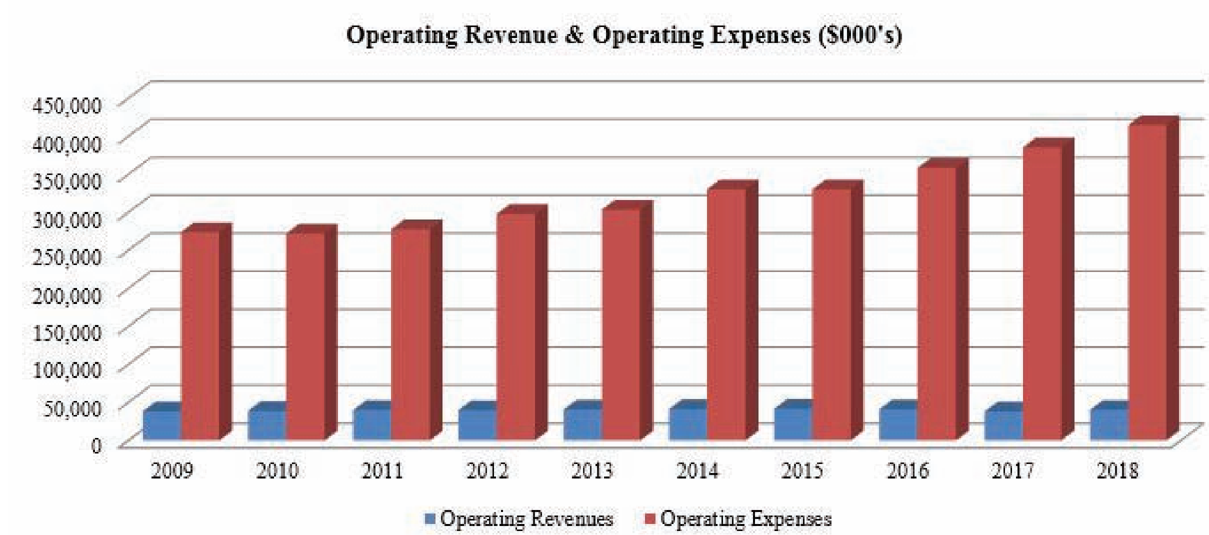


	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Current and Restricted Assets ($000's)	$ 618,436	$ 685,995	$ 855,268	$ 907,208	$1,098,625	$1,284,402	$1,375,968	$1,332,998	$ 685,914	$ 700,885
Current and Restricted Liabilities	95,256	111,204	120,849	142,830	212,127	265,298	280,262	257,399	101,779	104,929
Net Working Capital	$ 523,180	$ 574,791	$ 734,419	$ 764,378	$ 886,498	$1,019,104	$1,095,706	$1,075,599	$ 584,135	$ 595,956
Current Ratio	6.5	6.2	7.1	6.3	5.2	4.8	4.9	5.2	6.7	6.7

[1]FY 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, 2018

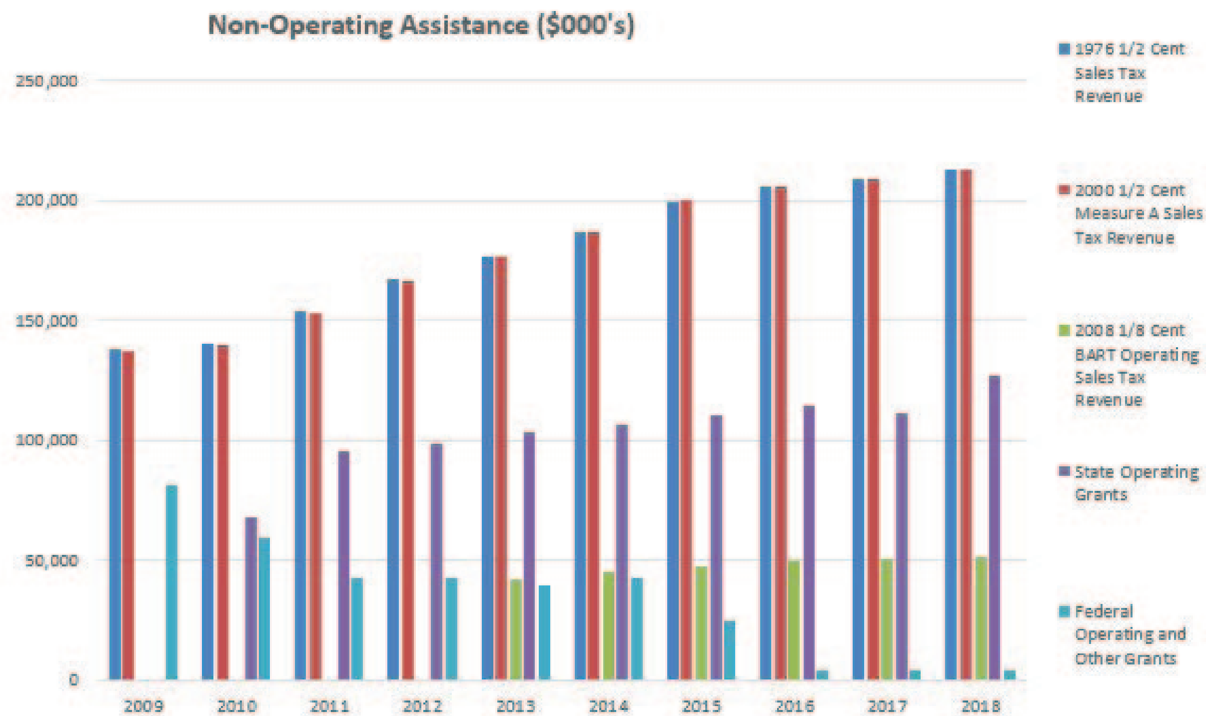
The chart below shows a comparison of operating revenues to expenses. Operating revenues exclude paratransit fares. Operating expenses are exclusive of purchased transportation and depreciation to more accurately reflect operating expenses related to direct operating service.



	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Operating Revenues	$ 38,439	$ 38,830	$ 40,014	$ 39,852	$ 40,772	$ 41,198	$ 41,897	$ 41,042	$ 38,261	$ 38,160
Operating Expenses	273,979	272,196	277,984	297,988	303,622	330,614	330,466	358,538	385,528	414,975

Table 6
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Financial Trends - Non-Operating Assistance
Sales Tax Revenues and Enterprise Operating Grants
Ten Years Ended June 30, 2018
(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. This is the sixth year of collection for 2008 Measure B Eighth-Cent BART Operating Sales Tax revenue and the thirteenth year of collection for 2000 Measure A Half-Cent Sales Tax.



	2009	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
1976 1/2 Cent Sales Tax Revenue	$137,642	$140,037	$153,601	$166,567	$176,716	$186,431	$199,221	$205,418	$209,005	$207,589
2000 1/2 Cent Measure A Sales Tax Revenue [1]	137,261	139,305	152,855	166,280	176,533	186,302	199,653	205,636	208,672	207,870
2008 1/8 Cent BART Operating Sales Tax Revenue [2]	—	—	—	—	41,914	44,753	47,500	49,262	50,024	49,791
State Operating Grants	—	67,834	95,579	98,133	103,213	106,439	110,243	114,135	110,959	126,689
Federal Operating and Other Grants	81,488	59,100	42,225	42,286	39,364	42,230	24,553	4,105	4,232	4,230

[1]The collection of VTA's 2000 Measure A Sales Tax started on April 1, 2006.
[2]The collection of 1/8 cent sales tax for BART Operating started on July 1, 2012.
NOTE: 2016 Measure B was not included in this table as the sales tax receipts were booked in the liability due to the related pending litigation.

Table 7
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Financial Trends - Targeted Operating Reserves
VTA Transit Fund
Ten Years Ended June 30, 2018

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.

	2009	2010 [1]	2011 [2]	2012 [3]	2013	2014	2015	2016	2017	2018
Current Assets, excluding restricted asset	$103,697	$104,933	$108,396	$106,085	$101,726	$110,906	$124,284	$130,096	$143,377	$136,012
Total Current Liabilities, excluding restricted liability	(33,716)	(30,950)	(33,484)	(29,547)	(24,329)	(29,790)	(36,878)	(32,334)	(40,030)	(44,540)
Current Net Position	$ 69,981	$ 73,983	$ 74,912	$ 76,538	$ 77,397	$ 81,116	$ 87,406	$ 97,762	$103,347	$ 91,472
Less: Inventory & Other Current Assets[4]	(23,936)	(22,126)	(20,317)	(20,270)	(20,373)	(21,289)	(24,469)	(33,615)	(36,688)	(36,665)
Operating Reserves, June 30	$ 46,045	$ 51,857	$ 54,595	$ 56,268	$ 57,024	$ 59,827	$ 62,937	$ 64,147	$ 66,659	$ 54,807
Operating Reserves Target	$ 55,760	$ 51,857	$ 54,595	$ 56,268	$ 57,024	$ 59,827	$ 62,937	$ 64,147	$ 71,322	$ 73,979
(15% of Budgeted Expenses)										

[1]In 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.

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

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

[4]This 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, 2018

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Passenger Fares[1] (In thousands)	$ 36,184	$ 36,857	$ 38,106	$ 37,744	$ 38,331	$ 38,372	$ 39,108	$ 37,663	$ 33,719	$ 34,511
Percentage Increase/(Decrease) from Prior Year	1.0 %	1.9 %	3.4 %	(0.9)%	1.6%	0.1%	1.9%	(3.7)%	(10.5)%	2.3 %
Revenue Base										
Number of Passengers[2]	45,264,434	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
Percentage Increase/(Decrease) from Prior Year	3.9 %	(7.8)%	(0.8)%	2.5 %	1.8%	0.6%	1.2%	(2.3)%	(11.0)%	(4.3)%
Fare Structure										
Adult Local Fare	$ 1.75	$ 2.00	$ 2.00	$ 2.00	$ 2.00	$ 2.00	$ 2.00	$ 2.00	$ 2.00	$ 2.25
Youth Local Fare	1.50	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.00
Senior/Disabled Local Fare	0.75	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]	$ 137,642	$ 140,037	$ 153,601	$ 166,567	$ 176,716	$ 186,431	$ 199,221	$ 205,418	$ 209,005	$ 207,589
2000 Measure A 1/2Cent Sales Tax[4]	137,261	139,305	152,855	166,280	176,533	186,302	199,653	205,636	208,672	207,870
2008 1/8 Cent BART Operating Sales Tax[5]	—	—	—	—	41,914	44,753	47,500	49,262	50,024	49,791
Total Sales Tax Revenue Receipts[6]	$ 274,903	$ 279,342	$ 306,456	$ 332,847	$ 395,163	$ 417,486	$ 446,374	$ 460,316	$ 467,701	$ 465,250
Percentage Increase/(Decrease) from Prior Year										
1976 1/2 Cent Sales Tax	(15.6)%	1.7 %	9.7 %	8.4 %	6.1%	5.5%	6.9%	3.1 %	1.7 %	(0.7)%
2000 Measure A 1/2 Cent Sales Tax	(14.5)%	1.5 %	9.7 %	8.8 %	6.2%	5.5%	7.2%	3.0 %	1.5 %	(0.4)%
2008 1/8 Cent BART Operating Sales Tax		N/A	N/A			6.8%	6.1%	3.7 %	1.5 %	(0.5)%

[1]Includes fares for bus and rail services only.

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

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

[4]The 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.

[5]The 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.

[6]VTA receives sales tax based on the total taxable sales activity in the County. Although initial collection of 2016 Measure B half-cent sales tax occurred in April 2017, VTA recognized the receipt as a liability due to the legal challenge that the Measure is currently facing.

Table 9
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Revenue Capacity – Overlapping Revenue
Sales Tax Rates
Ten Years Ended June 30, 2018

Fiscal Year	State	City	VTA	Total
2009[1]	7.25%	1.00%	1.00%	9.25%
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]	6.12%	1.25%	1.63%	9.00%

[1] California state legislature approved a 1% sales tax increase effective July 1, 2009.

[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. Tax collection began April 2017 and VTA received the first advance payment in June 2017. At June 30, 2017, the Measure continued to face pending litigation.

[6] 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. This 30-year sales tax measure will sunset on March 31, 2036. The 2008 1/8-cent sales tax was approved by County voters in 2008 to fund BART Operating and maintenance. The collection of this 1/8-cent tax measure started in July 2012. The 2016 Measure B sales tax was approved by voters in 2016. The collection of this half-cent tax measure started in April 2017. As of June 30, 2018, 2016 Measure B continued to undergo legal challenge.

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)

	Fiscal Year 2017[1]			Fiscal Year 2008		
Principal Revenue Payers	**Rank**	**Percentage of Taxable Sales**	**Taxable Sales Amount**	**Rank**	**Percentage of Taxable Sales**	**Amount**
Total all Other Outlets[2]	1	39.4%	$ 16,726	1	39.8%	$ 13,536
Food Services & Drinking Places	2	11.0%	4,657	4	8.5%	2,903
Miscellaneous Store Retailers	3	10.4%	4,404	2	10.0%	3,418
Motor Vehicle & Parts Dealers	4	10.0%	4,266	3	8.7%	2,972
General Merchandise Stores	5	6.2%	2,634	5	7.4%	2,520
Bldg. Matrl. & Garden Equip. & Suppl.	6	4.9%	2,069	8	4.6%	1,565
Gasoline Stations	7	4.8%	2,054	7	7.2%	2,464
Clothing & Clothing Accessories	8	4.8%	2,033	6	4.4%	1,496
Food & Beverage Stores	9	3.4%	1,447	9	3.4%	1,150
Electronics & Appliance Stores	10	1.9%	820	13	2.4%	826
Sport Goods, Hobby, Book & Music	11	1.2%	491	10	1.3%	453
Health & Personal Care Stores	12	1.0%	435	12	1.1%	379
Furniture & Home Furnishing Stores	13	1.0%	429	11	1.2%	406
Total		100.0%	$ 42,465		100.0%	$ 34,088

[1]2018 data is not available at the time of printing

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

Source: State Board of Equalization, Taxable Sales in California (Sales and Use Tax) for FY2008 and MuniServices for FY2017.

Table 11
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Debt Capacity – Total Outstanding Debt by Type
Ten Years Ended June 30, 2018
(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
2009	$ —	$ 270,710	$ 355,970	$ 626,680
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

Table 12
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Sales Tax Secured Debt Capacity - Ratios of Outstanding Debt
Ten Years Ended June 30, 2018

Fiscal Year	Total Outstanding Debt (In thousands)	Total County Taxable Sales[1] (In thousands)	Total Debt as a % of Taxable Sales	Personal Income[2] (In thousands)	Total Debt as a % of Personal Income	Santa Clara County Population (In thousands)	Total Debt per Capita
2009	$ 626,680	$ 29,009,000	2.16%	$ 96,315,176	0.63%	1,858	$ 337
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%	172,379,259	0.62%	1,937	553
2018	1,024,578 *	42,371,330	2.42%	174,103,052	0.59%	1,957	524

[1]Taxable sales data is available through Fiscal Year 2017 from MuniServices. FY2018 assumes a 1% increase over the previous year's number.

[2]Actual personal income is available through FY 2016. FY 2017 and FY 2018 assume a 1% increase over the prior year's number.

*The total outstanding debt in FY 2018 excludes $2.1 million 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.

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.

Santa Clara Valley Transportation Authority does not have 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, 2018
(In thousands)

	Available Revenue	Annual Debt Service			
Fiscal Year	**Sales Tax Revenue**	**Principal**	**Interest**[1]	**Total**	**Coverage**
2009	$ 137,642	$ 8,890	$ 11,651	$ 20,541	6.7
2010	140,037	9,180 [2]	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 [3]	7,325	22,145	9.4
2018	207,589	14,322	6,972	21,294	9.7

[1] Interest is exclusive of interest earned from bond proceeds.
[2] This does not include regular principal of $2.9 million due for 1985 Equipment Trust Certificates as this debt was redeemed in FY 2009.
[3] Restated to exclude $10 million of principal payment due to refinancing activity in FY 2017.

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, 2018
(In thousands)

	Available Revenue	Annual Debt Service				
Fiscal Year	**Sales Tax Revenue**	**Principal**	**Interest[1]**	**Total**		**Coverage[2]**
2009	$ 137,261	$ 855	$ 12,321	$ 13,176		10.4
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

[1]This is exclusive of interest earned from bond proceeds.
[2]Bond 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, 2019 through 2023.

1976 Sales Tax Revenues and Senior Lien Debt Service Coverage
Fiscal Years Ending June 30, 2019 – 2023 (Proforma and Unaudited)
($ In thousands)

Fiscal Year Ending June 30	Projected Sales Tax Revenue	Percent Increase[1*]	Aggregate Debt Service[2]	Projected Coverage[3]
2019	$ 219,650	5.81%	$ 20,743	10.59
2020	223,941	1.95%	20,738	10.80
2021	228,759	2.15%	20,735	11.03
2022	233,606	2.12%	20,910	11.17
2023	238,452	2.07%	20,902	11.41

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, 2019 through 2023.

2000 Measure A Sales Tax Revenues and Debt Service Coverage
Fiscal Years Ending June 30, 2019 – 2023 (Proforma and Unaudited)
($ In thousands)

Fiscal Year Ending June 30,	Projected Sales Tax Revenue	Percent Increase[1*]	Aggregate Debt Service[4]	Projected Coverage[3]
2019	$ 219,650	5.67%	$ 73,057	3.01
2020	223,941	1.95%	73,034	3.07
2021	228,759	2.15%	73,036	3.13
2022	233,606	2.12%	72,758	3.21
2023	238,452	2.07%	72,404	3.29

[1]Source: Growth rates provided by outside economists.
[2]Includes actual debt service on the 2017 Series A and B Bonds. Debt Service on the 2008 Bonds is calculated based on the rate established pursuant to the 2008 Swap Agreement, 3.145%.
[3]Does not include any additional parity debt.
[4]Includes 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 9.82 % in 2018 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	2018
Campbell	11,863	24,731	26,843	36,048	38,138	39,349	42,696
Cupertino	3,664	18,216	34,297	40,263	50,546	58,302	60,091
Gilroy	7,348	12,665	21,641	31,487	41,464	48,821	55,615
Los Altos	19,696	24,872	25,769	26,303	27,693	28,976	31,361
Los Altos Hills	3,412	6,862	7,421	7,514	7,902	7,922	8,568
Los Gatos	9,036	23,466	26,906	27,357	28,592	29,413	30,601
Milpitas	6,572	27,149	37,820	50,686	62,698	66,790	74,865
Monte Sereno	1,506	3,074	3,434	3,287	3,483	3,341	3,630
Morgan Hill	3,151	6,485	17,060	23,928	33,556	37,882	44,513
Mountain View	30,889	54,206	58,655	67,460	70,708	74,066	81,527
Palo Alto	52,475	55,999	55,225	55,900	58,598	64,403	69,721
San Jose	204,196	445,779	629,400	782,248	894,943	945,942	1,051,316
Santa Clara	58,880	87,717	87,700	93,613	102,361	116,468	129,604
Saratoga	14,861	27,199	29,261	28,061	29,843	29,926	31,435
Sunnyvale	51,898	95,408	106,618	117,229	131,760	140,081	153,389
Unincorporated	162,056	152,181	127,021	106,193	100,300	89,960	87,666
County Total[1]	641,503	1,066,009	1,295,071	1,497,577	1,682,585	1,781,642	1,956,598
California	15,717,204	18,136,045	23,668,145	29,760,021	33,871,648	37,253,956	39,809,693

[1]Totals 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, 2018

Year	Santa Clara County Personal Income (In thousands) [1, 2]	Santa Clara County Per Capita Personal Income [1, 2]	Unemployment Rate[3]
2009	$ 96,315,176	$ 55,781	11.8%
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	172,379,259	89,809	3.5%
2018	174,103,052	90,707	2.9%

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

[2]Actual data is available through 2016. Years 2017 and 2018 data are preliminary and assume a 1% increase over prior year.

[3]California 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, 2017

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Civilian Labor Force[1] (In thousands)	876.8	879.8	871.6	894.8	910.9	924.0	993.7	1,018.4	1,026.5	1,041.7
Civilian Employment	825.2	777.5	774.0	804.6	830.6	857.5	942.3	976.1	987.9	1,008.0
Civilian Unemployment	51.7	102.2	97.6	90.2	80.3	66.5	51.4	42.3	38.6	33.7
Civilian Unemployment Rate										
County	5.9%	11.6%	11.2%	10.1%	8.8%	7.2%	5.2%	4.2%	3.8%	3.2%
State of California	7%	11.6%	12.2%	12%	10.6%	8.5%	7.4%	6.2%	5.7%	4.4%
Wage and Salary Employment[2] (In thousands)										
Total Farm Agriculture	4.6	3.6	3.6	3.4	3.5	5.1	3.6	3.6	3.9	3.5
Construction and Mining	50.1	32.9	32.3	30.9	35.6	37.6	38.6	42.3	47.9	48.5
Manufacturing	166.3	153.5	150.7	154.6	155.1	156.3	156.6	159.4	161.3	163.4
Transportation & Public Utilities	13.8	11.7	11.9	11.8	12.7	13.9	14.7	15.0	14.8	14.9
Wholesale Trade	39.9	36.0	34.7	35.0	34.4	36.2	36.2	36.0	37.4	35.2
Retail Trade	88.2	77.4	75.6	77.5	80.3	84.2	82.3	84.9	85.0	85.0
Finance, Insurance & Real Estate	39.5	31.5	30.8	31.2	33.6	33.9	35.1	35.0	35.2	35.8
Services	424.1	404.4	418.5	432.8	455.4	450.0	469.1	491.4	509.3	522.8
Government	92.7	95.0	93.4	88.6	90.2	93.5	92.4	89.9	91.2	92.8
Information	N/A	N/A	N/A	N/A	N/A	N/A	66.2	74.7	74.5	85.0
Total[3]	919.2	846.0	851.5	865.8	900.8	910.7	994.8	1,032.2	1,060.5	1,086.9

[1] Labor 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 2017. FY 2017 is the most recent available data.

[2] Wage and salary employment is reported by place of work. Data are benchmarked to 2017.

[3] Totals may not be precise due to independent rounding.

Sources: State of California, Employment Development Department Labor Market Information Division.
www.labormarketinfo.edd.ca.gov, August 17, 2018

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

		FY 2018		FY 2009	
Company Name	**Nature of Operations**	**Number of Employees***	**Rank**	**Number of Employees**	**Rank**
Apple Inc.	Computer electronics	25,000	1		
Alphabet Inc./Google Inc.	Search, advertising and web software	20,000	2		
County of Santa Clara	County government	17,800	3	15,350	2
Stanford University	Research university	16,919	4	12,219	4
Cisco System Inc.	Computer network equipment manufacturer	14,120	5	17,000	1
Facebook Inc.	Online Social Networking Service	14,000	6		
Kaiser Permanente Northern California	Integrated healthcare delivery plan	12,500	7	13,515	3
Stanford Health Care	Health System	10,034	8	6,145	11
Tesla Motors Inc.	Electric Vehicle Designer & Manufacturer	10,000	9		
Santa Clara Valley Health & Hospital System	Hospital	9,130	10	4,886	15
University of California Santa Cruz	Public University	8,800	11		
Intel Corp.	Semiconductor	8,450	12	5,783	12
Safeway	Supermarket Chain	7,887	13		
Oracle Corp.	Hardware and software, cloud	6,581	14	8,000	6
City of San Jose	City Government	6,159	15	6,256	10
Gilead Sciences Inc.	Biotechnology Company	5,535	16		
San Mateo County	County Government	5,500	17		
Nvidia Corp.	Graphics and digital media Processors	5,000	18		
Western Digital Corp.	Hard disk drive manufacturer and data storage company	4,950	19		
Lockheed Martin Space Systems Co.	Aerospace	4,730	20	8,088	5
Stanford Children's Health	Specializes in the care of babies, children, adolescents, and expectant mothers	4,452	21		
Pajaro Valley Unified School District	Public School District	4,316	22		
Applied materials Inc.	Semiconductor equipment manufacturer	4,230	23	3,988	20
Vmware Inc.	Cloud computing and Platform virtualization Software and services	4,223	24		
Lam Research Corp.	Semiconductor processing equipment	4,000	25		

*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 27, 2018

The concentration of Santa Clara County's productivity is derived primarily from numerous high-technology and bioscience companies. 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 17,800 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, 2018

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
2009	34,510,273	111,820	18,500,655	1,379,428	15,800,214	152,856	336	424	448
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

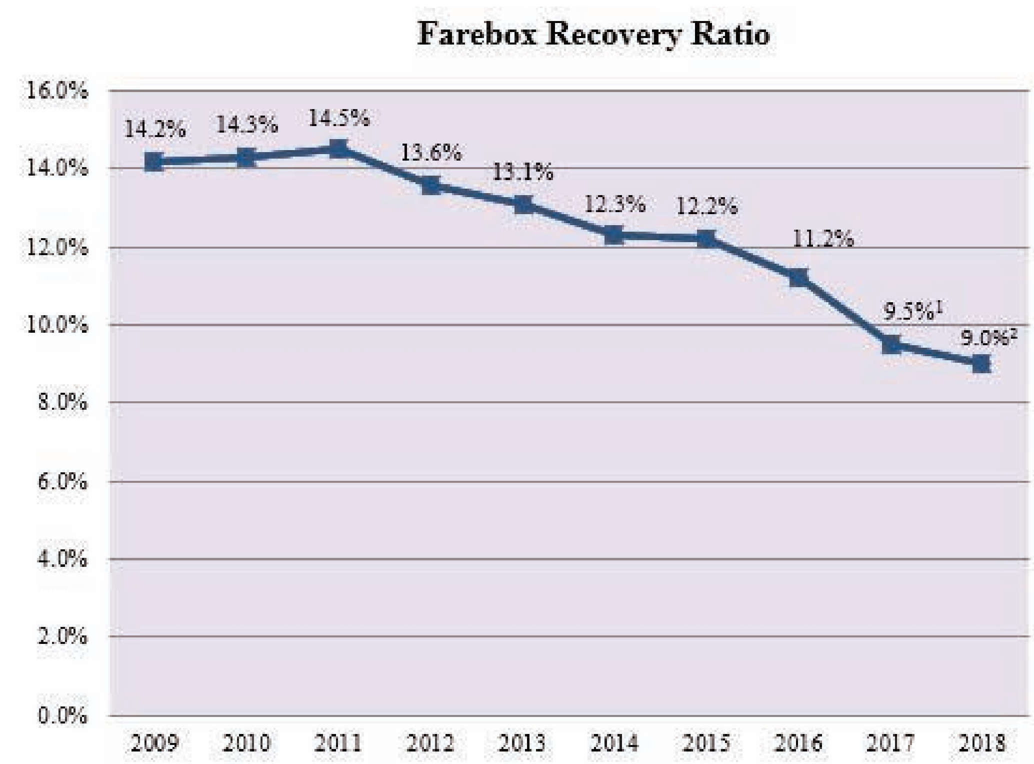
LIGHT RAIL

Fiscal Year	Total Ridership	Average Weekday Ridership	Scheduled Miles	Scheduled Hours	Train Revenue Miles	Passenger Miles (000's)	Peak Cars	Light Rail Fleet
2009	10,754,161	34,305	2,216,957	143,533	2,105,555	58,709	54	99
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

Source: VTA Operations Division.

Table 22
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Operating Information - Farebox Recovery Ratio
Ten Years Ended June 30, 2018

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.



	2009	2010	2011	2012	2013	2014	2015	2016	2017 [1]	2018 [2]
Farebox Recovery Ratio	14.2%	14.3%	14.5%	13.6%	13.1%	12.3%	12.2%	11.2%	9.5%	9.0%
Farebox Revenue (In thousands)	$ 36,184	$ 36,857	$ 38,106	$ 37,744	$ 38,331	$ 38,372	$ 39,108	$ 37,663	$ 33,719	$ 34,511
Operating Expenses (In thousands)	254,286	257,954	263,322	278,532	293,447	311,287	319,978	335,140	354,494	383,664

[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, 2018

The following chart shows total vehicle miles in revenue service.

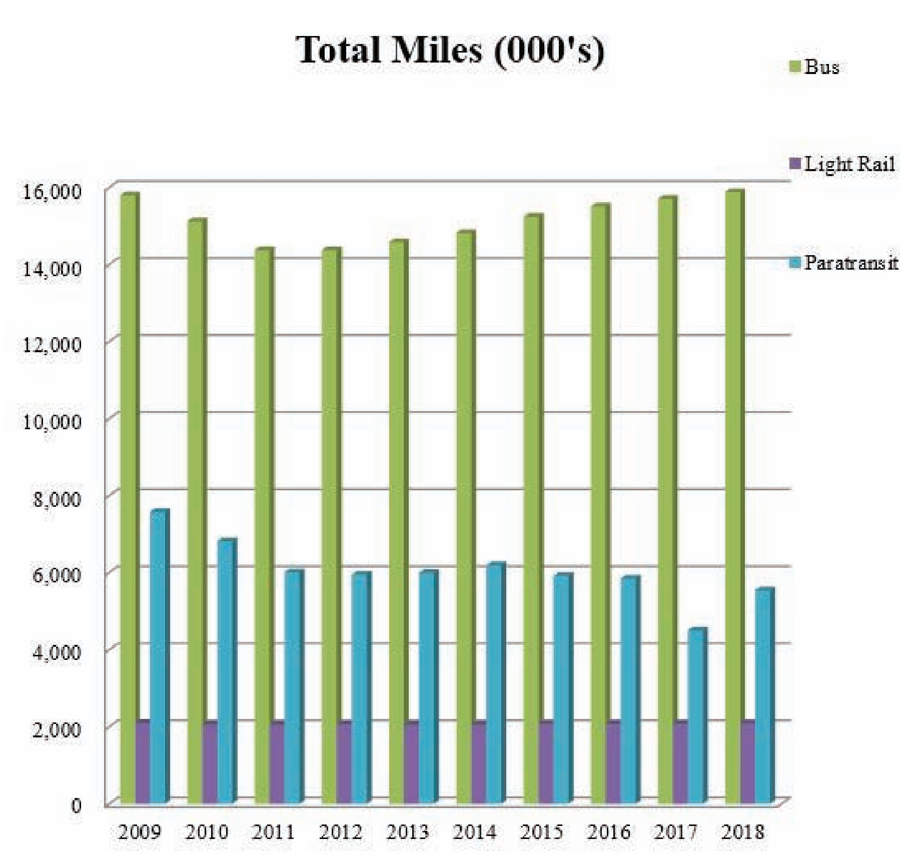


Table 24
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Operating Information – Passenger Miles
Ten Years Ended June 30, 2018

Passenger mile statistics are presented in the chart below. In FY 2018 the total passenger miles have decreased by 6.6% from FY 2017.

Table 25
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Operating Information – Selected Statistical Data
Ten Years Ended June 30, 2018

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
FAREBOX REVENUE ($000's)[1]	$ 36,184	$ 36,857	$ 38,106	$ 37,744	$ 38,331	$ 38,372	$ 39,108	$ 37,663	$ 34,783	$ 36,555
VEHICLE REVENUE MILES (000's)										
BUS	15,800	15,131	14,377	14,374	14,583	14,818	15,247	15,517	15,713	15,884
LIGHT RAIL	2,106	2,063	2,056	2,065	2,056	2,057	2,081	2,078	2,081	2,094
PARATRANSIT	7,582	6,816	6,011	5,948	5,995	6,196	5,922	5,851	4,503	5,544
PASSENGER MILES (000's)										
BUS	152,856	142,754	148,225	169,321	166,576	173,539	174,863	190,321	150,429	136,902
LIGHT RAIL	58,708	50,000	54,048	55,337	58,116	61,632	60,717	54,980	47,937	46,981
PARATRANSIT	9,908	9,005	8,017	8,133	8,205	8,097	6,827	6,493	5,318	6,338
FLEET SIZE										
BUS	448	424	494	445	443	443	540	500	460	472
LIGHT RAIL	99	99	99	99	99	99	99	99	99	99
CASH FARE SINGLE RIDE										
ADULT	$ 1.75	$ 2.00	$ 2.00	$ 2.00	$ 2.00	$ 2.00	$ 2.00	$ 2.00	$ 2.00	$ 2.25
YOUTH	$ 1.50	$ 1.75	$ 1.75	$ 1.75	$ 1.75	$ 1.75	$ 1.75	$ 1.75	$ 1.75	$ 1.00
SENIOR	$ 0.75	$ 1.00	$ 1.00	$ 1.00	$ 1.00	$ 1.00	$ 1.00	$ 1.00	$ 1.00	$ 1.00

[1]Includes 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, 2018

URBANIZED AREA (UZA):
346 Square Miles

ROUTES

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

HOURS OF OPERATION

Monday-Sunday	24 hours

PARK AND RIDE LOTS:

	Number of Lots	Number of Parking Spaces
Bus	9	714
Light Rail	20	6,170
Caltrain	15	4,837
Total	44	11,721

FACILITIES

Type of Facility	Number of Facilities
Bus Stops	3,800
Shelters	608
Benches	1,925
Trash Receptacles	826
Transit Centers	23

Table 27
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Operating Information – Full-time Equivalent Employees[1]
Ten Years Ended June 30, 2018

Fiscal Year	Operations	Planning & Programming[2]	Finance & Budget[3]	Engineering & Transportation Program Delivery[4]	SVRT Program[4]	Government Affairs[5]	Business Services[6]	Safety & Compliance[7]	Office of the Chief of Staff[8]	General Counsel	General Manager	Total
2009	1649	51	97	99	4	74	102	NA	NA	8	4	2088
2010	1588	50	95	97	4	57	100	NA	NA	8	18	2017
2011	1576	50	90	90	5	53	102	NA	NA	8	11	1985
2012	1599	52	93	86	6	51	103	NA	NA	9	13	2012
2013	1614	51	88	90	6	55	99	NA	NA	11	13	2027
2014	1687	42	69	79	6	37	138	NA	25	12	5	2100
2015	1724	43	74	81	NA	4	135	30	55	13	5	2164
2016	1758	50	75	74	NA	26	192	33	NA	13	11	2232
2017	1761	50	76	74	NA	30	196	NA	41	14	2	2244
2018	1795	48	73	86	NA	4	173	NA	75	13	10	2277

[1] A full-time employee is scheduled to work 2,080 hours per year (including vacation and sick leave). Full-time equivalent employment is calculated by dividing total labor hours by 2,080. The table shows the total full-time equivalent by division.

[2] Previously referred to as Congestion Management Division. Renamed to Planning and Programming as a result of the reorganization in FY2014.

[3] Previously referred to as Fiscal Resources Division. Renamed to Finance and Budget as a result of the reorganization in FY 2014.

[4] In FY 2015, Engineering & Construction Program merged with SVRT Program to form Engineering & Transportation Infrastructure Development. In FY 2017, the latter was renamed to Engineering & Transportation Program Delivery.

[5] In 2017, Government & Public Relations became Government Affairs.

[6] Previously 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 Operation Division were transferred to Business Services.

[7] Office of Safety & Compliance reports directly to the Chief of Staff in FY 2017.

[8] As a result of the reorganization in FY2017, Office of the Chief of Staff was designated to be responsible for managing Communications and Marketing, Office of Security and Protective Services, and the Office of Safety and Compliance.

Table 28

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Operating Information - Capital Assets

Ten Years Ended June 30, 2018

(In thousands)

	2009	2010	2011	2012	2013	2014	2015	2016	2017 [1]	2018
Capital assets, not being depreciated:										
Land and right of way	$1,119,217	$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
Construction in Progress	781,381	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
Total capital assets, not being depreciated	1,900,598	1,937,562	2,024,831	2,229,881	2,469,778	2,854,439	3,302,396	3,738,182	4,032,970	4,258,649
Capital assets, being depreciated:										
Intangible Assets	—	—	—	—	—	—	—	—	2,203	2,203
Buildings, improvements, furniture and fixtures	488,156	495,436	504,531	511,853	508,345	516,184	548,139	569,079	586,041	592,244
Vehicles	442,771	435,652	485,590	481,014	486,460	488,229	566,821	553,886	586,754	618,806
Light-rail tracks and electrification	399,824	402,622	403,831	403,394	413,674	415,905	415,905	418,195	418,195	418,194
Caltrain – Gilroy extension	53,155	53,307	53,307	53,307	43,072	43,072	43,072	43,072	43,072	43,072
Other operating equipment	32,044	42,610	46,065	46,152	45,876	46,062	47,156	47,289	47,561	48,890
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	1,425,636	1,439,313	1,503,010	1,505,406	1,507,113	1,519,138	1,630,779	1,641,207	1,693,512	1,733,095
Less accumulated depreciation										
Total accumulated depreciation	(519,886)	(565,012)	(618,061)	(657,113)	(706,428)	(768,364)	(833,095)	(881,683)	(950,005)	(1,006,414)
Total capital assets, being depreciated, net	905,750	874,301	884,949	848,293	800,685	750,774	797,684	759,524	743,507	726,681
Total capital assets, net	$2,806,348	$2,811,863	$ 2,909,780	$3,078,174	$3,270,463	$3,605,213	$ 4,100,080	$4,497,706	$4,776,477	$ 4,985,330

Source: Comprehensive Annual Financial Report

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

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APPENDIX C

COUNTY OF SANTA CLARA DEMOGRAPHIC AND ECONOMIC INFORMATION

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APPENDIX C

COUNTY OF SANTA CLARA DEMOGRAPHIC AND ECONOMIC INFORMATION

General Information

The County of Santa Clara (the "County") lies immediately south of San Francisco Bay and is the sixth most populous county in the State of California (the "State"). It encompasses an area of approximately 1,316 square miles. The County was incorporated in 1850 as one of the original 28 counties of the State and operates under a home rule charter adopted by County voters in 1950 and amended in 1976.

The southern portion of the County has retained the agricultural base which once existed throughout the area and has two cities, separated by roughly 10 miles. The northern portion of the County is densely populated, extensively urbanized and heavily industrialized. The County contains 15 cities, the largest of which is the City of San Jose, the third largest city in the State and the County seat. The uppermost northwestern portion of the County, with its concentration of high-technology, electronics-oriented industry, is popularly referred to as the "Silicon Valley." Large employers include Alphabet Inc./Google Inc., Apple Inc., Cisco Systems, Inc., Facebook Inc., Intel Corp., Hewlett-Packard Company and Oracle Corporation.

Neighboring counties include San Mateo in the northwest, Santa Cruz in the southwest, San Benito in the south, Merced and Stanislaus in the east, and Alameda in the northeast. The City of San Jose is approximately 50 miles south of San Francisco and 42 miles south of the City of Oakland. These are the three largest cities of the nine-county San Francisco Bay Area, with the City of San Jose being the largest.

Population

Historical Population Growth. Over the past 60 years, the County's population growth pattern has exhibited three decades of rapid growth followed by three decades of more sustainable growth rates.

According to U.S. Census figures, the number of County residents grew by 66% between 1940 and 1950, with most of the increase concentrated in the unincorporated areas and in the largest cities of San Jose, Palo Alto and Santa Clara. In the next decade, from 1950 to 1960, population grew by 121% with every major city as well as the unincorporated areas experiencing huge increases. The County also recorded the incorporation of four new cities during the 1950s, raising the total number of cities to its current level of fifteen.

The County's population growth subsided somewhat during the 1960s, although the 66% growth rate was over four times the 15.4% statewide increase. The population of San Jose doubled for the second decade in a row, while the cities of Mountain View, Santa Clara, and Sunnyvale added at least 23,000 residents each. As a result of the incorporation of four cities, the unincorporated area of the County posted its first decline in the 1960s, setting the stage for further drops in each of the subsequent three decades.

The County population growth rate fell to 21.5% during the 1970s. San Jose continued to add more residents (183,621) than any other city, while two of the larger cities (Palo Alto and Santa Clara) recorded small population declines and residents in the unincorporated area fell by 25,160. The slower growth of the 1970s reflected a slowing urbanization, due in part to policies adopted by the County to preserve agricultural areas.

The data from the 2010 U.S. Census indicate that the County's population reached 1,781,642, representing a 37.6% overall increase from the population base in 1980, an average rate of 11.2% per Census count. Over the same period, statewide population grew more rapidly at a rate of 16.3%. San Jose surpassed San Francisco as the largest city in the Bay Area, with a population of 957,369. According to the 2010 census data, over one-half of the County's residents live in San Jose.

The proportion of residents living in cities is currently approximately 95.0%, in contrast to the County's makeup in 1940 when urban residents made up only 6.5% of the County's population. Since the 1940s, the increasing maturation of the County's employment and economic sectors has resulted in the incorporation of new cities as well as the expansion of city boundaries, resulting in a shrinking fraction (currently 5.6%) of residents living in unincorporated areas.

Recent Annual Population Performance. Between 2015 and 2018, the County population grew approximately 1.4%. All of the cities in the County experienced growth during this period, with Morgan Hill posting the fastest growth (4.8%). Currently, approximately 4.5% of the County residents live in unincorporated areas, a percentage which has steadily decreased over time as the population continues to migrate toward the cities.

County of Santa Clara Population

City	1970	1980	1990	2000	2010	2014	2015	2016	2017	2018
Campbell	24,731	26,843	36,088	38,138	39,349	41,935	41,986	42,584	42,372	42,696
Cupertino	18,216	34,297	39,967	50,602	58,302	58,153	58,038	58,185	60,097	60,091
Gilroy	12,665	21,641	31,487	41,464	48,821	53,377	54,324	55,170	55,336	55,615
Los Altos	24,872	25,769	26,599	27,693	28,976	30,273	30,513	31,353	31,298	31.361
Los Altos Hills	6,862	7,421	7,514	8,025	7,922	8,548	8,595	8,658	8,417	8,568
Los Gatos	23,466	26,906	27,357	28,592	29,413	30,992	31,157	31,376	30,448	30,601
Milpitas	27,149	37,820	50,690	62,698	66,790	71,152	74,140	75,521	74,327	74,865
Monte Sereno	3,074	3,434	3,287	3,483	3,341	3,430	3,445	3,475	3,528	3,630
Morgan Hill	6,485	17,060	23,928	33,586	37,882	41,562	42,382	43,645	43,680	44,513
Mountain View	54,206	58,655	67,365	70,708	74,066	75,425	76,712	77,925	80,897	81,527
Palo Alto	55,999	55,225	55,900	58,598	64,403	66,960	67,331	68,207	69,446	69,721
San Jose	445,779	629,400	782,224	895,131	945,942	1,014,434	1,030,053	1,042,094	1,042,782	1,051,316
Santa Clara	87,717	87,700	93,613	102,361	116,468	121,355	121,580	123,752	125,528	129,604
Saratoga	27,199	29,261	28,061	29,849	29,926	30,092	30,060	30,219	31,271	31,435
Sunnyvale	95,408	106,618	117,324	131,844	140,081	145,314	146,629	148,372	150,599	153,389
Unincorporated	152,181	127,021	106,173	99,813	89,960	86,811	87,029	87,352	87,465	87,666
County Total[(1)]	1,066,009	1,295,071	1,497,577	1,682,585	1,781,642	1,879,813	1,903,974	1,927,888	1,937,473	1,956,598

[(1)] Totals may not be precise due to independent rounding.
Source: U.S. Census 1970-2010; State of California, Department of Finance, Demographic Research Unit (Population Estimates for Cities, Counties, and the State, 2014-2018 with 2010 Census Benchmark).

Employment and Industry

The County is home to a highly skilled and diverse work force, a situation that has traditionally translated into lower unemployment rates in the County when compared to State and national average unemployment rates. Three major industry sectors comprise approximately 55% of the County's employment: Goods Producing – 211,900, Professional & Business Activities – 226,400 and Manufacturing – 163,400.

Development of high technology has been enhanced by the presence of Stanford University, Santa Clara University, San Jose State University, other institutions of higher education, and research and development facilities, such as SRI International, the Stanford Linear Accelerator Center, and Ames Research Center (NASA) within the County. In addition, the Rincon de los Esteros Redevelopment Area in northern San Jose has been the site of industrial/research and development submarkets in Silicon Valley.

The following tables list employment details in the County for 2013 through 2017. Annual 2018 figures for the County are not available.

County of Santa Clara Average Annual Employment	**2013**	**2014**	**2015**	**2016**	**2017**
Civilian Labor Force	971,900	992,200	1,009,800	1,024,000	1,041,700
Employment	909,000	941,100	967,700	985,100	1,008,000
County Unemployment	62,800	51,100	42,100	38,900	33,700

Source: Employment Development Department.

County of Santa Clara Unemployment Rate	**2013**	**2014**	**2015**	**2016**	**2017**
County Unemployment Rate	6.6%	5.3%	4.3%	3.8%	3.2%
State Unemployment Rate	8.9%	7.5%	6.2%	5.4%	4.8%
United States	5.9%	5.0%	4.9%	4.2%	4.3%

Source: Employment Development Department.

County of Santa Clara
Industry Employment

	2013	2014	2015	2016	2017
Total, All Industries	950,700	991,000	1,028,900	1,060,600	1,086,900
Total Farm	3,300	3,500	3,700	3,900	3,500
Total Nonfarm	947,300	987,500	1,025,200	1,056,700	1,083,400
Goods Producing	190,600	195,800	203,300	209,300	211,900
Mining and Logging	300	300	200	300	200
Construction	36,700	38,800	42,900	47,600	48,300
Manufacturing	153,600	156,700	160,200	161,300	163,400
Service Providing	756,800	791,700	821,900	847,400	871,600
Transportation, Warehousing & Utilities	13,400	13,900	14,100	14,800	14,900
Information	58,600	65,600	70,400	74,500	85,000
Financial Activities	33,300	33,800	34,200	35,200	35,800
Professional & Business Services	190.100	201,800	215,200	224,100	226,400
Educational & Health Services	142,600	148,700	154,900	160,600	167,400
Leisure & Hospitality	86,300	90,700	94,500	97,600	100,800
Other Services	25,000	26,000	26,500	27,000	28,200
Government	89,000	90,600	90,100	91,200	92,800

Source: Employment Development Department.

Major Employers

The County, which is centered in the heart of Silicon Valley, is home to numerous high technology and computer software and hardware manufacturing companies. According to the Silicon Valley Business Journal, as of July 21, 2017, Apple Inc., a technology company, was the largest employer of the Silicon Valley with 25,000 employees. Second on the list was the Alphabet Inc./Google Inc., which employed 20,000. The County of Santa Clara, Stanford University and Cisco System Inc. topped off the top five employers in the County respectively. The uppermost northwestern portion of the County, with its concentration of high-technology, electronics-oriented industry, is popularly referred to as the "Silicon Valley." Major employers in Silicon Valley include Alphabet Inc./Google Inc., Apple Inc., Cisco Systems Inc., Facebook Inc., Intel Corp., Hewlett-Packard Company, and Oracle Corporation. The table below lists the ten largest employers in the County as of July 27, 2018.

County of Santa Clara Largest Employers

Employer	Number of Employees
Apple Inc.	25,000
Alphabet Inc./Google Inc.	20,000
County of Santa Clara	17,800
Stanford University	16,919
Cisco System Inc.	14,120
Kaiser Permanente Northern California	12,500
Stanford Health Care	10,034
Tesla Motors Inc.	10,000
Intel Corp.	8,450
City of San Jose	6,159

Source: Silicon Valley/San Jose Business Journal July 27, 2018.

Income

The following table sets forth the median income for the County and the State for the calendar years shown. Median income figures for the County and the State for 2018 are not available.

County of Santa Clara and State of California
Median Income
2007 through 2017

Year	County of Santa Clara	State of California
2007	$ 84,987	$55,734
2008	88,525	57,014
2009	84,990	58,925
2010	90,581	62,401
2011	89,064	61,632
2012	90,747	61,400
2013	91,702	60,190
2014	93,854	61,990
2015	96,310	65,087
2016	111,069	67,739
2017	106,761	67,169

Source: http://quickfacts.census.gov; American Community Survey.

Commercial Activity

The County is an important center of commercial activity. Taxable sales activity at business and personal service outlets, as well as at other non-retail commercial establishments, is a significant component of the County's commercial activity. The following table sets forth the amount of taxable transactions from 2012 through 2016. Annual figures for 2017 and 2018 are not yet available.

County of Santa Clara
Taxable Transactions by Sector
2012 through 2016
(In thousands)[1]

	2012	2013	2014	2015	2016
Motor Vehicle and Parts Dealers	$ 3,480,485	$ 4,039,030	$ 3,959,149	$ 4,254,761	$ 4,453,924
Home Furnishings and Appliance Stores	573,328	604,982	716,357	2,216,911	2,279,286
Building Material and Garden Equipment and Supplies Dealers	1,406,177	1,574,275	1,757,717	1,784,187	1,852,932
Food and Beverage Stores	1,066,463	1,110,420	1,169,209	1,227,355	1,250,058
Gasoline Stations	2,679,491	2,598,458	2,526,502	2,107,950	1,880,225
Clothing and Clothing Accessories Stores	2,189,462	2,312,465	2,417,856	2,505,418	2,502,063
General Merchandise Stores	2,532,297	2,558,623	2,593,287	2,340,253	2,264,188
Food Services and Drinking Places	3,355,097	3,669,125	4,031,458	4,426,069	4,678,454
Other Retail Group	3,833,909	3,957,264	4,100,218	2,838,004	2,997,460
Total Retail and Food Services	**$21,116,708**	**$22,424,642**	**$23,271,753**	**$23,700,907**	**$24,158,590**
All Other Outlets	15,103,737	15,196,964	16,356,902	17,530,851	17,673,079
Total All Outlets	**$36,220,445**	**$37,621,606**	**$39,628,655**	**$41,231,759**	**$41,831,669**

(1) Totals may not add due to independent rounding.
Source: California Department of Tax and Fee Administration, Taxable Sales in California (Sales and Use Tax).

Construction Activity and Home Sales

The following tables provide a summary of building permit valuations and the number of new dwelling units authorized in the County from 2008 through 2017. Annual 2018 figures are not yet available.

County of Santa Clara
Building Permit Valuations
2008 through 2017
(In Millions of Dollars)

Year	New Residential	New Non-Residential	Total
2008	$1,051.10	$1,914.50	$2,965.70
2009	578.70	1,187.80	1,766.50
2010	1,085.90	1,155.60	2,241.50
2011	333.70	627.70	961.40
2012	1,088.40	660.10	1,748.50
2013	2,060.04	4,183.20	6,243.25
2014	2,230.35	2,655.41	4,885.76
2015	1,866.60	3,589.80	5,456.40
2016	1,709.88	4,698.16	6,408.04
2017	2,308.26	3,359.32	5,667.61

Source: Construction Industry Research Board (CIH/CIRB).

County of Santa Clara
Number of New Dwelling Units
2008 through 2017

Year	Single Family	Multiple Family	Total
2008	1,254	2,417	3,671
2009	667	450	1,117
2010	826	3627	4,453
2011	464	64	526
2012	1,269	3,970	5,239
2013	1,859	6,009	7,868
2014	1,602	8,310	9,912
2015	1,710	3,906	5,616
2016	1,608	3,297	4,905
2017	2,022	6,526	8,548

Source: Construction Industry Research Board (CIH/CIRB).

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APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following is a brief summary of certain provisions of the Indenture, dated as of August 1, 2006, between the Santa Clara Valley Transportation Authority (the "Issuer") and U.S. Bank National Association, successor trustee under the Indenture (the "Trustee"), as supplemented and amended by the First Supplemental Indenture, dated as of August 1, 2006 (the "First Supplemental Indenture"), the Second Supplemental Indenture, dated as of September 1, 2007 (the "Second Supplemental Indenture"), the Third Supplemental Indenture, dated as of June 1, 2008 (the "Third Supplemental Indenture"), and as further supplemented and amended by the Fourth Supplemental Indenture, dated as of November 1, 2010 (the "Fourth Supplemental Indenture") and the Fifth Supplemental Indenture, dated as of January 1, 2015 (the "Fifth Supplemental Indenture" and, together with the First Supplemental Indenture, the Second Supplemental Indenture, the Third Supplemental Indenture and the Fourth Supplemental Indenture, hereinafter collectively referred to as the "Indenture"), between the Issuer and the Trustee. Such summary is not intended to be complete or definitive, is supplemental to the summary of other provisions of the Indenture contained elsewhere in this Remarketing Memorandum, and is qualified in its entirety by reference to the full terms of the Indenture. All capitalized terms used and not otherwise defined in this Remarketing Memorandum shall have the meanings assigned to such terms in the Indenture.

Definitions

Accreted Value means, with respect to any Capital Appreciation Bond, the principal amount thereof plus the interest accrued thereon, compounded at the approximate interest rate thereon on each date specified therein. The Accreted Value at any date shall be the amounts set forth in the Accreted Value Table as of such date, if such date is a compounding date, and if not, as of the immediately preceding compounding date.

Accreted Value Table means the table denominated as such which appears as an exhibit to, and to which reference is made in, a Supplemental Indenture providing for a Series of Capital Appreciation Bonds issued pursuant to such Supplemental Indenture.

Act means the Santa Clara Valley Transportation Authority Act, Part 12 of Division 10 (Section 100000 et seq.) of the Public Utilities Code of the State of California and Chapter 6 of Part 1 of Division 2 of Title 5 (Section 54300 et seq.) of the Government Code of the State of California as referenced in the Santa Clara Valley Transportation Authority Act.

Alternate Liquidity Facility means, with respect to a Series of Bonds, a line of credit, letter of credit, standby purchase agreement or similar liquidity facility, issued by a commercial bank or other financial institution, and delivered or made available to the Trustee, as a replacement or substitute for any Liquidity Facility then in effect.

Annual Debt Service means, for any Fiscal Year, the aggregate amount (without duplication) of principal and interest on all Bonds and Parity Obligations becoming due and payable during such Fiscal Year calculated using the principles and assumptions set forth under the definition of Debt Service.

ARS means Auction Rate Securities.

ARS Mode means, with respect to a Series of 2008 Series Bonds, the Mode during which such Series of 2008 Series Bonds bear interest at the ARS Rate.

ARS Rate shall have the meaning specified in the Indenture.

Assumed Debt Service means for any Fiscal Year the aggregate amount of principal and interest which would be payable on all Bonds if each Excluded Principal Payment were amortized on a substantially level debt service basis for a period commencing on the date of calculation of such Assumed Debt Service and ending on the earlier of (i) the date specified by the Issuer, which date may be the final maturity date of such Bonds or (ii) the Tax Expiration Date, such Assumed Debt Service to be calculated based on a fixed interest rate equal to the rate at which the Issuer could borrow for such period, as set forth in a certificate of a financial advisor or investment banker, delivered to the Trustee, who may rely conclusively on such certificate, such certificate to be delivered within thirty (30) days of the date of calculation.

Authority or **Issuer** means the Santa Clara Valley Transportation Authority, a public transit district duly established and existing under the laws of the State of California.

Authorized Denominations with respect to the 2010 Series Bonds means $5,000 and any integral multiple thereof.

Authorized Representative means the Chairperson of the Board, the General Manager, the Chief Financial Officer or such other person as may be designated to act on behalf of the Issuer by a written certificate furnished to the Trustee containing the specimen signature of such person and signed on behalf of the Issuer by an Authorized Representative.

Automatic Termination Event means an event of default set forth in a Reimbursement Agreement between the Issuer and a Liquidity Facility Provider which would result in the immediate termination of the Liquidity Facility provided pursuant to such Reimbursement Agreement prior to its stated expiration date without prior notice from the Liquidity Facility Provider to the Trustee.

Beneficial Owner means any Person who has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of any Bond, including, without limitation, any Person holding Bonds through nominees or depositories, including the Securities Depository.

Board means the Board of Directors of the Issuer.

Bond Counsel means any firm of nationally recognized municipal bond attorneys selected by the Issuer and experienced in the issuance of municipal bonds and matters relating to the exclusion of the interest thereon from gross income for federal income tax purposes.

Bond Obligation means, as of any given date of calculation, (1) with respect to any Outstanding Current Interest Bond, the principal amount of such Bond, and (2) with respect to any Outstanding Capital Appreciation Bond, the Accreted Value thereof.

Bond Reserve Fund means any fund by that name established with respect to one or more Series of Bonds pursuant to the Supplemental Indenture establishing the terms and provisions of such Series of Bonds.

Bond Reserve Requirement with respect to a Series of Bonds for which the Issuer shall have established a Bond Reserve Fund shall have the meaning specified in the Supplemental Indenture establishing the terms and provisions of such Series of Bonds. Bond Reserve Requirement with respect to the 2010 Series Bonds means as of any date of calculation, an amount equal to fifty percent (50%) of Maximum Annual Debt Service on the 2010 Series Bonds.

Bondholder or **Holder** or **Owner**, whenever used in the Indenture or in this Remarketing Memorandum with respect to a Bond, means the person in whose name such Bond is registered.

Bonds means the Santa Clara Valley Transportation Authority 2000 Measure A Sales Tax Revenue Bonds authorized by, and at any time Outstanding pursuant to, the Indenture.

Book-Entry System means a system under which physical bond certificates in fully registered form are registered only in the name of a Securities Depository or its nominee.

Business Day means, except as is otherwise provided in the Supplemental Indenture pursuant to which a Series of Bonds are issued, any day other than (1) a Saturday, Sunday, or a day on which banking institutions in the State or the State of New York are authorized or obligated by law or executive order to be closed, (2) for purposes of payments and other actions relating to Bonds secured by a Credit Enhancement or supported by a Liquidity Facility, a day upon which commercial banks in the city in which is located the office of the issuing bank at which demands for payment under the Credit Enhancement or Liquidity Facility, as applicable, are to be presented are authorized or obligated by law or executive order to be closed, and (3) a day on which the New York Stock Exchange is closed.

Capital Appreciation Bonds means the Bonds of any Series designated as Capital Appreciation Bonds in the Supplemental Indenture providing for the issuance of such Series of Bonds and on which interest is compounded and paid at maturity or on prior redemption.

CDTFA means the California Department of Tax and Fee Administration.

Certificate, **Statement**, **Request**, **Requisition** and **Order** of the Issuer mean, respectively, a written certificate, statement, request, requisition or order signed in the name of the Issuer by an Authorized Representative.

Code means the Internal Revenue Code of 1986, and the regulations applicable thereto or issued thereunder, or any successor to the Internal Revenue Code of 1986. Reference to any particular Code section shall, in the event of such a successor Code, be deemed to be reference to the successor to such Code section.

Comparable Treasury Issue means the United States Treasury security selected by the Designated Banking Institution as having a maturity comparable to the remaining term to maturity of the 2010 Series A Bond being redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term to maturity of the 2010 Series A Bond being redeemed.

Comparable Treasury Price means, with respect to any date on which a 2010 Series A Bond or portion thereof is being redeemed, either (a) the average of five Reference Treasury Dealer quotations for the date fixed for redemption, after excluding the highest and lowest such quotations, and (b) if the Designated Banking Institution is unable to obtain five such quotations, the average of the quotations that are obtained. The quotations will be the average, as determined by the Designated Banking Institution, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of principal amount) quoted in writing to the Designated Banking Institution, at 2:00 p.m. New York City time on a Business Day at least two (2) Business Days but no more than forty-five (45) calendar days preceding the applicable date fixed for redemption.

Comparable Treasury Yield means the yield appearing in the most recently published statistical release designated "H.15(519) Selected Interest Rates" under the heading "Treasury Constant Maturities," or any successor publication selected by the Designated Banking Institution that is published weekly by the Board of Governors of the Federal Reserve System and that establishes yields on actively traded United States Treasury securities adjusted to constant maturity, for the maturity corresponding to the remaining term to maturity of the 2010 Series A Bond being redeemed. The Comparable Treasury Yield will be determined at least two (2) Business Days but no more than forty-five (45) calendar days preceding the applicable date fixed for redemption. If the H.15(519) statistical release sets forth a weekly average yield for United States Treasury securities that have a constant maturity that is the same as the remaining term to maturity of the 2010 Series A Bond being redeemed, then the Comparable Treasury Yield will be equal to such weekly average yield. In all other cases, the Comparable Treasury Yield will be calculated by interpolation on a straight-line basis, between the weekly average yields on the United States Treasury securities that have a constant maturity (i) closest to and greater than the remaining term to maturity of the 2010 Series A Bond being redeemed and (ii) closest to and less than the remaining term to maturity of the 2010 Series A Bond being redeemed. Any weekly average yields calculated by interpolation will be rounded to the nearest 1/100th of 1%, with any figure of 1/200th of 1% or above being rounded upward.

If, and only if, weekly average yields for United States Treasury securities for the preceding week are not available in the H.15(519) statistical release or any successor publication, then the Comparable Treasury Yield will be the rate of interest per annum equal to the semiannual equivalent yield to maturity of the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price as of the date fixed for redemption.

Continuing Disclosure Certificate means, with respect to each Series of Bonds requiring an undertaking regarding disclosure under Rule 15c2-12, the Continuing Disclosure Certificate, dated the date of issuance of such Series of Bonds, executed by the Issuer, as the same may be supplemented, modified or amended in accordance with its terms.

Conversion Date shall have the meaning specified in the Indenture.

Corporate Trust Office or **corporate trust office** means the corporate trust office of the Trustee at 101 California Street, 46th Floor, San Francisco, California 94111, Attention: Corporate Trust, or such other or additional offices as may be designated by the Trustee from time to time.

Costs of Issuance means all items of expense directly or indirectly payable by or reimbursable to the Issuer and related to the authorization, execution, sale and delivery of a Series of Bonds, including but not limited to advertising and printing costs, costs of preparation and reproduction of documents, filing and recording fees, travel expenses and costs relating to rating agency meetings and other meetings concerning such Series of Bonds, initial fees and charges of the Trustee, legal fees and charges, fees and disbursements of consultants and professionals, financial advisor fees and expenses, rating agency fees, fees and charges for preparation, execution, transportation and safekeeping of Bonds, surety, insurance, credit enhancement and liquidity costs, and any other cost, charge or fee in connection with the initial delivery of a Series of Bonds or any Parity Obligations delivered in connection with a Series of Bonds.

Costs of Issuance Fund means a fund by that name established pursuant to the provisions of a Supplemental Indenture to pay Costs of Issuance with respect to a Series of Bonds being issued pursuant to such Supplemental Indenture.

Counterparty means an entity which has entered into an Interest Rate Swap Agreement with the Issuer.

Credit Enhancement means, with respect to a Series of Bonds, any Insurance, letter of credit, line of credit, surety bond or other instrument, if any, which secures or guarantees the payment of principal of and interest on a Series of Bonds, issued by an insurance company, commercial bank or other financial institution, and delivered or made available to the Trustee, as from time to time supplemented or amended pursuant to its terms, or, in the event of the delivery or availability of an Alternate Credit Enhancement, such Alternate Credit Enhancement.

Credit Enhancement Provider means, with respect to a Series of Bonds, the Insurer, commercial bank or other financial institution issuing (or having primary obligation, or acting as agent for the financial institutions obligated, under) a Credit Enhancement then in effect with respect to such Series of Bonds.

Current Interest Bonds means the Bonds of any Series designated as Current Interest Bonds in the Supplemental Indenture providing for the issuance of such Series of Bonds and which pay interest at least semiannually to the Holders thereof excluding the first payment of interest thereon.

Daily Mode means, with respect to a Series of 2008 Series Bonds, the Mode during which such Series of 2008 Series Bonds bear interest at the Daily Rate.

Debt Service, when used with respect to any Bonds, means, as of any date of calculation and with respect to any Fiscal Year, the sum of (1) the interest falling due on such Bonds during such Fiscal Year and (2) the principal or mandatory sinking account payments required with respect to such Bonds during such Fiscal Year; computed on the assumption that no portion of such Bonds shall cease to be Outstanding during such Fiscal Year except by reason of the application of such scheduled payments; provided, however, that for purposes of such computation:

(a) Excluded Principal Payments and the interest related thereto, provided such interest is being paid by the same source as the Excluded Principal Payments, shall be excluded from such calculation and Assumed Debt Service shall be included in such calculation;

(b) in determining the principal amount due in each Fiscal Year, payment shall (unless a different subsection of this definition applies for purposes of determining principal maturities or amortization) be assumed to be made in accordance with any amortization schedule established for such Bonds, including any Mandatory Sinking Account Payments or any scheduled redemption or payment of Bonds on the basis of Accreted Value, and for such purpose, the redemption payment or payment of Accreted Value shall be deemed a principal payment and interest that is compounded and paid as Accreted Value shall be deemed due on the scheduled redemption or payment date of such Capital Appreciation Bond;

(c) if any Bonds bear, or if any Bonds proposed to be issued will bear, interest at a variable interest rate for which an Interest Rate Swap Agreement is not in place and the interest on which is excluded or expected to be excluded from gross income for federal income tax purposes, the interest rate on such variable interest rate Bonds shall be calculated at an interest rate listed in The Bond Buyer "25 Revenue Bond Index" published on a date selected by the Issuer, which date shall be no earlier than the first day of the calendar month preceding the date of sale of such Bonds and no later than the date of sale of such Bonds plus twenty-five (25) basis points or if such index is not published on the date of sale such Bonds, at the interest rate listed in such index published immediately prior to the date of sale such Bonds plus twenty-five (25) basis points (provided, however, that if such index is no longer published, the interest rate on such Bonds shall be calculated based upon such index as the Issuer shall designate in writing to the Trustee);

(d) if any Bonds bear, or if any Bonds proposed to be issued will bear, interest at a variable interest rate for which an Interest Rate Swap Agreement is not in place and the interest on which is included or expected to be included in gross income for federal income tax purposes, the interest rate on such Bonds shall be calculated at an interest rate equal to 110% of the average One Month USD LIBOR Rate during the three (3) months preceding the month of sale of such Bonds, or if the One Month USD LIBOR Rate is no longer available, such similar rate as the Issuer shall designate in writing to the Trustee;

(e) with respect to any Bonds bearing interest, or expected to bear interest, at a variable interest rate for which an Interest Rate Swap Agreement is in place, if (i) the interest rate on such Bonds, plus (ii) the payments received and made by the Issuer under an Interest Rate Swap Agreement with respect to such Bonds, are expected to produce a synthetic fixed rate to be paid by the Issuer (e.g., an interest rate swap under which the Issuer pays a fixed rate and receives a variable rate that is expected to equal or approximate the rate of interest on such Bonds), such Bonds shall be treated as bearing such synthetic fixed rate for the duration of the synthetic fixed rate;

(f) if any Bonds bear, or are expected to bear, a fixed interest rate and an Interest Rate Swap Agreement is entered into with respect to such Bonds, if (i) the interest rate on such fixed interest rate Bonds, plus (ii) the payments received and made by the Issuer under an Interest Rate Swap Agreement with respect to such fixed interest rate Bonds, are expected to produce a synthetic variable rate to be paid by the Issuer (e.g., an interest rate swap under which the Issuer pays a variable rate and receives a fixed rate that is expected to equal or approximate the rate of interest on such fixed interest rate Bonds), the fixed interest rate Bonds, shall be treated as bearing such synthetic variable rate for the duration of the Interest Rate Swap Agreement calculated as provided in subparagraph (c) or subparagraph (d), as applicable, above; and

(g) principal and interest payments on Bonds shall be excluded to the extent such payments are to be paid from amounts on deposit with the Trustee or other fiduciary in escrow specifically therefor, including Investment Securities and interest to be paid thereon, and interest payments shall be excluded to the extent that such interest payments are to be paid from the proceeds of Bonds, including Investment Securities and interest to be paid thereon, held by the Trustee or other fiduciary as capitalized interest specifically to pay such interest or are to be paid from Revenues then held on deposit by the Trustee or from Subsidy Payments the Issuer expects to receive.[1]

Designated Banking Institution means a financial institution of national standing which is a primary United States government securities dealer designated by the Issuer.

DTC means The Depository Trust Company.

Event of Default means any of the events of default specified in the Indenture.

Excluded Principal Payments means each payment of principal of Bonds which the Issuer determines (in the Supplemental Indenture) that the Issuer intends to pay with moneys which are not Revenues (such as commercial paper, balloon indebtedness or bond anticipation notes) but from future debt obligations of the Issuer, grants from the State or federal government, or any agency or instrumentality thereof, or any other source of funds of the Issuer, upon which determination of the Issuer the Trustee may conclusively rely. No such determination shall affect the security for such Bonds or the

[1] This paragraph was replaced in full pursuant to the Fourth Supplemental Indenture in connection with the Series 2010 Bonds.

obligation of the Issuer to pay such payments from Revenues. No payment of principal of Bonds may be determined to be an Excluded Principal Payment unless it is due on or prior to the later of April 1, 2036 or the Tax Expiration Date.

Favorable Opinion of Bond Counsel means, with respect to any action the occurrence of which requires such an opinion with respect to any Series of 2008 Series Bonds, an Opinion of Bond Counsel addressed to the Trustee, to the effect that the action proposed to be taken will not, in and of itself, adversely affect any exclusion from gross income of interest on the affected Series of 2008 Series Bonds.

Favorable Opinion of Bond Counsel means, with respect to the 2010 Series A Bonds, an Opinion of Bond Counsel, addressed to the Trustee, to the effect that any specific action required under the Indenture is no longer required or that some further or different action is required to maintain the receipt of the Subsidy Payments with respect to the 2010 Series A Bonds, and, with respect to the 2010 Series B Bonds, an Opinion of Bond Counsel, addressed to the Trustee, to the effect that the action proposed to be taken will not, in and of itself, adversely affect any exclusion from gross income of interest on the 2010 Series B Bonds.

Fees and Expenses Fund means the fund by that name established pursuant to the Indenture.

Fiscal Year means the period beginning on July 1 of each year and ending on the next succeeding June 30, or any other 12-month period hereafter selected and designated as the official fiscal year period of the Issuer, which designation shall be provided to the Trustee in a Certificate delivered by the Issuer.

Fitch means Fitch Inc., and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term "Fitch" shall be deemed to refer to any other nationally recognized securities rating agency selected by the Issuer.

Fixed Rate means the per annum interest rate or interest rates on any Series of 2008 Series Bonds in a Fixed Rate Mode determined pursuant to the provisions of the Indenture.

Fixed Rate Mode means, with respect to a Series of 2008 Series Bonds, the Mode during which such Series of 2008 Series Bonds bear interest at a Fixed Rate.

Flexible Mode means, with respect to a Series of 2008 Series Bonds, the Mode during which such Series of 2008 Series Bonds bear interest at Flexible Rates.

Flexible Rate means, with respect to any 2008 Series Bond in a Flexible Mode, the per annum interest rate determined for such 2008 Series Bond pursuant to the provisions of the Indenture.

Flexible Rate Period means, with respect to any 2008 Series Bond in a Flexible Mode, the period of from one (1) to three hundred ninety-seven (397) calendar days (which Flexible Rate Period must end on a day preceding a Business Day) during which a Flexible Rate Bond shall bear interest at a Flexible Rate, as established by the applicable Remarketing Agent pursuant to the provisions of the Indenture.

Holder or **Bondholder**, whenever used in the Indenture with respect to a Bond, means the person in whose name such Bond is registered.

Indenture means the Indenture, dated as of August 1, 2006, between the Trustee and the Issuer, as originally executed or as it may from time to time be supplemented or amended by any Supplemental Indenture delivered pursuant to the provisions of the Indenture.

Insurance means any financial guaranty insurance policy or municipal bond insurance policy issued by an Insurer insuring the payment when due of principal of and interest on a Series of Bonds as provided in such financial guaranty insurance policy or municipal bond insurance policy.

Insurer means any provider of Insurance with respect to a Series of Bonds.

Interest Fund means the fund by that name established pursuant to the Indenture.

Interest Payment Date, with respect to each Series of Bonds, shall have the meaning specified in the Supplemental Indenture establishing the terms and provisions of such Series of Bonds.

Interest Period means, for each Series of 2008 Series Bonds in a particular Mode, the period of time that such Series of 2008 Series Bonds bear interest at the rate (per annum) which becomes effective at the beginning of such period, and shall include an ARS Rate Period, a Daily Rate Period, a Weekly Rate Period, a Flexible Rate Period, a Term Rate Period, and a Fixed Rate Period.

Interest Rate Mode or **Mode** means, as the context may require for each Series of 2008 Series Bonds, the ARS Mode, the Daily Mode, the Weekly Mode, the Flexible Mode, the Term Rate Mode, or the Fixed Rate Mode.

Interest Rate Swap Agreement or **Swap** means an interest rate swap, cap, collar, option, floor, forward, derivative or other hedging agreement, arrangement or security, however denominated, entered into between the Issuer and a Counterparty, in connection with, or incidental to, the issuance or carrying of Bonds including, without limitation, an interest rate swap, cap, collar, option, floor, forward, derivative or other hedging agreement, arrangement or security entered into in advance of the issuance of Bonds.

Interest Rate Swap Agreement means with respect to the 2008 Series Bonds: (i) the International Swaps and Derivatives Association ("ISDA") Master Agreement, including the Schedule to the ISDA Master Agreement, the ISDA Credit Support Annex and the Confirmation thereto, each dated as of August 1, 2006, as amended from time to time, pursuant to which the Issuer and Bank of America, N. A. have entered into an interest rate swap transaction in the notional amount of $50,000,000; (ii) the ISDA Master Agreement, including the Schedule to the ISDA Master Agreement, the ISDA Credit Support Annex and the Confirmation thereto, each dated as of August 1, 2006, as amended from time to time, pursuant to which the Issuer and Citibank, N.A., New York have entered into an interest rate swap transaction in the notional amount of $85,875,000; (iii) the ISDA Master Agreement, including the Schedule to the ISDA Master Agreement, the ISDA Credit Support Annex and the Confirmation thereto, each dated as of August 1, 2006, as amended from time to time, pursuant to which the Issuer and Goldman Sachs Mitsui Marine Derivative Products, L.P. have entered into an interest rate swap transaction in the notional amount of $50,000,000; and (iv) the ISDA Master Agreement, including the Schedule to the ISDA Master Agreement, the ISDA Credit Support Annex and the Confirmation thereto, each dated as of August 1, 2006, as amended from time to time, pursuant to which the Issuer and Morgan Stanley Capital Services Inc. have entered into an interest rate swap transaction in the notional amount of $50,000,000.

Investment Policy means the investment policy adopted by the Board on April 4, 1996 and reaffirmed by the Board on May 3, 2007, as heretofore modified, amended and supplemented, and as such investment policy may be further modified, amended or supplemented from time to time by action of the Board.

Investment Securities means any of the following to the extent such Investment Securities are permitted pursuant to the Investment Policy:

(A) The following obligations may be used as Investment Securities for all purposes, including defeasance investments in refunding escrow accounts:

(1) Cash (insured at all times by the Federal Deposit Insurance Corporation or otherwise collateralized with obligations described in paragraph (2) below);

(2) Direct obligations of (including obligations issued or held in book entry form on the books of) the Department of the Treasury of the United States of America;

(3) Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including

- Export-Import Bank
- Farm Credit System Financial Assistance Corporation
- Rural Economic Community Development Administration (formerly the Farmers Home Administration)
- General Services Administration
- U.S. Maritime Administration
- Small Business Administration
- Government National Mortgage Association (GNMA)
- U.S. Department of Housing & Urban Development (PHA's)
- Federal Housing Administration
- Federal Financing Bank; and

(4) Direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America:

- Senior debt obligations rated "Aaa" by Moody's and "AAA" by Standard & Poor's issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC)
- Obligations of the Resolution Funding Corporation (REFCORP)
- Senior debt obligations of the Federal Home Loan Bank System
- Senior debt obligations of other Government Sponsored Agencies approved by each Credit Enhancement Provider then providing Credit Enhancement for a Series of Bonds.

(B) The following obligations may be used as Investment Securities for all purposes other than defeasance investments in refunding escrow accounts:

(1) U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks (including the Trustee and its affiliates) which have a rating (ratings on holding companies are not considered as the rating of the banks) on their short-term certificates of deposit on the date of purchase of "A-1" or "A-1+" by Standard & Poor's and "P-1" by Moody's and maturing no more than three hundred sixty (360) days after the date of purchase;

(2) Commercial paper which is rated at the time of purchase in the single highest classification, "A-1" by Standard & Poor's or "P-1" by Moody's and which matures not more than two hundred seventy (270) days after the date of purchase;

(3) Investments in a money market fund rated "AAAm or "AAAm-G" or better by Standard & Poor's including funds for which the Trustee or an affiliate provides investment advice or other services;

(4) Pre-refunded Municipal Obligations defined as follows: Any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and

> (A) which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest rating category of Standard & Poor's and Moody's or any successors thereto; or
>
> (B) (i) which are fully secured as to principal and interest and prepayment premium, if any, by an escrow consisting only of cash or obligations described in paragraph A(2) above, which escrow may be applied only to the payment of such principal of and interest and prepayment premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified prepayment date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and prepayment premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate;

(5) General obligations of states with a rating of at least "A2/A" or higher by both Moody's and Standard & Poor's;

(6) Any investment agreement with a financial institution or insurance company which has at the date of execution thereof an outstanding issue of unsecured, uninsured and unguaranteed debt obligations or a claims paying ability rated (or the parent company or guarantor of which is rated) in either of the two highest long-term Rating Categories by Moody's and Standard & Poor's;

(7) The Local Agency Investment Fund managed by the Treasurer of the State of California, as referred to in Section 16429.1 of the Government Code of the State but only to the extent such investment is registered in the name of the Trustee;

(8) Shares in a common law trust established pursuant to Title 1, Division 7, Charter 5 of the Government Code of the State which invests exclusively in investments permitted by Section 53601 of Title 5 Division 2, Chapter 4 of the Government Code of the State, as it may be amended ("CAMP");

(9) The commingled investment fund of the County of Santa Clara, California, which is administered in accordance with the investment policy of said County as established by the Director of Finance thereof, as permitted by Section 53601 of the Government

Code of the State, copies of which policy are available upon written request to said Director of Finance; and

(10) Any other forms of investments, including repurchase agreements, approved in writing by each Credit Enhancement Provider then providing Credit Enhancement for a Series of Bonds.

Issuer or **Authority** means the Santa Clara Valley Transportation Authority, a public transit district duly established and existing under the laws of the State of California.

Liquidity Facility means, with respect to a Series of Bonds, a line of credit, letter of credit, standby purchase agreement or similar liquidity facility, issued by a commercial bank, insurance company, pension fund or other financial institution, and delivered or made available to the Trustee, as from time to time supplemented or amended pursuant to its terms, or, in the event of the delivery or availability of an Alternate Liquidity Facility, such Alternate Liquidity Facility.

Liquidity Facility Bonds means any Bonds purchased with moneys drawn under (or otherwise obtained pursuant to the terms of) a Liquidity Facility, but excluding any Bonds no longer considered to be Liquidity Facility Bonds in accordance with the terms of the applicable Liquidity Facility.

Liquidity Facility Provider means, with respect to a Series of Bonds, the commercial bank, insurance company, pension fund or other financial institution issuing (or having primary obligation, or acting as agent for the financial institutions obligated, under) a Liquidity Facility then in effect with respect to such Series of Bonds.

Liquidity Facility Rate means, with respect to a Series of Bonds, the interest rate per annum, if any, specified in the Liquidity Facility delivered in connection with such Series of Bonds as applicable to Liquidity Facility Bonds.

Mandatory Purchase Date means: (i) with respect to a Flexible Rate Bond, the first Business Day following the last day of each Flexible Rate Period with respect to such Flexible Rate Bond; (ii) for 2008 Series Bonds in a Term Rate Mode, the first Business Day following the last day of each Term Rate Period for such Series of 2008 Series Bonds; (iii) any Mode Change Date (except a change in Mode between the Daily Mode and the Weekly Mode if the then-existing Liquidity Facility provides for the payment of the purchase price of a Series of Bonds in both the Daily Mode and the Weekly Mode); (iv) any Substitution Date; (v) the fifth (5th) Business Day prior to an Expiration Date; (vi) with respect to the affected Series of 2008 Series Bonds, the date specified by the Trustee following the occurrence of an event of default (other than an event of default which constitutes an Automatic Termination Event) under the applicable Reimbursement Agreement, which date shall be a Business Day not less than twenty (20) days after the Trustee's receipt of notice of such event of default from the applicable Liquidity Facility Provider and in no event later than the Business Day preceding the termination date specified in the notice of event of default delivered to the Trustee by such Liquidity Facility Provider; (vii) for any Series of 2008 Series Bonds in a Daily Mode or a Weekly Mode, any Business Day specified by the Issuer in a notice delivered to the Trustee, which Mandatory Purchase Date shall be not less than twenty (20) days after the Trustee's receipt of such notice from the Issuer; and (viii) for any Series of 2008 Series Bonds in an ARS Mode, any date on which such Series of 2008 Bonds may be redeemed, specified by the Issuer not less than forty-five (45) days (or such lesser period as shall be agreed to by the Trustee) after the Trustee's receipt of such notice from the Issuer, which notice shall be accompanied by a Favorable Opinion of Bond Counsel.

Make-Whole Premium means, with respect to any 2010 Series A Bond to be redeemed pursuant to the Indenture, an amount calculated by a Designated Banking Institution equal to the positive difference, if any, between:

(1) The sum of the present values, calculated as of the date fixed for redemption of:

(a) Each interest payment that, but for the redemption, would have been payable on the 2010 Series A Bond or portion thereof being redeemed on each regularly scheduled Interest Payment Date occurring after the date fixed for redemption through the maturity date of such 2010 Series A Bond (excluding any accrued interest for the period prior to the date fixed for redemption); provided, that if the date fixed for redemption is not a regularly scheduled Interest Payment Date with respect to such 2010 Series A Bond, the amount of the next regularly scheduled interest payment will be reduced by the amount of interest accrued on such 2010 Series A Bond to the date fixed for redemption; plus

(b) The principal amount that, but for such redemption, would have been payable on the maturity date of the 2010 Series A Bond or portion thereof being redeemed; minus

(2) The principal amount of the 2010 Series A Bond or portion thereof being redeemed.

The present values of the interest and principal payments referred to in (1) above will be determined by discounting the amount of each such interest and principal payment from the date that each such payment would have been payable but for the redemption to the date fixed for redemption on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at a discount rate equal to the Comparable Treasury Yield (as defined herein), plus 35 basis points.

Mandatory Sinking Account Payment means, with respect to Bonds of any Series and maturity, the amount required by the Supplemental Indenture establishing the terms and provisions of such Series of Bonds to be deposited by the Issuer in a Sinking Account for the payment of Term Bonds of such Series and maturity.

Maturity Date means, with respect to a Series of Bonds, the date of maturity or maturities specified in the Supplemental Indenture establishing the terms and provisions of such Series of Bonds.

Maximum Annual Debt Service means the maximum amount of Annual Debt Service becoming due and payable on all Bonds Outstanding and all Parity Obligations outstanding during the period from the date of such calculation through the final maturity date of the Bonds and Parity Obligations, calculated utilizing the assumptions set forth under the definition of Debt Service.

Maximum Rate means the lesser of (i) twelve percent (12%) and (ii) the maximum rate of interest that may legally be paid on the Bonds from time to time.

Mode or **Interest Rate Mode** means, as the context may require for each Series of 2008 Series Bonds, the ARS Mode, the Daily Mode, the Weekly Mode, the Flexible Mode, the Term Rate Mode, or the Fixed Rate Mode.

Moody's means Moody's Investors Service, a corporation duly organized and existing under the laws of the State of Delaware, and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency selected by the Issuer.

Notice Parties means, as and to the extent applicable, the Issuer, the Trustee, the Credit Enhancement Provider, if any, for the Series of Bonds to which the notice being given relates, the Auction Agent, if any, for the Series of Bonds to which the notice being given relates, the Broker-Dealer, if any, for the Series of Bonds to which the notice being given relates, the Liquidity Facility Provider, if any, for the Series of Bonds to which the notice being given relates, and the Remarketing Agent, if any, for the Series of Bonds to which the notice being given relates.

One Month USD LIBOR Rate means the British Banker's Association average of interbank offered rates in the London market for deposits in U. S. dollars for a one month period as reported in The Wall Street Journal or, if not reported in such newspaper, as reported in such other source as may be selected by the Issuer.

Opinion of Bond Counsel means a written opinion of a law firm of national standing in the field of public finance selected by the Issuer.

Ordinance means Ordinance No. 01.1 adopted by the Board on March 1, 2001, pursuant to the provisions of Article 9 of Chapter 5 of the Act, as now in effect and as it may from time to time hereafter be amended or supplemented.

Outstanding, when used as of any particular time with reference to Bonds, means (subject to the provisions of the Indenture) all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under the Indenture except: (1) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (2) Bonds with respect to which all liability of the Issuer shall have been discharged in accordance with the provisions of the Indenture described below under the caption "Discharge of Liability on Bonds," and (3) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Trustee pursuant to the Indenture; provided, however, that in the event the principal of or interest due on any Bonds shall be paid by the Credit Enhancement Provider pursuant to the Credit Enhancement issued in connection with such Bonds, such Bonds shall remain Outstanding for all purposes and shall not be considered defeased or otherwise satisfied or paid by the Issuer and the pledge of 2000 Measure A Sales Tax Revenues and all covenants, agreements and other obligations of the Issuer to the Holders shall continue to exist and shall run to the benefit of such Credit Enhancement Provider and such Credit Enhancement Provider shall be subrogated to the rights of such Holders.

Parity Obligations means (i) any indebtedness, installment sale obligation, lease obligation or other obligation of the Issuer for borrowed money or (ii) any Interest Rate Swap Agreement (excluding fees and expenses and termination payments on Interest Rate Swap Agreements which fees and expenses and termination payments shall be secured by a lien and charge on the 2000 Measure A Sales Tax Revenues subordinate to the lien and charge upon the 2000 Measure A Sales Tax Revenues which secures the Bonds, Parity Obligations and payment of principal and interest on Subordinate Obligations) entered into in connection with a Series of Bonds, in each case incurred in accordance with the Indenture and having an equal lien and charge upon the 2000 Measure A Sales Tax Revenues and therefore payable on a parity with the Bonds (whether or not any Bonds are Outstanding).

Participating Underwriter means any of the original underwriters of a Series of Bonds required to comply with Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission, under the Securities Act of 1934, as the same may be amended from time to time.

Person shall mean an individual, a corporation, an association, a joint venture, a partnership, a trust, an unincorporated organization or any other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

Principal Fund means the fund by that name established pursuant to the Indenture.

Project means the acquisition, construction improvement or equipping of any or all real and personal and intellectual property, equipment, computers, information services, software rights or interests to be owned, held or used for transit purposes, including, but not limited to, rights-of-way, rail lines, bus lines, stations, platforms, switches, yards, terminals, parking lots and any and all facilities necessary or convenient for transit service within or partly without the County as permitted under the Ordinance, and the payment and/or reimbursement of all costs incidental to or connected with the accomplishment of such purpose including, without limitation, engineering, inspection, legal, fiscal agents, financial consultant and other fees, bond and other reserve funds, working capital, bond interest estimated to accrue during construction and for a period not to exceed one (1) year thereafter or such greater period as shall be specified in the Tax Certificate delivered in connection with a Series of Bonds. As and to the extent permitted pursuant to 2000 Measure A and the Ordinance, Project shall also include the payment of operating expenses relating to increased bus, light rail and paratransit services.

Project Fund means, with respect to any Series of Bonds, a fund by that name established pursuant to the provisions of a Supplemental Indenture to hold the proceeds of a Series of Bonds or a portion thereof prior to expenditure on the portion of the Project being financed with the proceeds of such Series of Bonds.

Proportionate Basis, when used with respect to the redemption of Bonds, means that the amount of Bonds of each maturity to be redeemed shall be determined as nearly as practicable by multiplying the total amount of funds available for redemption by the ratio which the amount of Bond Obligation of Bonds of such maturity bears to the amount of all Bond Obligation of Bonds to be redeemed, provided, however that, any Bond may only be redeemed in an authorized denomination. For purposes of the foregoing, Term Bonds shall be deemed to mature in the years and in the amounts of the Mandatory Sinking Account Payments, and Capital Appreciation Bonds and Current Interest Bonds maturing or subject to Mandatory Sinking Account Payments in the same year shall be treated as separate maturities. When used with respect to the payment or purchase of Bonds, "Proportionate Basis" shall have the same meaning set forth above except that "pay" or "purchase" shall be substituted for "redeem" or "redemption" and "paid" or "purchased" shall be substituted for "redeemed."

Purchase Fund means a fund by that name established to hold funds to be applied to pay the purchase price of a Series of Bonds, which fund shall be established pursuant to the Supplemental Indenture establishing the terms and provisions of such Series of Bonds.

Purchase Price means an amount equal to the principal amount of any 2008 Series Bonds purchased on any Purchase Date, plus accrued interest to such Purchase Date (unless such Purchase Date is also an Interest Payment Date, in which case the Purchase Price shall not include accrued interest, which shall be paid in the normal course).

Rating Agency means, as and to the extent applicable to a Series of Bonds, each of Fitch, Moody's and Standard & Poor's then maintaining a rating on such Series of Bonds at the request of the Issuer.

Rating Category means: (i) with respect to any long-term rating category, all ratings designated by a particular letter or combination of letters, without regard to any numerical modifier, plus or minus sign or other modifier; and (ii) with respect to any short-term or commercial paper rating category, all ratings designated by a particular letter or combination of letters and taking into account any numerical modifier, but not any plus or minus sign or other modifier.

Rebate Fund means that fund by that name established pursuant to the Indenture.

Rebate Instructions means, with respect to any Series of Bonds, those calculations and directions required to be delivered to the Trustee by the Issuer pursuant to the Tax Certificate delivered in connection with such Series of Bonds.

Rebate Requirement means, with respect to any Series of Bonds, the Rebate Requirement determined in accordance with the Tax Certificate delivered in connection with such Series of Bonds.

Record Date, with respect to each Series of Bonds, shall have the meaning specified in the Supplemental Indenture establishing the terms and provisions of such Series of Bonds.

Redemption Fund means the fund by that name established pursuant to the Indenture.

Redemption Price means, with respect to any Bond (or portion thereof) the principal amount of such Bond (or portion thereof) plus the applicable premium, if any, payable upon redemption thereof pursuant to the provisions of such Bond and the Indenture.

Reference Treasury Dealer means a primary United States Government securities dealer appointed by the Issuer and reasonably acceptable to the Designated Banking Institution.

Refunding Bonds means a Series of Bonds or a portion of a Series of Bonds issued pursuant to the provisions of the Indenture described below under the caption "Issuance of Refunding Bonds."

Reimbursement Agreement means, with respect to any Series of 2008 Series Bonds, any reimbursement agreement, credit agreement, line of credit agreement, standby bond purchase agreement or other agreement, between a Liquidity Facility Provider and the Issuer, as the same may be amended from time to time pursuant to its terms.

Remarketing Agent means, with respect to any Series of 2008 Series Bonds, the remarketing agent for such Series of 2008 Series Bonds appointed by the Issuer pursuant to the provisions of the Indenture.

Remarketing Agreement means, with respect to any Series of 2008 Series Bonds, an agreement providing for the remarketing of such Series of 2008 Series Bonds tendered for purchase, as the same may be amended from time to time pursuant to its terms.

Remarketing Proceeds Account means, with respect to any Series of 2008 Series Bonds, an account by that name established for such Series of 2008 Series Bonds pursuant to the Indenture.

Repositories means the public or private entities designated as Repositories in a Continuing Disclosure Certificate entered into in connection with a Series of Bonds.

Required Stated Amount means, in the case of each Liquidity Facility, at any time of calculation with respect to a Series of 2008 Series Bonds, an amount equal to the aggregate principal amount of such Series of 2008 Series Bonds then Outstanding together with interest accruing thereon (assuming an annual rate of interest equal to the Maximum Rate) for the period specified in a certificate of the Issuer to be the minimum period specified by the Rating Agencies then rating such Series of 2008 Series Bonds, as necessary to maintain the short-term rating of such Series of 2008 Series Bonds.

Reserve Facility means any insurance policy, letter of credit or surety bond issued by a Reserve Facility Provider, meeting the requirements set forth in the Indenture described below under the caption "Funding and Application of Bond Reserve Funds," and delivered to the Trustee in satisfaction of all or a portion of the Bond Reserve Requirement applicable to one or more Series of Bonds.

Reserve Facility Provider means any issuer of a Reserve Facility.

Revenue Fund means the Sales Tax Revenue Fund established pursuant to the Indenture.

Revenues means: (i) all 2000 Measure A Sales Tax Revenues; and (ii) all investment earnings on amounts held by the Trustee in the funds and accounts established under the Indenture, excluding amounts deposited to the Rebate Fund and any Purchase Fund. Revenues does not include any funds or assets of the Issuer except 2000 Measure A Sales Tax Revenues and investment earnings on amounts held by the Trustee in the funds and accounts established under the Indenture, excluding amounts deposited to the Rebate Fund and any Purchase Fund; provided, however, that in accordance with the provisions of the Indenture described below under the caption "Issuance of Additional Bonds," the Issuer by Supplemental Indenture may provide for additional revenues or assets of the Issuer to be included in the definition of Revenues. Pursuant to the provisions set forth in the Fourth Supplemental Indenture, Subsidy Payments shall be included within the definition of Revenues until such time as the amendment of clause (g) of the definition of debt service described below in subsection (D) under the caption "Issuance of Additional Bonds" shall become effective. At such time as the amendment of clause (g) of the definition of debt service described below under the caption "Issuance of Additional Bonds" shall become effective, Subsidy Payments shall no longer be included in within the definition of Revenues for purposes of any calculations to be provided pursuant to the provisions of the Indenture described below in subsection (D) under the caption "Issuance of Additional Bonds."

Rule 15c2-12 means Securities and Exchange Commission Rule 15c2-12, as supplemented and amended from time to time.

Sales Tax Revenues or **2000 Measure A Sales Tax Revenues** means the amounts available for distribution to the Issuer after the date of issuance of the 2006 Series Bonds on account of the 2000 Measure A Sales Tax after deducting amounts payable by the Issuer to the State CDTFA for costs and expenses for its services in connection with the 2000 Measure A Sales Tax collected pursuant Section 100250 et seq. of the Act and levied pursuant to the Ordinance.

Securities Depository means The Depository Trust Company, or, in accordance with then-current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depository, or no such depositories, as the Issuer may designate in a Request of the Issuer delivered to the Trustee.

Serial Bonds means Bonds, maturing in specified years, for which no Mandatory Sinking Account Payments are provided.

Series, whenever used in the Indenture with respect to Bonds, means all of the Bonds designated as being of the same series, authenticated and delivered in a simultaneous transaction regardless of variations in maturity, interest rate, redemption and other provisions, and any Bonds thereafter authenticated and delivered upon transfer or exchange or in lieu of or in substitution for (but not to refund) such Bonds as in the Indenture provided.

Sinking Account means an account by that name established in the Principal Fund for the payment of Term Bonds.

Standard & Poor's or **S&P** means Standard & Poor's, a division of The McGraw-Hill Companies, Inc., a corporation duly organized and existing under and by virtue of the laws of the State of New York, and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term "Standard & Poor's" shall be deemed to refer to any other nationally recognized securities rating agency selected by the Issuer.

State means the State of California.

Subordinate Obligations means any obligations issued or incurred in accordance with the provisions of the Indenture described in paragraph (D) under the caption "Limitations on the Issuance of Obligations Payable from 2000 Measure A Sales Tax Revenues; Parity Obligations; Subordinate Obligations" set forth below.

Subordinate Obligations Fund means the fund by that name established pursuant to the Indenture.

Subsidy Payments means payments to be made by the United States Treasury to the Trustee pursuant to Section 54AA of the Code or Section 6431 of the Code or any successor to either of such provisions of the Code and with respect to the interest due on a Series of taxable Bonds that have been accorded Build America Bonds status under the provisions of the American Recovery and Reinvestment Act of 2009 or any successor thereto or replacement thereof.

Supplemental Indenture means any indenture duly executed and delivered, supplementing, modifying or amending the Indenture, but only if and to the extent that such supplemental indenture is specifically authorized under the Indenture.

Tax Certificate means each Tax Certificate delivered by the Issuer at the time of issuance and delivery of a Series of Bonds, as the same may be amended or supplemented in accordance with its terms.

Tax Expiration Date means March 31, 2036 or such later date to which the levy of the 2000 Measure A Sales Tax is extended in accordance with the Act.

Tax Law Change means legislation has been enacted by the Congress of the United States or passed by either House of the Congress, or a decision has been rendered by a court of the United States, or an order, ruling, regulation (final, temporary or proposed) or official statement has been made by or on behalf of the Treasury Department of the United States, the Internal Revenue Service or other governmental agency of appropriate jurisdiction, the effect of which, as reasonably determined by the Issuer, would be to suspend, reduce or terminate the Subsidy Payments from the United States Treasury to the Issuer with respect to the 2010 Series A Bonds, or payments to state or local government issuers generally with respect to obligations of the general character of, and issued in the same calendar year as, the 2010 Series A Bonds; provided, that such suspension, reduction or termination of the Subsidy Payments is not due to a failure by the Issuer to comply with the requirements under the Code to receive such Subsidy Payments.

Term Bonds means Bonds payable at or before their specified maturity date or dates from Mandatory Sinking Account Payments established for that purpose and calculated to retire such Bonds on or before their specified maturity date or dates.

Term Rate means the per annum interest rate for any Series of 2008 Series Bonds in the Term Rate Mode determined pursuant to the Indenture.

Term Rate Mode means, with respect to a Series of 2008 Series Bonds, the Mode during which such Series of 2008 Series Bonds bear interest at a Term Rate.

Trustee means U.S. Bank National Association, a national banking association duly organized and existing under and by virtue of the laws of the United States of America, or its successor, as Trustee as provided in the Indenture.

2000 Measure A means the ballot measure which authorized the 2000 Measure A Sales Tax.

2000 Measure A Sales Tax means the retail transactions and use tax authorized by 2000 Measure A.

2000 Measure A Sales Tax Revenues or **Sales Tax Revenues** means the amounts available for distribution to the Issuer after the date of issuance of the 2006 Series Bonds on account of the 2000 Measure A Sales Tax after deducting amounts payable by the Issuer to the CDTFA for costs and expenses for its services in connection with the 2000 Measure A Sales Tax collected pursuant Section 100250 et seq. of the Act and levied pursuant to the Ordinance.

2007 Series A Bonds means the Santa Clara Valley Transportation Authority 2000 Measure A Sales Tax Revenue Refunding Bonds, 2007 Series A, authorized by, and at any time Outstanding pursuant to the Indenture.

2008 Series Bonds means, collectively, the 2008 Series A Bonds, the 2008 Series B Bonds, the 2008 Series C Bonds and the 2008 Series D Bonds.

2008 Series A Bonds means the Santa Clara Valley Transportation Authority 2000 Measure A Sales Tax Revenue Refunding Bonds, 2008 Series A, authorized by, and at any time Outstanding pursuant to the Indenture.

2008 Series B Bonds means the Santa Clara Valley Transportation Authority 2000 Measure A Sales Tax Revenue Refunding Bonds, 2008 Series B, authorized by, and at any time Outstanding pursuant to the Indenture.

2008 Series C Bonds means the Santa Clara Valley Transportation Authority 2000 Measure A Sales Tax Revenue Refunding Bonds, 2008 Series C, authorized by, and at any time Outstanding pursuant to the Indenture.

2008 Series D Bonds means the Santa Clara Valley Transportation Authority 2000 Measure A Sales Tax Revenue Refunding Bonds, 2008 Series D, authorized by, and at any time Outstanding pursuant to the Indenture.

2008 Series Bond Reserve Fund means the fund by that name established pursuant to the Indenture.

2010 Series Bonds means, collectively, the 2010 Series A Bonds and the 2010 Series B Bonds.

2010 Series A Bonds means the Santa Clara Valley Transportation Authority 2000 Measure A Sales Tax Revenue Bonds, 2010 Series A (Taxable Build America Bonds), authorized by, and at any time Outstanding pursuant to the Indenture.

2010 Series B Bonds means the Santa Clara Valley Transportation Authority 2000 Measure A Sales Tax Revenue Bonds, 2010 Series B (Tax-Exempt Bonds), authorized by, and at any time Outstanding pursuant to the Indenture.

2010 Series Bond Reserve Fund means the fund by that name established pursuant to the Indenture.

Variable Rate Indebtedness means any indebtedness the interest rate on which is not fixed at the time of incurrence of such indebtedness, and has not at some subsequent date been fixed, at a numerical rate or rates for the entire term of such indebtedness.

Weekly Mode means, with respect to any Series of 2008 Series Bonds, the Mode during which such Series of 2008 Series Bonds bear interest at the Weekly Rate.

Pledge of 2000 Measure A Sales Tax Revenues; Sales Tax Revenue Fund[*]

The Bonds are limited obligations of the Issuer and are payable as to both principal and interest, and any premium upon redemption thereof, exclusively from the 2000 Measure A Sales Tax Revenues and other funds pledged under the Indenture. All 2000 Measure A Sales Tax Revenues are pledged to secure the punctual payment of the principal of, redemption premium, if any, and interest on the Bonds and any Parity Obligations in accordance with their terms, subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and provisions set forth in the Indenture. All amounts (including proceeds of the Bonds) held by the Trustee under the Indenture (except for amounts held in the Rebate Fund and any Purchase Fund) are pledged to secure the payment of the principal of and redemption premium, if any, and interest on the Bonds in accordance with their terms, subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture. Said pledge shall constitute a first lien on the 2000 Measure A Sales Tax Revenues and on the amounts in such funds.

The 2000 Measure A Sales Tax Revenues pledged to the payment of Bonds and Parity Obligations shall be applied without priority or distinction of one over the other and the 2000 Measure A Sales Tax Revenues shall constitute a trust fund for the security and payment of the Bonds and Parity Obligations; but nevertheless out of 2000 Measure A Sales Tax Revenues certain amounts may be applied for other purposes as provided in the Indenture.

Out of 2000 Measure A Sales Tax Revenues there shall be applied as hereinafter described all sums required for the payment of the principal of (including any premium thereon) and interest on the Bonds and all Parity Obligations, together with any sinking fund payments of Bonds and Parity Obligations and reserve requirements with respect thereto and fees and expenses and similar charges payable in connection with the Bonds and Parity Obligations. All remaining 2000 Measure A Sales Tax Revenues, after making the foregoing allocation, shall be available to the Issuer for all lawful Issuer purposes. The pledge of 2000 Measure A Sales Tax Revenues made in the Indenture shall be irrevocable until all of the Bonds, all Parity Obligations and amounts owed in connection with the Bonds and Parity Obligations are no longer outstanding.

The 2000 Measure A Sales Tax Revenues shall be received and held in trust by the Trustee for the benefit of the Holders of the Bonds and the Parity Obligations and shall be disbursed, allocated and applied solely for the uses and purposes set forth in the Indenture and described below under the caption

[*] See “Fourth Supplemental Indenture – Pledge of Subsidy Payments.”

"Allocation of Revenues." As long as any Bonds are Outstanding or any Parity Obligations remain unpaid, the Issuer assigns and shall cause 2000 Measure A Sales Tax Revenues to be transmitted by the CDTFA directly to the Trustee. The Trustee shall forthwith deposit in a trust fund, designated as the "Sales Tax Revenue Fund," which fund the Trustee shall establish and maintain, all 2000 Measure A Sales Tax Revenues, when and as received by the Trustee. Investment income on amounts held by the Trustee under the Indenture (other than amounts held in the Rebate Fund or for which particular instructions (such as with respect to a Project Fund or a Purchase Fund) are provided in a Supplemental Indenture) shall also be deposited in the Revenue Fund. All moneys at any time held in the Revenue Fund shall be held in trust for the benefit of the Holders of the Bonds and the holders of Parity Obligations and shall be disbursed, allocated and applied solely for the uses and purposes set forth in the Indenture and described below under the caption "Allocation of Revenues."

Allocation of 2000 Measure A Sales Tax Revenues

So long as any Bonds are Outstanding, the Trustee shall set aside in each month following receipt of the 2000 Measure A Sales Tax Revenues the moneys in the Revenue Fund in the following respective funds (each of which the Trustee shall establish, maintain and hold in trust for the benefit of the Holders of the Bonds and, as and to the extent applicable, the holders of Parity Obligations) in the following amounts, in the following order of priority, the requirements of each such fund (including the making up of any deficiencies in any such fund resulting from lack of Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any deposit is made to any fund subsequent in priority; provided that on a parity with such deposits the Trustee may set aside or transfer amounts with respect to any outstanding Parity Obligations as provided in the proceedings for such Parity Obligations delivered to the Trustee (which shall be proportionate in the event such amounts are insufficient to provide for all deposits required as of any date to be made with respect to the Bonds and such Parity Obligations):

Interest Fund. Following receipt of the 2000 Measure A Sales Tax Revenues in each month, the Trustee shall set aside in the Interest Fund as soon as practicable in such month an amount equal to (a) one-sixth of the aggregate half-yearly amount of interest becoming due and payable on the Outstanding Current Interest Bonds (except for Bonds constituting Variable Rate Indebtedness which shall be governed by subparagraph (b) below) during the next ensuing six (6) months (excluding any interest for which there are moneys deposited in the Interest Fund from the proceeds of any Series of Bonds or other source and reserved as capitalized interest to pay such interest during said next ensuing six (6) months), until the requisite half-yearly amount of interest on all such Outstanding Current Interest Bonds (except for Bonds constituting Variable Rate Indebtedness which shall be governed by subparagraph (b) below) is on deposit in such fund; provided that, from the date of delivery of a Series of Current Interest Bonds until the first interest payment date with respect to such Series of Bonds, the amounts set aside in such fund with respect to such Series of Bonds shall be sufficient on a monthly pro rata basis to pay the aggregate amount of interest becoming due and payable on said interest payment date with respect to such Series of Bonds, plus (b) the aggregate amount of interest to accrue during that month on Outstanding Variable Rate Indebtedness, calculated, if the actual rate of interest is not known, at the interest rate specified in writing by the Issuer, or if the Issuer shall not have specified an interest rate in writing, calculated at the maximum interest rate borne by such Variable Rate Indebtedness during the month prior to month of deposit plus one hundred (100) basis points (provided, however, that the amount of such deposit into the Interest Fund for any month may be reduced by the amount by which the deposit in the prior month exceeded the actual amount of interest accrued during that month on said Outstanding Variable Rate Indebtedness and provided further that the amount of such deposit into the Interest Fund for any month shall be increased by the amount by which the deposit in the prior month was less than the actual amount of interest accruing during that month on said Outstanding Variable Rate Indebtedness). No deposit need be made into the Interest Fund if the amount contained therein is at least equal to the interest to become due and payable on the Interest Payment Dates falling within the next six (6) months upon all of the Bonds issued under the Indenture and then Outstanding and on April 1 of each year any excess amounts in the Interest Fund not needed to pay interest on such date (and not held to pay interest on Bonds having interest payment dates other than April 1 and October 1) shall be transferred to the Issuer (but excluding, in each case, any moneys on deposit in the Interest Fund from the proceeds of any Series of Bonds or other source and reserved as capitalized interest to pay interest on any future interest payment dates following such interest payment dates).

Principal Fund; Sinking Accounts. Following receipt of the 2000 Measure A Sales Tax Revenues in each month, the Trustee shall deposit in the Principal Fund as soon as practicable in such month an amount equal to at least (a) one-sixth of the aggregate semiannual amount of Bond Obligation becoming due and payable on the Outstanding Serial Bonds of all Series having semiannual maturity dates within the next six (6) months, plus (b) one-twelfth of the aggregate yearly amount of Bond Obligation becoming due and payable on the Outstanding Serial Bonds of all Series having annual maturity dates within the next twelve (12) months, plus (c) one-sixth of the aggregate of the Mandatory Sinking Account Payments to be paid during the next six-month period into the respective Sinking Accounts for the Term Bonds of all Series for which Sinking Accounts have been created and for which semiannual mandatory redemption is required from said Sinking Accounts, plus (d) one-twelfth of the aggregate of the Mandatory Sinking Account Payments to be paid during the next 12-month period into the respective Sinking Accounts for the Term Bonds of all Series for which Sinking Accounts shall have been created and for which annual mandatory redemption is required from such Sinking Accounts; provided that if the Issuer certifies to the Trustee that any principal payments are expected to be refunded on or prior to their respective due dates or paid from amounts on deposit in a Bond Reserve Fund that would be in excess of the Bond Reserve Requirement applicable to such Bond Reserve Fund upon such payment, no amounts need be set aside towards such principal to be so refunded or paid. All of the aforesaid deposits made in connection with future Mandatory Sinking Account Payments shall be made without priority of any payment into any one such Sinking Account over any other such payment.

In the event that the 2000 Measure A Sales Tax Revenues shall not be sufficient to make the required deposits so that moneys in the Principal Fund on any principal or mandatory redemption date are equal to the amount of Bond Obligation to become due and payable on the Outstanding Serial Bonds of all Series plus the Bond Obligation amount of and redemption premium on the Outstanding Term Bonds required to be redeemed or paid at maturity on such date, then such moneys shall be applied on a Proportionate Basis and in such proportion as said Serial Bonds and said Term Bonds shall bear to each other, after first deducting for such purposes from said Term Bonds any of said Term Bonds required to be redeemed annually as shall have been redeemed or purchased during the preceding 12-month period and any of said Term Bonds required to be redeemed semiannually as shall have been redeemed or purchased during the six-month period ending on such date or the immediately preceding six month period. In the event that the 2000 Measure A Sales Tax Revenues shall not be sufficient to pay in full all Mandatory Sinking Account Payments required to be paid at any one time into all such Sinking Accounts, then payments into all such Sinking Accounts shall be made on a Proportionate Basis, in proportion that the respective Mandatory Sinking Account Payments required to be made into each Sinking Account during the then current 12-month period bear to the aggregate of all of the Mandatory Sinking Account Payments required to be made into all such Sinking Accounts during such 12-month period.

No deposit need be made into the Principal Fund so long as there shall be in such fund (i) moneys sufficient to pay the Bond Obligations of all Serial Bonds issued under the Indenture and then Outstanding and maturing by their terms within the next twelve (12) months plus (ii) the aggregate of all Mandatory Sinking Account Payments required to be made in such 12-month period, but less any amounts deposited into the Principal Fund during such 12-month period and theretofore paid from the Principal Fund to redeem or purchase Term Bonds during such 12-month period; provided that if the

Issuer certifies to the Trustee that any principal payments are expected to be refunded on or prior to their respective due dates or paid from amounts on deposit in a Bond Reserve Fund that would be in excess of the Bond Reserve Requirement applicable to such Bond Reserve Fund upon such payment, no amounts need be on deposit with respect to such principal payments. At the beginning of each Fiscal Year and in any event not later than April 1 of each year, the Trustee shall request from the Issuer a Certificate of the Issuer setting forth the principal payments for which deposits will not be necessary pursuant to the preceding sentence and the reason therefor. On April 1 of each year any excess amounts in the Principal Fund not needed to pay principal on such date (and not held to pay principal on Bonds having principal payment dates other than April 1) shall be transferred to the Issuer.

Bond Reserve Fund. Upon the occurrence of any deficiency in any Bond Reserve Fund, the Trustee shall make such deposit to such Bond Reserve Fund as is required pursuant to the provisions of the Indenture described in paragraph (D) under the caption "Funding and Application of Bond Reserve Funds," each such deposit to be made as soon as possible in each month, until the balance therein is at least equal to the applicable Bond Reserve Requirement.

Subordinate Obligations Fund. Upon the written direction of the Issuer, the Trustee shall establish, maintain and hold in trust a separate fund designated as the "Subordinate Obligations Fund." Upon the establishment of the Subordinate Obligations Fund at the direction of the Issuer, after the transfers to the Interest Fund, the Principal Fund and the Bond Reserve Funds described above have been made, the Trustee shall deposit in the Subordinate Obligations Fund in each month such amount as the Issuer shall specify in writing is necessary to pay principal of and interest due and payable during the following month with respect to Subordinate Obligations then outstanding.

Fees and Expenses Fund. After the transfers to the Interest Fund, the Principal Fund, the Bond Reserve Funds and the Subordinate Obligations Fund described above have been made if Issuer shall have instructed the Trustee to establish a Subordinate Obligations Fund or after the transfers described above to Interest Fund, Principal Fund, and Bond Reserve Funds have been made if no Subordinate Obligations Funds shall have been established, the Trustee shall deposit as soon as practicable in each month in the Fees and Expenses Fund (which fund the Trustee hereby agrees to establish, maintain and hold in trust) amounts necessary for payment of fees, expenses and similar charges owing in such month or the following month by the Issuer in connection with the Bonds or any Parity Obligations (excluding termination payments on Interest Rate Swap Agreements). The Issuer shall inform the Trustee of such amounts, in writing, at the beginning of each month.

Any Revenues remaining in the Revenue Fund after the foregoing transfers in the funds and accounts described above, except as the Issuer shall otherwise direct in writing or as is otherwise provided in a Supplemental Indenture, shall be transferred to the Issuer on the same Business Day or as soon as is practicable thereafter. The Issuer may use and apply the Revenues when received by it for any lawful purpose of the Issuer, including the redemption of Bonds upon the terms and conditions set forth in the Supplemental Indenture relating to such Bonds and the purchase of Bonds as and when and at such prices as it may determine.

If five (5) days prior to any principal payment date, interest payment date or mandatory redemption date the amounts on deposit in the Interest Fund, the Principal Fund, including the Sinking Accounts therein, and, as and to the extent applicable, any Bond Reserve Fund established in connection with a Series of Bonds with respect to the payments to be made on such upcoming date are insufficient to make such payments, the Trustee shall immediately notify the Issuer, in writing, of such deficiency and direct that the Issuer transfer the amount of such deficiency to the Trustee on or prior to such payment date. The Issuer covenants and agrees to transfer to the Trustee from any Revenues in its possession the amount of such deficiency on or prior to the principal, interest or mandatory redemption date referenced in such notice.

Establishment and Application of Funds and Accounts

Each of the funds and accounts described below is established pursuant to the Indenture.

Interest Fund. All amounts in the Interest Fund shall be used and withdrawn by the Trustee solely for the purpose of paying interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity pursuant to the Indenture) and making periodic payments on Interest Rate Swap Agreements, as provided pursuant to the provisions of the Indenture described below under the caption "Payment Provisions Applicable to Interest Rate Swap Agreements."

Principal Fund. All amounts in the Principal Fund shall be used and withdrawn by the Trustee solely for the purposes of paying the Bond Obligation of the Bonds when due and payable, except that all amounts in the Sinking Accounts shall be used and withdrawn by the Trustee solely to purchase or redeem or pay at maturity Term Bonds, as provided in the Indenture.

The Trustee shall establish and maintain within the Principal Fund a separate account for the Term Bonds of each Series and maturity, designated as the "[_____] Sinking Account," inserting therein the Series and maturity designation of such Bonds. On or before the Business Day prior to any date upon which a Mandatory Sinking Account Payment is due, the Trustee shall transfer the amount of such Mandatory Sinking Account Payment (being the principal thereof, in the case of Current Interest Bonds, and the Accreted Value, in the case of Capital Appreciation Bonds) from the Principal Fund to the applicable Sinking Account. With respect to each Sinking Account, on each Mandatory Sinking Account Payment date established for such Sinking Account, the Trustee shall apply the Mandatory Sinking Account Payment required on that date to the redemption (or payment at maturity, as the case may be) of Term Bonds of such Series and maturity for which such Sinking Account was established, in the manner provided in the Indenture or the Supplemental Indenture pursuant to which such Series of Bonds was created; provided that, at any time prior to giving such notice of such redemption, the Trustee shall, upon receipt of a Request of the Issuer, apply moneys in such Sinking Account to the purchase of Term Bonds of such Series and maturity at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Fund) as is directed by the Issuer, except that the purchase price (excluding accrued interest, in the case of Current Interest Bonds) shall not exceed the principal amount or Accreted Value thereof. If, during the 12-month period (or six-month period with respect to Bonds having semi- annual Mandatory Sinking Account Payments) immediately preceding said Mandatory Sinking Account Payment date, the Trustee has purchased Term Bonds of such Series and maturity with moneys in such Sinking Account, or, during said period and prior to giving said notice of redemption, the Issuer has deposited Term Bonds of such Series and maturity with the Trustee, or Term Bonds of such Series and maturity were at any time purchased or redeemed by the Trustee from the Redemption Fund and allocable to said Mandatory Sinking Account Payment, such Term Bonds so purchased or deposited or redeemed shall be applied, to the extent of the full principal amount thereof, to reduce said Mandatory Sinking Account Payment. All Term Bonds purchased or deposited pursuant to the provisions of the Indenture described herein shall be cancelled by the Trustee and destroyed by the Trustee and a certificate of destruction shall be delivered to the Issuer by the Trustee. Any amounts remaining in a Sinking Account on April 1 of each year following the redemption as of such date of the Term Bonds for which such account was established shall be withdrawn by the Trustee and transferred as soon as is practicable to the Issuer to be used for any lawful purpose. All Term Bonds purchased from a Sinking Account or deposited by the Issuer with the Trustee in a twelve month period ending March 31 (or in a six-month period ending March 31 or September 30 with respect to

Bonds having semi-annual Mandatory Sinking Account Payments) and prior to the giving of notice by the Trustee for redemption from Mandatory Sinking Account Payments for such period shall be allocated first to the next succeeding Mandatory Sinking Account Payment for such Series and maturity of Term Bonds, if any, occurring on the next April 1 or October 1, then as a credit against such future Mandatory Sinking Account Payments for such Series and maturity of Term Bonds as may be specified in a Request of the Issuer. All Term Bonds redeemed by the Trustee from the Redemption Fund shall be credited to such future Mandatory Sinking Account Payments for such Series and maturity of Term Bonds as may be specified in a Request of the Issuer.

Funding and Application of Bond Reserve Funds. The Issuer may at its sole discretion at the time of issuance of any Series of Bonds or at any time thereafter by Supplemental Indenture provide for the establishment of a Bond Reserve Fund as additional security for a Series of Bonds. Any Bond Reserve Fund so established by the Issuer shall be available to secure one or more Series of Bonds as the Issuer shall determine and shall specify in the Supplemental Indenture establishing such Bond Reserve Fund. Any Bond Reserve Fund established by the Issuer shall be held by the Trustee and shall comply with the requirements of the Indenture described under this caption.

In lieu of making the Bond Reserve Requirement deposit applicable to one or more Series of Bonds in cash or in replacement of moneys then on deposit in any Bond Reserve Fund (which shall be transferred by the Trustee to the Issuer), or in substitution of any Reserve Facility comprising part of the Bond Reserve Requirement relating to one or more Series of Bonds, the Issuer may, at any time and from time to time, deliver to the Trustee an irrevocable letter of credit issued by a financial institution having unsecured debt obligations rated at the time of delivery of such letter of credit in one of the two highest Rating Categories of Moody's and Standard & Poor's, in an amount, which, together with cash, Investment Securities or other Reserve Facilities, as described in the paragraph below, then on deposit in such Bond Reserve Fund, will equal the Bond Reserve Requirement relating to the Bonds to which such Bond Reserve Fund relates. Such letter of credit shall have a term no less than three (3) years or, if less, the final maturity of the Bonds in connection with which such letter of credit was obtained and shall provide by its terms that it may be drawn upon as provided in this caption. At least one (1) year prior to the stated expiration of such letter of credit, the Issuer shall either (i) deliver a replacement letter of credit, (ii) deliver an extension of the letter of credit for at least one (1) additional year or, if less, the final maturity of the Bonds in connection with which such letter of credit was obtained, or (iii) deliver to the Trustee a Reserve Facility satisfying the requirements of the Indenture described in the paragraph below. Upon delivery of such replacement Reserve Facility, the Trustee shall deliver the then-effective letter of credit to or upon the order of the Issuer. If the Issuer shall fail to deposit a replacement Reserve Facility with the Trustee, the Issuer shall immediately commence to make monthly deposits with the Trustee so that an amount equal to the Bond Reserve Requirement relating to the Bonds to which such Bond Reserve Fund relates will be on deposit in such Bond Reserve Fund no later than the stated expiration date of the letter of credit. If an amount equal to the Bond Reserve Requirement relating to the Bonds to which such Bond Reserve Fund relates as of the date following the expiration of the letter of credit is not on deposit in such Bond Reserve Fund one (1) week prior to the expiration date of the letter of credit (excluding from such determination the letter of credit), the Trustee shall draw on the letter of credit to fund the deficiency resulting therefrom in such Bond Reserve Fund.

In lieu of making a Bond Reserve Requirement deposit in cash or in replacement of moneys then on deposit in a Bond Reserve Fund (which shall be transferred by the Trustee to the Issuer) or in substitution of any Reserve Facility comprising part of a Bond Reserve Requirement for any Bonds, the Issuer may, at any time and from time to time, deliver to the Trustee a surety bond or an insurance policy securing an amount which, together with moneys, Investment Securities, or other Reserve Facilities then on deposit in a Bond Reserve Fund, is no less than the Bond Reserve Requirement relating to the Bonds to which such Bond Reserve Fund relates. Such surety bond or insurance policy shall be issued by an insurance company whose unsecured debt obligations (or for which obligations secured by such insurance company's insurance policies) are rated at the time of delivery in one of the two highest Rating Categories of Moody's and Standard & Poor's. Such surety bond or insurance policy shall have a term of no less than the final maturity of the Bonds in connection with which such surety bond or insurance policy is obtained. In the event that such surety bond or insurance policy for any reason lapses or expires, the Issuer shall immediately implement (i) or (iii) of the preceding paragraph or make the required deposits to such Bond Reserve Fund.

Subject to the provisions of the Indenture described in the final paragraph under this caption, all amounts in any Bond Reserve Fund (including all amounts which may be obtained from Reserve Facilities on deposit in such Bond Reserve Fund) shall be used and withdrawn by the Trustee, as hereinafter described for the purpose of making up any deficiency in the Interest Fund or the Principal Fund relating to the Bonds to which such Bond Reserve Fund relates, or (together with any other moneys available therefor) for the payment or redemption of all Bonds then Outstanding to which such Bond Reserve Fund relates or, for the payment of the final principal and interest payment of such Bonds. Unless otherwise directed in a Supplemental Indenture establishing the terms and provisions of a Series of Bonds, the Trustee shall apply amounts held in cash or Investment Securities in any Bond Reserve Fund prior to applying amounts held in the form of Reserve Facilities in any Bond Reserve Fund, and if there is more than one Reserve Facility being held on deposit in any Bond Reserve Fund, shall on a pro rata basis with respect to the portion of a Bond Reserve Fund held in the form of a Reserve Facility (calculated by reference to the maximum amount of such Reserve Facility), draw under each Reserve Facility issued with respect to such Bond Reserve Fund, in a timely manner and pursuant to the terms of such Reserve Facility to the extent necessary in order to obtain sufficient funds on or prior to the date such funds are needed to pay the Bond Obligation of, Mandatory Sinking Account Payments with respect to, and interest on the Bonds to which such Bond Reserve Fund relates when due. In the event that the Trustee has notice that any payment of principal of or interest on a Bond has been recovered from a Holder pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with the final, nonappealable order of a court having competent jurisdiction, the Trustee, pursuant to and provided that the terms of the Reserve Facility, if any, securing the Bonds so provide, shall so notify the issuer thereof and draw on such Reserve Facility to the lesser of the extent required or the maximum amount of such Reserve Facility in order to pay to such Holders the principal of and interest so recovered.

The Trustee shall notify the Issuer of any deficiency in any Bond Reserve Fund (i) due to a withdrawal from such Bond Reserve Fund for purposes of making up any deficiency in the Interest Fund or the Principal Fund relating to the Bonds to which such Bond Reserve Fund relates or (ii) resulting from a valuation of Investment Securities held on deposit in such Bond Reserve Fund pursuant to the provisions of the Indenture described below under the caption "Investment in Funds and Accounts" and shall request that the Issuer replenish such deficiency or repay any and all obligations due and payable under the terms of any Reserve Facility comprising part of any Bond Reserve Requirement. Upon receipt of such notification from the Trustee, the Issuer shall instruct the Trustee to commence setting aside in each month following receipt of 2000 Measure A Sales Tax Revenues for deposit in the applicable Bond Reserve Fund an amount equal to one-twelfth (1/12th) of the aggregate amount of each unreplenished prior withdrawal from such Bond Reserve Fund or decrease resulting from a valuation of Investment Securities and shall further instruct the Trustee to transfer to each Reserve Facility Provider providing a Reserve Facility satisfying a portion of the Bond Reserve Requirement relating to the Bonds to which such Bond Reserve Fund relates, an amount equal to one-twelfth (1/12th) of the aggregate amount of any unreplenished prior withdrawal on such Reserve Facility, such amount to be transferred by the Trustee as promptly as possible after receipt of the 2000 Measure A Sales Tax Revenues each month, commencing with the month following the Issuer's receipt of notification from the Trustee of withdrawal or decrease resulting from a valuation, as applicable, until the balance on deposit in such Bond Reserve Fund is at least equal to the Bond Reserve Requirement relating to the Series of Bonds to which such Bond Reserve Fund relates.

Unless the Issuer shall otherwise direct in writing, amounts in any Bond Reserve Fund in excess of the Bond Reserve Requirement relating to the Bonds to which such Bond Reserve Fund relates shall be transferred by the Trustee to the Issuer on the Business Day following April 1 of each year; provided that such amounts shall be transferred only from the portion of such Bond Reserve Fund held in the form of cash or Investment Securities. In addition, amounts on deposit in any Bond Reserve Fund shall be transferred by the Trustee to the Issuer upon the defeasance, retirement or refunding of Bonds of the Series to which such Bond Reserve Fund relates or upon the replacement of cash on deposit in such Bond Reserve Fund with one or more Reserve Facilities in accordance with the provisions of the Indenture described above.

Subordinate Obligations Fund. All moneys in the Subordinate Obligations Fund shall be applied to the payment of principal of and interest on Subordinate Obligations in accordance with, and upon the written directions of, the Issuer.

Fees and Expenses Fund. All amounts in the Fees and Expenses Fund shall be used and withdrawn by the Trustee solely for the purpose of paying fees, expenses and similar charges owed by the Issuer in connection with the Bonds or any Parity Obligations (excluding termination payments on any Interest Rate Swap Agreement) as such amounts shall become due and payable.

Redemption Fund. The Trustee shall establish, maintain and hold in trust a special fund designated as the "Redemption Fund." All moneys deposited by the Issuer with the Trustee for the purpose of optionally redeeming Bonds of any Series shall, unless otherwise directed by the Issuer, be deposited in the Redemption Fund. All amounts deposited in the Redemption Fund shall be used and withdrawn by the Trustee solely for the purpose of redeeming Bonds of such Series and maturity as shall be specified by the Issuer in a Request to the Trustee, in the manner, at the times and upon the terms and conditions specified in the Supplemental Indenture pursuant to which the Series of Bonds was created; provided that, at any time prior to giving such notice of redemption, the Trustee shall, upon receipt of a Request of the Issuer, apply such amounts to the purchase of Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding, in the case of Current Interest Bonds, accrued interest, which is payable from the Interest Fund) as is directed by the Issuer, except that the purchase price (exclusive of any accrued interest) may not exceed the Redemption Price or Accreted Value then applicable to such Bonds. All Term Bonds purchased or redeemed from the Redemption Fund shall be allocated to Mandatory Sinking Account Payments applicable to such Series and maturity of Term Bonds as may be specified in a Request of the Issuer.

Rebate Fund. Upon receipt of funds to be applied to the Rebate Requirement, the Trustee shall establish and maintain a fund separate from any other fund established and maintained under the Indenture designated as the Rebate Fund. Within the Rebate Fund, the Trustee shall maintain such accounts as shall be necessary in order to comply with the terms and requirements of each Tax Certificate as directed in writing by the Issuer. Subject to the transfer provisions provided in the Indenture, all money at any time deposited in the Rebate Fund shall be held by the Trustee in trust, to the extent required to satisfy the Rebate Requirement, for payment to the federal government of the United States of America, and neither the Trustee nor any Holder nor any other Person shall have any rights in or claim to such money. All amounts deposited into or on deposit in the Rebate Fund shall be governed by the Indenture and by each of the Tax Certificates. The Issuer covenants to comply with the directions contained in each Tax Certificate and the Trustee covenants to comply with all written instructions of the Issuer delivered to the Trustee pursuant to each Tax Certificate (which instructions shall state the actual amounts to be deposited in or withdrawn from the Rebate Fund and shall not require the Trustee to make any calculations with respect thereto).

Payment Provisions Applicable to Interest Rate Swap Agreements

In the event the Issuer shall enter into an Interest Rate Swap Agreement in connection with a Series of Bonds, the amounts received by the Issuer, if any, pursuant to such Interest Rate Swap Agreement may be applied to the deposits required under the Indenture. If the Issuer so designates in a Supplemental Indenture establishing the terms and provisions of such Series of Bonds (or if such Interest Rate Swap Agreement is issued subsequent to the issuance of such Series of Bonds, if the Issuer so designates in a Certificate of the Issuer delivered to the Trustee concurrently with the execution of such Interest Rate Swap Agreement) amounts payable under such Interest Rate Swap Agreement (excluding termination payments and payments of fees and expenses which shall in all cases be payable from, and secured by, 2000 Measure A Sales Tax Revenues on a subordinate basis to Bonds, Parity Obligations and payment of principal and interest on Subordinate Obligations) shall constitute Parity Obligations under the Indenture, and, in such event, the Issuer shall pay or cause to be paid to the Trustee for deposit in the Interest Fund, at the times and in the manner provided in the Indenture, the amounts to be paid pursuant to such Interest Rate Swap Agreement, as if such amounts were additional interest due on the Series of Bonds to which such Interest Rate Swap Agreement relates, and the Trustee shall pay to the Counterparty to such Interest Rate Swap Agreement, to the extent required thereunder, amounts deposited in the Interest Fund for the payment of interest on the Series of Bonds with respect to which such Interest Rate Swap Agreement was entered into.

Investment in Funds and Accounts

All moneys in any of the funds and accounts held by the Trustee and established pursuant to the Indenture shall be invested, as directed by the Issuer, solely in Investment Securities, subject to the limitations set forth in the Indenture. If and to the extent the Trustee does not receive investment instructions from the Issuer with respect to the moneys in the funds and accounts held by the Trustee pursuant to the Indenture, such moneys shall be invested in Investment Securities described in clause (B)(3) of the definition thereof and the Trustee shall thereupon request investment instructions from the Issuer for such moneys.

Moneys in any Bond Reserve Fund shall be invested in Investment Securities available on demand for the purpose of payment of the Bonds to which such Bond Reserve Fund relates as provided in the Indenture. Moneys in the remaining funds and accounts shall be invested in Investment Securities maturing or available on demand not later than the date on which it is estimated that such moneys will be required by the Trustee.

Unless otherwise provided in a Supplemental Indenture establishing the terms and provisions of a Series of Bonds: (i) all interest, profits and other income received from the investment of moneys in the Interest Fund representing accrued interest or capitalized interest shall be retained in the Interest Fund; (ii) all interest, profits and other income received from the investment of moneys in a Bond Reserve Fund shall be retained in such Bond Reserve Fund to the extent of any deficiency therein, and otherwise shall be transferred to the Revenue Fund; (iii) all interest, profits and other income received from the investment of moneys in a Project Fund shall be retained in such Project Fund, unless the Issuer shall direct that such earnings be transferred to the Rebate Fund; (iv) all interest, profits and other income received from the investment of moneys in the Rebate Fund shall be retained in the Rebate Fund, except as otherwise provided in the Indenture; and (vi) all interest, profits and other income received from the investment of moneys in any other fund or account shall be transferred to the Revenue Fund.

All Investment Securities credited to any Bond Reserve Fund shall be valued (at market value) as of March 1 of each year (or the next succeeding Business Day if such day is not a Business Day), such market value to be determined by the Trustee in the manner then currently employed by the Trustee or in any other manner consistent with corporate trust industry standards. Notwithstanding anything to the contrary in the Indenture, in making any valuations of investments under the Indenture, the Trustee may utilize and rely on computerized securities pricing services that may be available to it, including those available through its regular accounting system.

The Trustee may commingle any of the funds or accounts established pursuant to the Indenture (except the Rebate Fund and any Purchase Fund) into a separate fund or funds for investment purposes only, provided that all funds or accounts held by the Trustee under the Indenture shall be accounted for separately as required by the Indenture. The Trustee may act as principal or agent in the making or disposing of any investment and, with the prior written consent of the Issuer may impose its customary charge therefor. The Trustee may sell at the best price obtainable, or present for redemption, any Investment Securities so purchased whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such Investment Security is credited. The Trustee shall not be liable or responsible for any loss resulting from any investment made in accordance with the provisions of the Indenture.

Issuance of Additional Bonds and Other Obligations

Issuance of Additional Bonds. The Issuer may by Supplemental Indenture establish one or more additional Series of Bonds, payable from 2000 Measure A Sales Tax Revenues and secured by the pledge made under the Indenture equally and ratably with Bonds previously issued, and the Issuer may issue, and the Trustee may authenticate and deliver to the purchasers thereof, Bonds of any Series so established, in such principal amount as shall be determined by the Issuer, but only upon compliance by the Issuer with the provisions of the Indenture described below under the caption "Proceedings for Issuance of Additional Bonds" and any additional requirements set forth in said Supplemental Indenture and subject to the specific conditions set forth below, each of which is hereby made a condition precedent to the issuance of any such additional Series of Bonds.

(A) No Event of Default shall have occurred and then be continuing.

(B) Subject to the provisions of the Indenture described above under the caption "Funding and Application of Bond Reserve Funds," in the event a Supplemental Indenture providing for the issuance of such Series of Bonds shall require either (i) the establishment of a Bond Reserve Fund to provide additional security for such Series of Bonds or (ii) that the balance on deposit in an existing Bond Reserve Fund be increased, forthwith upon the receipt of the proceeds of the sale of such Series, to an amount at least equal to the Bond Reserve Requirement with respect to such Series of Bonds and all other Bonds secured by such Bond Reserve Fund to be considered Outstanding upon the issuance of such additional Series of Bonds, the Supplemental Indenture providing for the issuance of such additional Series of Bonds shall require deposit of the amount necessary. Said deposit shall be made as provided in the Supplemental Indenture providing for the issuance of such additional Series of Bonds and may be made from the proceeds of the sale of such Series of Bonds or from other funds of the Issuer or from both such sources or may be made in the form of a letter of credit, surety bond or insurance policy as provided in the provisions of the Indenture described above under the caption "Funding and Application of Bond Reserve Funds."

(C) The aggregate principal amount of Bonds issued under the Indenture shall not exceed any limitation imposed by law or by any Supplemental Indenture.

(D) The Issuer shall place on file with the Trustee a Certificate of the Issuer certifying that the lesser of (i) the amounts of 2000 Measure A Sales Tax Revenues for a period of twelve (12) consecutive months (selected by the Issuer) during the eighteen (18) months immediately preceding the date on which such additional Series of Bonds will become Outstanding, or (ii) the estimated 2000 Measure A Sales Tax Revenues for the Fiscal Year in which such Series of Bonds are to be issued, shall have been, or will be, as applicable, at least equal to 1.3 times Maximum Annual Debt Service, on all Series of Bonds and Parity Obligations then Outstanding and the additional Series of Bonds then proposed to be issued, which Certificate shall also set forth the computations upon which such Certificate is based.

(E) Principal payments of each additional Series of Bonds shall be due on April 1 in each year in which principal is to be paid if and to the extent deemed practical in the reasonable judgment of the Issuer with regard to the type of Bond to be issued, and, if the interest on such Series of Bonds is to be paid semiannually, such interest payments shall be due on April 1 and October 1 in each year to the extent deemed practical in the reasonable judgment of the Issuer with regard to the type of Bond to be issued.

Nothing in the Indenture shall prevent or be construed to prevent the Supplemental Indenture providing for the issuance of an additional Series of Bonds from pledging or otherwise providing, in addition to the security given or intended to be given by the Indenture, additional security for the benefit of such additional Series of Bonds or any portion thereof.

In the event additional assets or revenues are included within the definition of "Revenues" by a Supplemental Indenture, such additional assets or revenues shall be included in the calculations to be provided pursuant to the provisions of the Indenture described in paragraph (D) above as if such additional assets or revenues had always been included in "Revenues."

Proceedings for Issuance of Additional Bonds. Before any additional Series of Bonds shall be issued and delivered, the Issuer shall file each of the documents identified below with the Trustee (upon which documents the Trustee may conclusively rely in determining whether the conditions precedent to the issuance of such Series of Bonds have been satisfied).

(A) A Supplemental Indenture authorizing such Series executed by the Issuer.

(B) A Certificate of the Issuer certifying: (i) that no Event of Default has occurred and is then continuing; and (ii) that the requirements of the Indenture described in paragraphs (B) and (C) under the caption "Issuance of Additional Bonds" have been satisfied by the Issuer.

(C) A Certificate of the Issuer certifying (on the basis of calculations made no later than the date of sale of such Series of Bonds) that the requirement of the Indenture described in paragraph (D) under the caption "Issuance of Additional Bonds" is satisfied.

(D) An Opinion of Bond Counsel to the effect that the Supplemental Indenture is being entered into in accordance with the Indenture and that such Series of Bonds, when duly executed by the Issuer and authenticated and delivered by the Trustee, will be valid and binding obligations of the Issuer.

Issuance of Refunding Bonds. Refunding Bonds may be authorized and issued by the Issuer without compliance with the provisions of the Indenture described above under the captions "Issuance of Additional Bonds" and "Proceedings for Issuance of Additional Bonds;" provided that Maximum Annual Debt Service on all Bonds Outstanding and all Parity Obligations outstanding following the issuance of such Refunding Bonds is less than or equal to Maximum Annual Debt Service on all Bonds Outstanding and all Parity Obligations outstanding prior to the issuance of such Refunding Bonds. Such Refunding

Bonds may be issued in an aggregate principal amount sufficient (together with any additional funds available or to become available) to provide funds for the payment of all or a portion of the following:

(1) the principal or Redemption Price of the Outstanding Bonds or outstanding Parity Obligations to be refunded;

(2) all expenses incident to the calling, retiring or paying of such Outstanding Bonds or outstanding Parity Obligations and the Costs of Issuance of such Refunding Bonds;

(3) interest on all Outstanding Bonds or outstanding Parity Obligations to be refunded to the date such Bonds or Parity Obligations will be called for redemption or paid at maturity;

(4) interest on the Refunding Bonds from the date thereof to the date of payment or redemption of the Bonds or Parity Obligations to be refunded; and

(5) funding a Bond Reserve Fund for the Refunding Bonds, if required.

Before such Series of Refunding Bonds shall be issued and delivered pursuant to the provisions of the Indenture described under this caption, the Issuer shall file each of the documents identified below with the Trustee (upon which documents the Trustee may conclusively rely in determining whether the conditions precedent to the issuance of such Series of Refunding Bonds have been satisfied).

(1) A Supplemental Indenture authorizing such Series of Refunding Bonds executed by the Issuer.

(2) A Certificate of the Issuer certifying: (i) that Maximum Annual Debt Service on all Bonds and Parity Obligations which will be outstanding following the issuance of such Series of Refunding Bonds is less than or equal to Maximum Annual Debt Service on all Bonds Outstanding and Parity Obligations outstanding prior to the issuance of such Refunding Bonds; and (ii) that the requirements of the Indenture described in paragraphs (A), (B), and (C) under the caption "Issuance of Additional Bonds" are satisfied.

(3) If any of the Bonds to be refunded are to be redeemed prior to their stated maturity dates, irrevocable instructions to the Trustee to give the applicable notice of redemption or a waiver of the notice of redemption signed by the Holders of all or the portion of the Bonds or Parity Obligations to be redeemed, or proof that such notice has been given by the Issuer; provided, however, that in lieu of such instructions or waiver or proof of notice of redemption, the Issuer may cause to be deposited with the Trustee all of the Bonds and Parity Obligations proposed to be redeemed (whether canceled or uncanceled) with irrevocable instructions to the Trustee to cancel said Bonds or Parity Obligations so to be redeemed upon the exchange and delivery of said Refunding Bonds.

(4) An Opinion of Bond Counsel to the effect that the Supplemental Indenture is being entered into in accordance with the Indenture and that such Series of Refunding Bonds, when duly executed by the Issuer and authenticated and delivered by the Trustee, will be valid and binding obligations of the Issuer.

Limitations on the Issuance of Obligations Payable from 2000 Measure A Sales Tax Revenues; Parity Obligations; Subordinate Obligations. The Issuer will not, so long as any of the Bonds are Outstanding, issue any obligations or securities, howsoever denominated, payable in whole or in part from 2000 Measure A Sales Tax Revenues except the following:

(A) Bonds authorized pursuant to provisions in the Indenture described above under the caption "Issuance of Additional Bonds";

(B) Refunding Bonds authorized pursuant to the provisions of the Indenture described above under the caption "Issuance of Refunding Bonds";

(C) Parity Obligations, provided that the following conditions to the issuance or incurrence of such Parity Obligations are satisfied:

(1) Such Parity Obligations have been duly and legally authorized for any lawful purpose;

(2) No Event of Default shall have occurred and then be continuing, as evidenced by the delivery of a Certificate of the Issuer to that effect, which Certificate of the Issuer shall be filed with the Trustee;

(3) Such Parity Obligations are being issued or incurred either (i) for purposes of refunding in compliance with the requirements for the issuance of Refunding Bonds set forth in the Indenture and described above under the caption "Issuance of Refunding Bonds" or (ii) the Issuer shall have placed on file with the Trustee a Certificate of the Issuer, upon which the Trustee may conclusively rely certifying (on the basis of calculations made no later than the date of sale or incurrence of such Parity Obligations, as applicable) that the requirements of the Indenture described in paragraph (D) under the caption "Issuance of Additional Bonds" relating to the issuance of an additional Series of Bonds have been satisfied with respect to such Parity Obligations, which Certificate shall also set forth the computations upon which such Certificate is based evidencing compliance with the requirements set forth in subsection (ii) of this paragraph;

(4) As and to the extent applicable, the Trustee shall be designated as paying agent or trustee for such Parity Obligations and the Issuer shall deliver to the Trustee a transcript of the proceedings providing for the issuance of such Parity Obligations (but the Trustee shall not be responsible for the validity or sufficiency of such proceedings or such Parity Obligations).

Notwithstanding any other provision of the Indenture to the contrary, the execution and delivery of an Interest Rate Swap Agreement shall not be subject to compliance with the provisions of the Indenture described in paragraphs (C)(3) or (C)(4) above.

(D) Subordinate Obligations which are payable as to principal, premium, interest and reserve fund requirements, if any, only out of 2000 Measure A Sales Tax Revenues after the prior payment of all amounts then required to be paid under the Indenture from 2000 Measure A Sales Tax Revenues for principal, premium, interest and reserve fund requirements, if any, for all Bonds Outstanding, and all Parity Obligations outstanding, as the same become due and payable and at the times and in the manner as required in the Indenture and in the instrument or instruments pursuant to which any Parity Obligations were issued or incurred.

(E) Termination payments and fees and expenses on Interest Rate Swap Agreements and other obligations which shall be secured by a lien and charge on the 2000 Measure A Sales Tax Revenues subordinate to the lien and charge upon the 2000 Measure A Sales Tax Revenues which secures the Bonds, Parity Obligations and payment of principal and interest on Subordinate Obligations.

Calculation of Maximum Annual Debt Service with Respect to Parity Obligations. For purposes of the Indenture, Maximum Annual Debt Service with respect to Parity Obligations shall be determined no later than the date of incurrence of such Parity Obligations utilizing the assumptions set forth in the definition of Debt Service; provided, however, that if a Parity Obligation is contingent upon funds being provided pursuant to such Parity Obligation to pay principal, or purchase price of, or interest on a Bond, such Parity Obligations shall not be considered outstanding until such payment is made thereunder.

Certain Covenants of the Issuer

Punctual Payments. The Issuer will punctually pay or cause to be paid the principal or Redemption Price of and interest on all the Bonds, in strict conformity with the terms of the Bonds and of the Indenture, according to the true intent and meaning thereof, and shall punctually pay or cause to be paid all Mandatory Sinking Account Payments, but in each case only out of 2000 Measure A Sales Tax Revenues as provided in the Indenture.

Against Encumbrances. The Issuer will not create any pledge, lien or charge upon any of the 2000 Measure A Sales Tax Revenues having priority over or having parity with the lien of the Bonds except only as permitted in the caption "Limitations on the Issuance of Obligations Payable from 2000 Measure A Sales Tax Revenues; Parity Obligations; Subordinate Obligations" above.

Accounting Records and Financial Statements. The Issuer will at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with generally accepted accounting principles, in which complete and accurate entries shall be made of all transactions relating to the Revenues. Such books of record and account shall be available for inspection by the Trustee at reasonable hours and under reasonable circumstances.

The Issuer will furnish the Trustee, within two hundred ten (210) days after the end of each Fiscal Year, the financial statements of the Issuer for such Fiscal Year, together with the report and opinion of an independent certified public accountant stating that the financial statements have been prepared in accordance with generally accepted accounting principles and that such accountant's examination of the financial statements was performed in accordance with generally accepted auditing standards and a Certificate of the Chief Financial Officer of the Issuer stating that no event which constitutes an Event of Default or which with the giving of notice or the passage of time or both would constitute an Event of Default has occurred and is continuing as of the end of such Fiscal Year, or specifying the nature of such event and the actions taken and proposed to be taken by the Issuer to cure such default. Thereafter, a copy of such financial statements will be furnished to any Holder upon written request to the Issuer, which copy of the financial statements may, at the sole discretion of the Issuer, be provided by means of posting such financial statements on an internet site that provides access to the Holders.

Collection of 2000 Measure A Sales Tax Revenues. The Issuer covenants and agrees that it has duly levied the 2000 Measure A Sales Tax in accordance with the Act, pursuant to and in accordance with the Ordinance, duly passed and adopted by the Issuer. Said Ordinance has not and will not be amended, modified or altered so long as any of the Bonds are Outstanding in any manner which would reduce the amount of or timing of receipt of 2000 Measure A Sales Tax Revenues, and the Issuer will continue to levy and collect the 2000 Measure A Sales Tax to the full amount permitted by law. The Issuer further covenants that the Issuer has entered into an agreement with the CDTFA under and pursuant to which the CDTFA will process and supervise collection of the 2000 Measure A Sales Tax and will transmit 2000 Measure A Sales Tax Revenues directly to the Trustee. Said agreement will be continued in effect so long as any of any Bonds are Outstanding and shall not be amended, modified or altered without the written consent of the Trustee so long as any of the Bonds are Outstanding. The Issuer will receive and hold in trust for (and remit immediately to) the Trustee any 2000 Measure A Sales Tax Revenues paid to the Issuer by the CDTFA.

2000 Measure A Sales Tax Revenues received by the Trustee shall be transmitted to the Issuer pursuant to the caption "Allocation of Revenues" above; provided that, during the continuance of an Event of Default, any 2000 Measure A Sales Tax Revenues received by the Trustee shall be applied first to the payment of the fees, costs and expenses of the Trustee in declaring such Event of Default and pursuing remedies, including reasonable compensation of its agents, attorneys and counsel, which costs and expenses shall be paid from the Revenue Fund, and second, to deposit into the Interest Fund and Principal Fund and to the payment of Parity Obligations as more fully set forth in the caption "Application of Revenues and Other Funds After Default" below.

The Issuer covenants and agrees to separately account for all Revenues and to provide to the Trustee access to such accounting records at reasonable hours and under reasonable circumstances.

The Issuer covenants that so long as the Bonds are Outstanding, it will not, to the best of its ability, suffer or permit any change, modification or alteration to be made to the Act which would materially and adversely affect the rights of Bondholders.

Tax Covenants. The Issuer covenants that it will not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of the interest on the Bonds under Section 103 of the Code; provided that, prior to the issuance of any Series of Bonds, the Issuer may exclude the application of the covenants contained in this caption "Tax Covenant" and the caption "Rebate Fund" above to such Series of Bonds. The Issuer will not directly or indirectly use or permit the use of any proceeds of the Bonds or any other funds of the Issuer, or take or omit to take any action that would cause the Bonds to be "arbitrage bonds" within the meaning of Section 148(a) of the Code. To that end, the Issuer will comply with all requirements of the Tax Certificate relating to each Series of the Bonds. In the event that at any time the Issuer is of the opinion that for purposes of this caption "Tax Covenants" it is necessary to restrict or limit the yield on the investment of any moneys held by the Trustee under the Indenture, the Issuer shall so instruct the Trustee in writing, and the Trustee shall take such action as may be necessary in accordance with such instructions.

Without limiting the generality of the foregoing, the Issuer agrees that there shall be paid from time to time all amounts required to be rebated to the federal government of the United States of America pursuant to Section 148(f) of the Code and any temporary, proposed or final Treasury Regulations as may be applicable to the Bonds from time to time. The Issuer specifically covenants to pay or cause to be paid to the federal government of the United States of America the Rebate Requirement with respect to each Series of Bonds at the times and in the amounts determined under and as described in the Tax Certificate executed and delivered in connection with such Series of Bonds.

Notwithstanding any provision of this caption "Tax Covenant" and the caption "Rebate Fund" above and the Tax Certificate, if the Issuer shall receive an Opinion of Bond Counsel to the effect that any action required under this caption "Tax Covenant" and the caption "Rebate Fund" above or any Tax Certificate is no longer required, or to the effect that some further action is required, to maintain the exclusion from gross income of the interest on the Bonds pursuant to Section 103 of the Code, the Issuer and the Trustee may rely conclusively on such opinion in complying with the provisions of the Indenture, and the covenants under the Indenture shall be deemed to be modified to that extent.

Notwithstanding any provisions of the Indenture, including particularly Article X, the covenants and obligations set forth in the provisions of the Indenture described under this caption shall survive the defeasance of the Bonds or any Series thereof.

Continuing Disclosure. Upon the issuance of any Series of Bonds requiring an undertaking regarding continuing disclosure under Rule 15c2-12, the Issuer hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate executed and delivered in connection with such Series of Bonds. Notwithstanding any other provision of the Indenture, failure of the Issuer to comply with the provisions of any Continuing Disclosure Certificate shall not be considered an Event of Default; however, the Trustee shall, at the written request of any Participating Underwriter or of the Holders of at least twenty-five (25%) aggregate principal amount of any Series of Bonds then Outstanding (but only to the extent funds in an amount satisfactory to the Trustee have been provided to it or it has been otherwise indemnified to its satisfaction from any cost, liability, expense or additional charges and fees of the Trustee whatsoever, including, without limitation, reasonable fees and expenses of its attorneys), or any Holder or beneficial owner may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer to comply with its obligations under this caption "Continuing Disclosure."

Events of Default and Remedies

Events of Default. The following are Events of Default:

(A) default in the due and punctual payment of the principal or Redemption Price of any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by declaration or otherwise, or default in the redemption from any Sinking Account of any Bonds in the amounts and at the times provided therefor;

(B) default in the due and punctual payment of any installment of interest on any Bond when and as such interest installment shall become due and payable;

(C) if the Issuer shall fail to observe or perform any covenant, condition, agreement or provision in the Indenture on its part to be observed or performed, other than as referred to in subsection (A) or (B) above, for a period of sixty (60) days after written notice, specifying such failure and requesting that it be remedied, has been given to the Issuer by the Trustee or by any Credit Enhancement Provider; except that, if such failure can be remedied but not within such sixty (60) day period and if the Issuer has taken all action reasonably possible to remedy such failure within such sixty (60) day period, such failure shall not become an Event of Default for so long as the Issuer shall diligently proceed to remedy the same in accordance with and subject to any directions or limitations of time established by the Trustee;

(D) if any payment default shall exist under any agreement governing any Parity Obligations and such default shall continue beyond the grace period, if any, provided for with respect to such default;

(E) if the Issuer files a petition in voluntary bankruptcy, for the composition of its affairs or for its corporate reorganization under any state or federal bankruptcy or insolvency law, or makes an assignment for the benefit of creditors, or admits in writing to its insolvency or inability to pay debts as they mature, or consents in writing to the appointment of a trustee or receiver for itself;

(F) if a court of competent jurisdiction shall enter an order, judgment or decree declaring the Issuer insolvent, or adjudging it bankrupt, or appointing a trustee or receiver of the Issuer, or approving a petition filed against the Issuer seeking reorganization of the Issuer under any applicable law or statute of the United States of America or any state thereof, and such order, judgment or decree shall not be vacated or set aside or stayed within sixty (60) days from the date of the entry thereof;

(G) if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the Issuer or of the Revenues, and such custody or control shall not be terminated within sixty (60) days from the date of assumption of such custody or control; or

(H) if the Legislature of the State shall repeal or amend all or any portion of the provisions of the Act relating to the 2000 Measure A Sales Tax, being Sections 100250 to 100256, inclusive, of the Act, unless the Issuer has determined that said repeal or amendment does not materially and adversely affect the rights of Bondholders.

No Acceleration of Maturities. If an Event of Default occurs, the Trustee shall not have the right to declare the principal of and the interest on the Bonds then Outstanding to be due and payable immediately. Acceleration of the Bonds is not a remedy granted to the Trustee or to the Holders.

Application of Revenues and Other Funds After Default. If an Event of Default shall occur and be continuing, the Issuer shall immediately transfer to the Trustee all Revenues held by it and the Trustee shall apply all Revenues and any other funds then held or thereafter received by the Trustee under any of the provisions of the Indenture (excluding the Rebate Fund and any Purchase Fund and except as otherwise provided in the Indenture) as follows and in the following order:

(1) To the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the Holders of the Bonds and Parity Obligations, including the costs and expenses of the Trustee and the Bondholders in declaring such Event of Default, and payment of reasonable fees and expenses of the Trustee (including reasonable fees and disbursements of its counsel and other agents) incurred in and about the performance of its powers and duties under the Indenture;

(2) to the payment of the whole amount of Bond Obligation then due on the Bonds and Parity Obligations (upon presentation of the Bonds and Parity Obligations to be paid, and stamping thereon of the payment if only partially paid, or surrender thereof if fully paid) subject to the provisions of the Indenture, with interest on such Bond Obligation, at the rate or rates of interest borne by the respective Bonds and on Parity Obligations, to the payment to the persons entitled thereto of all installments of interest then due and the unpaid principal or Redemption Price of any Bonds and Parity Obligations which shall have become due, whether at maturity, by call for redemption or otherwise, in the order of their due dates, with interest on the overdue Bond Obligation and Parity Obligations at the rate borne by the respective Bonds and Parity Obligations, and, if the amount available shall not be sufficient to pay in full all the Bonds and Parity Obligations due on any date, together with such interest, then to the payment thereof ratably, according to the amounts of principal or Accreted Value (plus accrued interest) due on such date to the persons entitled thereto, without any discrimination or preference.

Trustee to Represent Bondholders. The Trustee is hereby irrevocably appointed (and the successive respective Holders of the Bonds, by taking and holding the same, shall be conclusively deemed to have so appointed the Trustee) as trustee and true and lawful attorney-in-fact of the Holders of the Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Holders under the provisions of the Bonds, the Indenture, the Act and applicable provisions of any other law. Upon the occurrence and continuance of an Event of Default or other occasion giving rise to a right in the Trustee to represent the Bondholders, the Trustee in its discretion may, and, with respect to any Series of Bonds for which a Credit Enhancement has been provided, upon the written request of the Credit Enhancement Provider providing such Credit Enhancement, or if such Credit Enhancement Provider is then failing to make a payment required pursuant to such Credit Enhancement, upon the written request of the Holders of not less than a majority in aggregate amount of Bond Obligation of the Bonds then Outstanding, and upon being indemnified to its satisfaction therefor, shall proceed to protect or enforce its rights or the rights of such Holders by such appropriate action, suit, mandamus or other proceedings as it shall deem most effectual to protect and enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement contained in the Indenture, or in aid of the execution of any power in the Indenture granted, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Trustee or in such Holders under the Indenture, the Act or any other law; and upon instituting such proceeding, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver of the 2000 Measure A Sales Tax Revenues and other assets pledged under the Indenture, pending such proceedings; provided, however, that, with respect to any Series of Bonds for which a Credit Enhancement has been provided, the Trustee may only act with the consent of the Credit Enhancement Provider providing such Credit Enhancement. All rights of action under the Indenture or the Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in the name of the Trustee for the benefit and protection of all the Holders of such Bonds, subject to the provisions of the Indenture.

Bondholders' Direction of Proceedings. Anything in the Indenture to the contrary (except provisions relating to the rights of a Credit Enhancement Provider to direct proceedings as set forth in the caption "Credit Enhancement Provider Directs Remedies Upon Event of Default" below), the Holders of a majority in aggregate amount of Bond Obligation of the Bonds then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee and upon furnishing the Trustee with indemnification satisfactory to it, to direct the method of conducting all remedial proceedings taken by the Trustee under the Indenture, provided that such direction shall not be otherwise than in accordance with law and the provisions of the Indenture, that the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Bondholders or holders of Parity Obligations not parties to such direction.

Limitation on Bondholders' Right to Sue. No Holder of any Bond shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under the Indenture, the Act or any other applicable law with respect to such Bond, unless: (1) such Holder shall have given to the Trustee written notice of the occurrence of an Event of Default; (2) the Holders of not less than a majority in aggregate amount of Bond Obligation of the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such suit, action or proceeding in its own name; (3) such Holder or said Holders shall have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; and (4) the Trustee shall have refused or omitted to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee; provided, however, that the written consent of a Credit Enhancement Provider providing a Credit Enhancement with respect to a Series of Bonds shall be required if the Credit Enhancement with respect to such Series of Bonds is in full force and effect and if the Credit Enhancement Provider providing such Credit Enhancement is not then failing to make a payment as required in connection therewith.

Such notification, request, tender of indemnity and refusal or omission are declared, in every case, to be conditions precedent to the exercise by any Holder of Bands of any remedy under the Indenture or under law; it being understood and intended that no one or more Holders of Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Indenture or the rights of any other Holders of Bonds, or to enforce any right under the Indenture, the Act or other applicable law with respect to the Bonds, except in the manner in the Indenture provided, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner in the Indenture provided and for the benefit and protection of all Holders of the Outstanding Bonds, subject to the provisions of the Indenture.

Credit Enhancement Provider Directs Remedies Upon Event of Default. Anything in the Indenture to the contrary notwithstanding, upon the occurrence and continuance of an Event of Default, the Credit Enhancement Provider then providing Credit Enhancement for any Series of Bonds shall be entitled to control and direct the enforcement of all rights and remedies granted to the Holders of the Bonds secured by such Credit Enhancement or granted to the Trustee for the benefit of the Holders of the Bonds secured by such Credit Enhancement, provided that the Credit Enhancement Provider's consent shall not be required as otherwise provided in the Indenture if such Credit Enhancement Provider is in default of any of its payment obligations as set forth in the Credit Enhancement provided by such Credit Enhancement Provider.

Modification or Amendment of the Indenture

Amendments Permitted. The Indenture and the rights and obligations of the Issuer, the Holders of the Bonds and the Trustee may be modified or amended from time to time and at any time by a Supplemental Indenture, which the Issuer and the Trustee may enter into when the written consent of: (i) each Credit Enhancement Provider then providing a Credit Enhancement for any Series of Bonds, provided that the Credit Enhancement provided by such Credit Enhancement Provider is in full force and effect and the Credit Enhancement Provider is not then failing to make a payment as required in connection therewith; or (ii) the Holders of a majority in aggregate amount of Bond Obligation of the Bonds (or, if such Supplemental Indenture is only applicable to a Series of Bonds, such Series of Bonds) then Outstanding shall have been filed with the Trustee; provided that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any particular maturity remain Outstanding, the consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Bonds Outstanding under the Indenture; and provided, further, that if the Credit Enhancement provided for any Series of Bonds is in full force and effect and if the Credit Enhancement Provider providing such Credit Enhancement is not failing to make a payment as required in connection therewith, such Credit Enhancement Provider shall also consent in writing to such modification or amendment, which consent shall not be unreasonably withheld.

No such modification or amendment shall (a) extend the fixed maturity of any Bond, or reduce the amount of principal thereof, or extend the time of payment or reduce the amount of any Mandatory Sinking Account Payment provided for the payment of any Bond, or reduce the rate of interest thereon, or extend the time of payment of interest thereon, or reduce any premium payable upon the redemption thereof, without the consent of the Holder of each Bond so affected, or (b) reduce the aforesaid percentage of Bond Obligation the consent of the Holders of which is required to effect any such modification or amendment, or permit the creation of any lien on the Revenues and other assets pledged under the Indenture prior to or on a parity with the lien created by the Indenture, or deprive the Holders of the Bonds of the lien created by the Indenture on such Revenues and other assets (in each case, except as expressly provided in the Indenture), without the consent of the Holders of all of the Bonds then Outstanding. It shall not be necessary for the consent of the Bondholders to approve the particular form of any Supplemental Indenture, but it shall be sufficient if such consent shall approve the substance thereof.

The Indenture and the rights and obligations of the Issuer, of the Trustee and of the Holders of the Bonds may also be modified or amended from time to time and at any time by a Supplemental Indenture, which the Issuer may adopt without the consent of any Bondholders, but with the written consent of each Credit Enhancement Provider then providing a Credit Enhancement for any Series of Bonds which shall be materially and adversely affected by such amendment, which consent shall not be unreasonably withheld; provided, however, that such written consent shall be required only if the Credit Enhancement provided by such Credit Enhancement Provider is in full force and effect and if the Credit Enhancement Provider is not then failing to make a payment as required in connection therewith, but only to the extent permitted by law and only for any one or more of the following purposes:

(1) to add to the covenants and agreements of the Issuer in the Indenture contained other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power in the Indenture reserved to or conferred upon the Issuer;

(2) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in the Indenture, or in regard to matters or questions arising under the Indenture, as the Issuer may deem necessary or desirable, and which shall not materially and adversely affect the interests of the Holders of the Bonds;

(3) to modify, amend or supplement the Indenture in such manner as to permit the qualification of the Indenture under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute, and which shall not materially and adversely affect the interests of the Holders of the Bonds;

(4) to provide for the issuance of an additional Series of Bonds pursuant to the provisions of the Indenture described above under the caption "Issuance of Additional Bonds."

(5) to make modifications or adjustments necessary appropriate or desirable to provide for the issuance or incurrence, as applicable, of Capital Appreciation Bonds, Parity Obligations, Subordinate Obligations or Variable Rate Indebtedness, with such interest rate, payment, maturity and other terms as the Issuer may deem desirable; subject to the provisions of the Indenture described above under the captions "Issuance of Additional Bonds," "Proceedings for Issuance of Additional Bonds," and "Limitations on the Issuance of Obligations Payable from 2000 Measure A Sales Tax Revenues; Parity Obligations; Subordinate Obligations;"

(6) to make modifications or adjustments necessary, appropriate or desirable to provide for change from one interest rate mode to another in connection with any Series of Bonds;

(7) to make modifications or adjustments necessary, appropriate or desirable to accommodate Credit Enhancements, Liquidity Facilities and Reserve Facilities;

(8) to make modifications or adjustments necessary, appropriate or desirable to provide for the appointment of an auction agent, a broker-dealer, a remarketing agent, a tender agent and/or a paying agent in connection with any Series of Bonds;

(9) to modify the auction provisions applicable to any Series of Bonds in accordance with the terms and provisions set forth in the Supplemental Indenture establishing the terms and provisions of such Series of Bonds;

(10) to provide for any additional covenants or agreements necessary to maintain the tax-exempt status of interest on any Series of Bonds;

(11) if the Issuer agrees in a Supplemental Indenture to maintain the exclusion of interest on a Series of Bonds from gross income for purposes of federal income taxation, to make such provisions as are necessary or appropriate to ensure such exclusion;

(12) to provide for the issuance of Bonds in book-entry form or bearer form and/or to modify or eliminate the book-entry registration system for any Series of Bonds;

(13) to modify, alter, amend or supplement the Indenture in any other respect, including amendments which would otherwise be described in the first two paragraphs under this caption, if the effective date of such amendments is a date on which all Bonds affected thereby are subject to mandatory tender for purchase pursuant to the provisions of the Indenture; or if notice of the proposed amendments is given to Holders of the affected Bonds at least thirty (30) days before the proposed effective date of such amendments and, on or before such effective date, such Holders have the right to demand purchase of their Bonds pursuant to the provisions of the Indenture or if all Bonds affected thereby are in an auction mode and a successful auction is held following notice of such amendment; and

(14) for any other purpose that does not materially and adversely affect the interests of the Holders of the Bonds.

Any Supplemental Indenture entered into pursuant to the provisions of the Indenture described under this caption shall be deemed not to materially adversely affect the interest of the Holders so long as (i) all Bonds are secured by a Credit Enhancement and (ii) each Credit Enhancement Provider shall have given its written consent to such Supplemental Indenture in accordance with the provisions of the Indenture.

Effect of Supplemental Indenture. From and after the time any Supplemental Indenture becomes effective, the Indenture shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under the Indenture of the Issuer, the Trustee and all Holders of Bonds Outstanding shall thereafter be determined, exercised and enforced under the Indenture subject in all respects to such modification and amendment, and all the terms and conditions of any such Supplemental Indenture shall be deemed to be part of the terms and conditions of the Indenture for any and all purposes.

Defeasance

Discharge of Indenture. Bonds of any Series or a portion thereof may be paid by the Issuer in any of the following ways:

(A) by paying or causing to be paid the Bond Obligations of and interest on such Outstanding Bonds, as and when become due and payable;

(B) by depositing with the Trustee, an escrow agent or other fiduciary, in trust, at or before maturity, money or securities in the necessary amount (as provided pursuant to the provisions of the Indenture described below under the caption "Deposit of Money or Securities") to pay or redeem such Outstanding Bonds; or

(C) by delivering to the Trustee, for cancellation by it, such Outstanding Bonds.

If the Issuer shall pay all Series for which any Bonds are Outstanding and also pay or cause to be paid all other sums payable under the Indenture by the Issuer, then and in that case, at the election of the Issuer (evidenced by a Certificate of the Issuer, filed with the Trustee, signifying the intention of the Issuer to discharge all such indebtedness and the Indenture), and notwithstanding that any Bonds shall not have been surrendered for payment, the Indenture and the pledge of 2000 Measure A Sales Tax Revenues and other assets made under the Indenture and all covenants, agreements and other obligations of the Issuer under the Indenture shall cease, terminate, become void and be completely discharged and satisfied. In such event, upon Request of the Issuer, the Trustee shall cause an accounting for such period or periods as may be requested by the Issuer to be prepared and filed with the Issuer and shall execute and deliver to the Issuer all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee shall pay over, transfer, a sign or deliver to the Issuer all moneys or securities or other property held by it pursuant to the Indenture which, as evidenced by a verification report, upon which the Trustee may conclusively rely, from a firm of certified public accountants or other independent consulting firm, are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption.

Discharge of Liability on Bonds. Upon the deposit with the Trustee, escrow agent or other fiduciary, in trust, at or before maturity, of money or securities in the necessary amount (as provided pursuant to the provisions of the Indenture described below under the caption "Deposit of Money or Securities") to pay or redeem any Outstanding Bond (whether upon or prior to its maturity or the redemption date of such Bond), provided that, if such Bond is to be redeemed prior to maturity, notice of such redemption shall have been given as in the Indenture provided or provision satisfactory to the Trustee shall have been made for the giving of such notice, then all liability of the Issuer in respect of such Bond shall cease, terminate and be completely discharged, provided that the Holder thereof shall thereafter be entitled to the payment of the principal of and premium, if any, and interest on the Bonds, and the Issuer shall remain liable for such payment, but only out of such money or securities deposited with the Trustee as aforesaid for their payment.

Deposit of Money or Securities. Whenever in the Indenture it is provided or permitted that there be deposited with or held in trust money or securities in the necessary amount to pay or redeem any Bonds, the money or securities so to be deposited or held may include money or securities held by the Trustee in the funds and accounts established pursuant to the Indenture and shall be:

(A) lawful money of the United States of America in an amount equal to the principal amount of such Bonds and all unpaid interest thereon to maturity, except that, in the case of Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption shall have been given as in the Indenture provided or provision satisfactory to the Trustee shall have been made for the giving of such notice, the amount to be deposited or held shall be the principal amount or Redemption Price of such Bonds and all unpaid interest thereon to the redemption date; or

(B) Investment Securities described in clause (A) of the definition thereof the principal of and interest on which when due will, in the opinion of an independent certified public accountant delivered to the Trustee (as confirmed by a verification report upon which verification report the Trustee may conclusively rely), provide money sufficient to pay the principal or Redemption Price of and all unpaid interest to maturity, or to the redemption date, as the case may be, on the Bonds to be paid or redeemed, as such principal or Redemption Price and interest become due, provided that, in the case of Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as in the Indenture provided or provision satisfactory to the Trustee shall have been made for the giving of such notice; provided, in each case, that the Trustee shall have been irrevocably instructed (by the terms of the Indenture or by Request of the Issuer) to apply such money to the payment of such principal or Redemption Price and interest with respect to such Bonds.

Payment of Bonds After Discharge of Indenture. Any moneys held by the Trustee in trust for the payment of the principal, Redemption Price, or interest on any Bond and remaining unclaimed for one (1) year after such principal, Redemption Price, or interest has become due and payable (whether at maturity or upon call for redemption as provided in this Indenture), if such moneys were so held at such date, or one (1) year after the date of deposit of such principal, Redemption Price or interest on any Bond if such moneys were deposited after the date when such Bond became due and payable, shall be repaid to the Issuer free from the trusts created by this Indenture, and all liability of the Trustee with respect to such moneys shall thereupon cease; provided, however, that before the repayment of such moneys to the Issuer as aforesaid, the Trustee may (at the cost of the Issuer) first mail to the Holders of any Bonds remaining unpaid at the addresses shown on the registration books maintained by the Trustee a notice, in such form as may be deemed appropriate by the Trustee, with respect to the Bonds so payable and not presented and with respect to the provisions relating to the repayment to the Issuer of the moneys held for the payment thereof. All moneys held by or on behalf of the Trustee for the payment of principal or Accreted Value of or interest or premium on Bonds, whether at redemption or maturity, shall be held in trust for the account of the Holders thereof and the Trustee shall not be required to pay Holders any interest on, or be liable to the Holders or any other person (other than the Issuer) interest earned on, moneys so held. Any interest earned thereon shall belong to the Issuer and shall be deposited upon receipt by the Trustee into the Revenue Fund.

Limitations on Rights of Credit Enhancement Providers, Liquidity Facility Providers, Reserve Facility Providers.

A Supplemental Indenture establishing the terms and provisions of a Series of Bonds may provide that any Credit Enhancement Provider, Liquidity Facility Provider or Reserve Facility Provider may exercise any right under the Indenture given to the Holders of the Bonds to which such Credit Enhancement, Liquidity Facility or Reserve Facility relates. All provisions under the Indenture authorizing the exercise of rights by a Credit Enhancement Provider, a Liquidity Facility Provider or a Reserve Facility Provider with respect to consents, approvals, directions, waivers, appointments, requests or other actions, shall be deemed not to require or permit such consents, approvals, directions, waivers, appointments, requests or other actions and shall be read as if the Credit Enhancement Provider, Liquidity Facility Provider or Reserve Facility Provider were not mentioned therein (i) during any period during which there is a default by such Credit Enhancement Provider, Liquidity Facility Provider or Reserve Facility Provider under the applicable Credit Enhancement, Liquidity Facility or Reserve Facility or (ii) after the applicable Credit Enhancement, Liquidity Facility or Reserve Facility shall at any time for any reason cease to be valid and binding on the provider thereof, or shall be declared to be null and void by final judgment of a court of competent jurisdiction, or after the Credit Enhancement, Liquidity Facility or Reserve Facility has been rescinded, repudiated by the provider thereof or terminated, or after a receiver, conservator or liquidator has been appointed for the provider thereof. All provisions relating to the rights of a Credit Enhancement Provider, Liquidity Facility Provider or Reserve Facility Provider shall be of no further force and effect if all amounts owing to such Credit Enhancement Provider, Liquidity Facility Provider or Reserve Facility Provider shall have been paid pursuant to the terms of the applicable Credit Enhancement, Liquidity Facility or Reserve Facility and such Credit Enhancement, Liquidity Facility or Reserve Facility shall no longer be in effect.

APPENDIX E

BOOK-ENTRY ONLY SYSTEM

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Santa Clara Valley Transportation Authority 2000 Measure A Sales Tax Revenue Refunding Bonds, 2008 Series A, 2008 Series B, 2008 Series C and 2008 Series D Bonds (each a "Series of Bonds," and, hereinafter collectively referred to as the "Bonds"). The Bonds were issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each Series of Bonds in the aggregate principal amount of such Series of Bonds, and will be deposited with DTC. Capitalized terms used herein and not otherwise defined herein shall have the meanings set forth in the front portion of this Remarketing Memorandum or in APPENDIX D – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE."

The following information has been provided by DTC, and none of the Santa Clara Valley Transportation Authority (the "Authority"), Goldman, Sachs & Co. LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated, J.P. Morgan Securities LLC, or Morgan Stanley & Co. LLC, each as a remarketing agent of the above-referenced Bonds, make any representation as to its accuracy or completeness. For further information, beneficial owners should contact DTC in New York, New York.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a S&P's rating of "AA+." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. The information set forth on such website is not incorporated herein by reference.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond (each a "Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee. Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a Series are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such Series to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority and the Trustee as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Bond Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to the Trustee, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the Trustee. The requirement for physical delivery of Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the Trustee's DTC account.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, physical certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, Bonds will be printed and delivered to DTC.

THE TRUSTEE, AS LONG AS A BOOK-ENTRY ONLY SYSTEM IS USED FOR THE BONDS, WILL SEND ANY NOTICE OF REDEMPTION OR OTHER NOTICES TO OWNERS ONLY TO DTC. ANY FAILURE OF DTC TO ADVISE ANY DTC PARTICIPANT, OR OF ANY DTC PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER, OF ANY NOTICE AND ITS CONTENT OR EFFECT WILL NOT AFFECT THE VALIDITY OF SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE REDEMPTION OF THE BONDS CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.

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APPENDIX F

COPY OF FINAL APPROVING OPINION OF ORRICK, HERRINGTON & SUTCLIFFE LLP

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June 25, 2008

Santa Clara Valley
Transportation Authority
San Jose, California

Santa Clara Valley Transportation Authority
2000 Measure A Sales Tax Revenue Refunding Bonds,
2008 Series A, 2008 Series B, 2008 Series C and 2008 Series D
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the Santa Clara Valley Transportation Authority (the "Authority") in connection with the issuance by the Authority of $236,730,000 aggregate principal amount of Santa Clara Valley Transportation Authority 2000 Measure A Sales Tax Revenue Refunding Bonds, 2008 Series A, 2008 Series B, 2008 Series C and 2008 Series D (hereinafter collectively referred to as the "Bonds"), issued pursuant to an Indenture, dated as of August 1, 2006, as previously supplemented and as further supplemented by a Third Supplemental Indenture, dated as of June 1, 2008 (hereinafter collectively referred to as the "Indenture"), between the Authority and Deutsche Bank National Trust Company, as trustee (the "Trustee"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

In such connection, we have reviewed the Indenture, the Tax Certificate, dated the date hereof (the "Tax Certificate"), certificates of the Authority, the Trustee, and others, opinions of counsel to the Authority and the Trustee and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this opinion speaks only as of its date and is not intended to, and may not, be relied upon in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this opinion. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Authority. We have assumed, without undertaking to verify the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture and the Tax Certificate, including, without limitation, covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Indenture and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public entities similar to the Authority in the State of California. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the assets described in or as subject to the lien of the Indenture or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such assets. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement, dated June 23, 2008, or other offering material relating to the Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute the valid and binding special obligations of the Authority payable from and secured by a pledge of Sales Tax Revenues.

2. The Indenture has been duly executed and delivered by, and constitutes the valid and binding obligation of, the Authority.

3. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. Interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that interest on the Bonds is included in adjusted current earnings when calculating corporate alternative minimum taxable income. We express no opinion regarding other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per Roger L. Davis

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY • 2000 MEASURE A SALES TAX REVENUE REFUNDING BONDS, 2008 SERIES A, 2008 SERIES B, 2008 SERIES C AND 2008 SERIES D

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