

In the opinion of Norton Rose Fulbright US LLP, Los Angeles, California, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming compliance with certain covenants in the documents pertaining to the 2025 Series A Bonds and requirements of the Internal Revenue Code of 1986, as described herein, interest on the 2025 Series A Bonds is not included in the gross income of the owners thereof for federal income tax purposes. In the further opinion of Bond Counsel, interest on the 2025 Series A Bonds is not treated as an item of tax preference for purposes of the federal alternative minimum tax on individuals. The Authority has taken no action to cause, and does not intend, interest on the 2025 Series B Bonds to be excluded from gross income of the owners thereof for federal income tax purposes. Bond Counsel is also of the opinion that, under existing law, interest on the 2025 Bonds is exempt from personal income taxes of the State of California. See “TAX MATTERS” herein.

\$160,000,000

**SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
SALES TAX REVENUE VARIABLE RATE DEMAND BONDS
2025 SERIES**



\$54,255,000
2025 Series A-1

\$54,255,000
2025 Series A-2

DAC Bond[®]

\$25,745,000
2025 Series B-1 (Taxable)

\$25,745,000
2025 Series B-2 (Taxable)

Dated: Date of Delivery**Due: See Inside Cover**

The Santa Clara Valley Transportation Authority (the “Authority”) is issuing its \$54,255,000 Sales Tax Revenue Variable Rate Demand Bonds, 2025 Series A-1 (the “2025 Series A-1 Bonds”), \$54,255,000 Sales Tax Revenue Variable Rate Demand Bonds, 2025 Series A-2 (the “2025 Series A-2 Bonds,” and together with the 2025 Series A-1 Bonds, the “2025 Series A Bonds”), \$25,745,000 Sales Tax Revenue Variable Rate Demand Bonds, 2025 Series B-1 (Taxable) (the “2025 Series B-1 Bonds”), and \$25,745,000 Sales Tax Revenue Variable Rate Demand Bonds, 2025 Series B-2 (Taxable) (the “2025 Series B-2 Bonds,” and together with the 2025 Series B-1 Bonds, the “2025 Series B Bonds”) (the 2025 Series A Bonds and the 2025 Series B Bonds are herein referred to collectively as the “2025 Bonds”), pursuant to a Master Indenture, dated as of May 1, 2025 (as supplemented, the “Indenture”), between the Authority and U.S. Bank Trust Company, National Association, as trustee (the “Trustee”) to (i) finance the acquisition and renovation of a new headquarters building and parking structure and a new transit security operations center for the Authority, together with improvements to the Authority’s rail and bus transit yards, (ii) fund capitalized interest and (iii) pay costs of issuing the 2025 Bonds. See “PLAN OF FINANCE” and “ESTIMATED SOURCES AND USES OF FUNDS” herein.

The 2025 Bonds are limited obligations of the Authority secured solely by a pledge of sales tax revenues derived from the imposition in the County of Santa Clara (the “County”) of a one-half of one percent retail transactions and use tax authorized in 1976 (the “1976 Sales Tax”), less certain administrative fees paid to the California Department of Tax and Fee Administration, as described herein, and certain amounts held by the Trustee under the Indenture. The 1976 Sales Tax was approved by the electorate of the County in 1976 and does not expire. The Authority may issue additional bonds and incur other obligations secured by the 1976 Sales Tax on a parity with the 2025 Bonds, subject to compliance with the provisions set forth in the Indenture.

The only obligations payable from 1976 Sales Tax Revenues on a basis senior to the 2025 Bonds are the Authority’s Sales Tax Revenue Refunding Bonds, 2017 Series B, currently outstanding in the aggregate principal amount of \$12,620,000, with a final maturity of June 1, 2028, and the Authority’s Sales Tax Revenue Refunding Bonds, 2018 Series A, currently outstanding in the aggregate principal amount of \$32,580,000, with a final maturity of June 1, 2026 (collectively, the “Existing Bonds”), each issued pursuant to an Indenture, dated as of November 1, 1997 (as amended and supplemented, the “Existing Indenture”). Pursuant to the Indenture, the Authority has covenanted that it will not, as long as any of the Bonds, including the 2025 Bonds, are Outstanding (as such terms are defined in the Indenture), issue any additional obligations or securities under the provisions of the Existing Indenture. The Authority has also covenanted in the Indenture that it will terminate the Existing Indenture pursuant to its terms promptly after the final maturity of the Existing Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2025 BONDS” herein.

Initially, the 2025 Bonds will be issued bearing interest at a Weekly Rate. The Authority will pay interest on the 2025 Bonds while in the Weekly Rate Period, on the first Business Day of each calendar month, commencing on June 2, 2025 (each, an “Interest Payment Date”). Investors may purchase the 2025 Bonds in book-entry form only. See APPENDIX E – “Book-Entry System” herein.

The 2025 Bonds are subject to optional and mandatory sinking fund redemption by the Authority prior to maturity. See “DESCRIPTION OF THE 2025 BONDS – Redemption Terms for the 2025 Bonds” herein.

The 2025 Bonds while bearing interest at the Weekly Rate are subject to optional tender and mandatory tender for purchase and remarketing as described herein. Liquidity support for the payment of the Purchase Price (as defined herein) of tendered and unremarketed 2025 Bonds is provided by Sumitomo Mitsui Banking Corporation, acting through its New York Branch (the “Liquidity Provider”). In connection therewith, the Liquidity Provider will issue for each of the 2025 Series A Bonds and the 2025 Series B Bonds a separate standby letter of credit (each, a “Standby Letter of Credit” or “Liquidity Facility” and together, the “Standby Letters of Credit” or “Liquidity Facilities”) pursuant to a Standby Letter of Credit and Reimbursement Agreement, dated as of May 1, 2025, by and between the Authority and the Liquidity Provider. Each Liquidity Facility, subject to certain conditions precedent therein, supports only the payment of the purchase price of the related series of 2025 Bonds tendered for purchase and not remarketed (as described herein), and does not otherwise provide security or support for the payment of the principal of, premium, if any, or interest on such series of 2025 Bonds or provide for any payment whatsoever with respect to the other series of 2025 Bonds. Unless otherwise terminated or extended pursuant to its terms, the Standby Letters of Credit will expire on April 30, 2029. The obligations of the Liquidity Provider to make payments under the Standby Letters of Credit are subject to immediate and automatic termination or suspension without notice upon the occurrence of certain events described herein. See “THE STANDBY LETTERS OF CREDIT AND THE REIMBURSEMENT AGREEMENT” and APPENDIX H – “INFORMATION REGARDING THE LIQUIDITY PROVIDER” herein. This Official Statement describes the liquidity support for the 2025 Bonds only while they bear interest at the Daily Rate or Weekly Rate.



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 1976 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 2025 BONDS.

This cover page contains general information only. Investors must read the entire Official Statement to obtain information essential to making an informed investment decision. This Official Statement only describes terms of the 2025 Bonds while bearing interest at the Daily Rate or the Weekly Rate. There are significant differences in the terms of the 2025 Bonds after conversion to an Interest Rate Determination Method other than a Daily Rate or a Weekly Rate.

The 2025 Bonds are offered when, as and if issued, subject to the approval as to legality by Norton Rose Fulbright US LLP, Los Angeles, California, Bond Counsel to the Authority. Certain legal matters will be passed on for the Authority by the Authority’s General Counsel and by Norton Rose Fulbright US LLP, Los Angeles, California, as Disclosure Counsel, for the Liquidity Provider by its special United States counsel, Chapman and Cutler LLP, Chicago, Illinois, and for the Underwriters by their counsel, Stradling Yocca Carlson & Rauth, LLP, Newport Beach, California. It is anticipated that the 2025 Bonds will be available for delivery through the book-entry facilities of DTC on or about May 1, 2025.

BofA Securities

*Senior Manager of 2025 Series A-1 and 2025 Series B-1 Bonds
Co-Manager of 2025 Series A-2 and 2025 Series B-2 Bonds*

J.P. Morgan

*Senior Manager of 2025 Series A-2 and 2025 Series B-2 Bonds
Co-Manager of 2025 Series A-1 and 2025 Series B-1 Bonds*

Dated: April 23, 2025

\$160,000,000
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
SALES TAX REVENUE VARIABLE RATE DEMAND BONDS
2025 SERIES

\$54,255,000
2025 Series A-1

\$54,255,000
2025 Series A-2

\$25,745,000
2025 Series B-1 (Taxable)

\$25,745,000
2025 Series B-2 (Taxable)

SUMMARY OF TERMS

	2025 Series A-1 CUSIP^(†) No. 80168NJV6	2025 Series A-2 CUSIP^(†) No. 80168NJU4	2025 Series B-1 CUSIP^(†) No. 80168NKA6	2025 Series B-2 CUSIP^(†) No. 80168NJW0
Maturity Date:	June 1, 2055	June 1, 2055	June 1, 2055	June 1, 2055
Price:	100%	100%	100%	100%
Authorized Denomination:	\$100,000 and any integral multiple of \$5,000 in excess thereof	\$100,000 and any integral multiple of \$5,000 in excess thereof	\$100,000 and any integral multiple of \$5,000 in excess thereof	\$100,000 and any integral multiple of \$5,000 in excess thereof
Interest Rate Determination Method:⁽¹⁾	Weekly Rate	Weekly Rate	Weekly Rate	Weekly Rate
Interest Payment Dates:	First Business Day of each calendar month commencing June 2, 2025	First Business Day of each calendar month commencing June 2, 2025	First Business Day of each calendar month commencing June 2, 2025	First Business Day of each calendar month commencing June 2, 2025
Record Date for Interest Payments:	Business Day next preceding the Interest Payment Date	Business Day next preceding the Interest Payment Date	Business Day next preceding the Interest Payment Date	Business Day next preceding the Interest Payment Date
Liquidity Provider:	Sumitomo Mitsui Banking Corporation	Sumitomo Mitsui Banking Corporation	Sumitomo Mitsui Banking Corporation	Sumitomo Mitsui Banking Corporation
Standby Letter of Credit Expiration:	April 30, 2029	April 30, 2029	April 30, 2029	April 30, 2029
Remarketing Agent:	BofA Securities, Inc.	J.P. Morgan Securities LLC	BofA Securities, Inc.	J.P. Morgan Securities LLC
Senior Manager	BofA Securities, Inc.	J.P. Morgan Securities LLC	BofA Securities, Inc.	J.P. Morgan Securities LLC
Co-Manager	J.P. Morgan Securities LLC	BofA Securities, Inc.	J.P. Morgan Securities LLC	BofA Securities, Inc.
Short Term Rating⁽²⁾ S&P/Fitch:	A-1/F1	A-1/F1	A-1/F1	A-1/F1
Long Term Rating⁽³⁾ S&P/Fitch:	AAA/AA+	AAA/AA+	AAA/AA+	AAA/AA+

1. Upon satisfaction of certain conditions set forth in the Indenture, the 2025 Bonds may bear interest calculated pursuant to a different Interest Rate Determination Method (as defined herein); provided however, that all of the 2025 Bonds of a Series must have the same Interest Rate Determination Method. See “DESCRIPTION OF THE 2025 BONDS.” This Official Statement is not intended to provide information about the 2025 Bonds after conversion to an Interest Rate Determination Method other than the Daily Rate or the Weekly Rate.

2. Based on the current ratings of the Liquidity Provider.

3. Reflects credit ratings of the Authority.

† CUSIP information herein is provided by CUSIP Global Services, managed on behalf of the American Bankers Association by Factset Research Systems, Inc. CUSIP numbers are provided for convenience of reference only. Neither the Authority nor the Underwriters assume any responsibility for the accuracy of such numbers.

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 Official Statement, 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 Official Statement does not constitute an offer to sell or solicitation of an offer to buy any of the 2025 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 Official Statement is not to be construed as a contract with the purchasers of the 2025 Bonds. Statements contained in this Official Statement 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.

References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader’s convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of, and as that term is defined in, SEC Rule 15c2-12.

The Underwriters have provided the following sentence for inclusion in the Official Statement. The Underwriters have reviewed the information in this Official Statement 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 Underwriters 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 and herein are provided by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association. CUSIP numbers have been assigned by an independent company not affiliated with the Authority and are included solely for the convenience of the holders of the 2025 Bonds. None of the Authority, the Municipal Advisor, the Remarketing Agents or the Underwriters is responsible for the selection or use of these CUSIP numbers and no representation is made as to their correctness on the 2025 Bonds or as indicated herein. The CUSIP number for a specific bond is subject to change after the issuance of the 2025 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of such 2025 Bonds.

The Liquidity Provider has provided only the information related to itself set forth in Appendix H for inclusion in this Official Statement and has not provided any other information for this Official Statement. Other than solely with respect to the information describing itself in Appendix H hereto, none of the information in this Official Statement has been supplied or verified by the Liquidity Provider, and the Liquidity Provider does not make any representation or warranty, express or implied, as to the accuracy or completeness of information it has neither supplied nor verified, the validity of the 2025 Bonds or the tax-exempt status of the interest on the 2025 Series A Bonds. Accordingly, the Liquidity Provider disclaims responsibility for the other information in this Official Statement or otherwise made in connection with the remarketing of the 2025 Bonds.

FORWARD-LOOKING STATEMENTS

Certain statements included or incorporated by reference in this Official Statement 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

Sergio Lopez, *Chairperson*
Domingo Candelus
David Cohen
Pam Foley
Rosemary Kamei
Jonathan Weinberg

Matt Mahan, *Vice Chairperson*
Mark Turner
Sudhanshu “Suds” Jain
Linda Sell
Margaret Abe-Koga
Sylvia Arenas

Pat Burt, *Ex-Officio*

Alternate Board Members

Michael Mulcahy
John McAlister
Rob Moore
Greg Bozzo
Carmen Montano
Betty Duong

Administrative Staff

Carolyn Gonot, General Manager/Chief Executive Officer
Greg Richardson, Deputy General Manager
Thomas Maguire, Chief Megaprojects Delivery Officer
Evelynn Tran, General Counsel
Scott Haywood, Chief of Staff
Deborah Dagang, Chief Planning & Programming Officer
Nauni Singh, Interim Chief Operating Officer
Casey Emoto, Chief Engineering & Program Delivery Officer
Sonya Morrison, Chief People Officer
Patrice Smith, Chief Communications Officer
Aston Greene, Chief System Safety and Security Officer
Beverly Greene, Chief Government Affairs 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 Trust Company, National Association
San Francisco, California

MAP OF SERVICE AREA



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OFFICIAL STATEMENT

\$160,000,000

**SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
SALES TAX REVENUE VARIABLE RATE DEMAND BONDS
2025 SERIES**

\$54,255,000

2025 Series A-1

\$54,255,000

2025 Series A-2

\$25,745,000

2025 Series B-1 (Taxable)

\$25,745,000

2025 Series B-2 (Taxable)

INTRODUCTION

General

This Official Statement, which includes the cover page and the appendices hereto, sets forth certain information in connection with the offering by the Santa Clara Valley Transportation Authority (the “Authority”) of its \$54,255,000 Sales Tax Revenue Variable Rate Demand Bonds, 2025 Series A-1 (the “2025 Series A-1 Bonds”), \$54,255,000 Sales Tax Revenue Variable Rate Demand Bonds, 2025 Series A-2 (the “2025 Series A-2 Bonds,” and together with the 2025 Series A-1 Bonds, the “2025 Series A Bonds”), \$25,745,000 Sales Tax Revenue Variable Rate Demand Bonds, 2025 Series B-1 (Taxable) (the “2025 Series B-1 Bonds”), and \$25,745,000 Sales Tax Revenue Variable Rate Demand Bonds, 2025 Series B-2 (Taxable) (the “2025 Series B-2 Bonds,” and together with the 2025 Series B-1 Bonds, the “2025 Series B Bonds”) (the 2025 Series A Bonds and the 2025 Series B Bonds are herein referred to collectively as the “2025 Bonds”). A full review must be made of the entire Official Statement, including the cover page and attached appendices. The offering of the 2025 Bonds to potential investors is made only by means of the entire Official Statement.

Authority for Issuance

The 2025 Bonds are being 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”), and the Indenture, dated as of May 1, 2025, between the Authority and U.S. Bank Trust Company, National Association, as trustee (the “Trustee”), as supplemented and amended by a First Supplemental Indenture, dated as of May 1, 2025 (the “First Supplemental Indenture”), 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.

Purpose and Application of Proceeds

The 2025 Bonds are being issued to (i) finance the acquisition and renovation of a new headquarters building and parking structure and a new transit security operations center for the Authority, together with improvements to the Authority’s rail and bus transit yards, (ii) fund capitalized interest and

(iii) pay costs of issuing the 2025 Bonds. See “PLAN OF FINANCING” and “ESTIMATED SOURCES AND USES OF FUNDS” herein.

Security and Existing Bonds

The 2025 Bonds are limited obligations of the Authority secured by a pledge of sales tax revenues (the “1976 Sales Tax Revenues”) derived from a one-half of one percent (0.5%) retail transactions and use tax (the “1976 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 1976 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 1976 Sales Tax.

The 1976 Sales Tax was approved by a majority of the electorate of the County of Santa Clara (the “County”) voting on the ballot measure by special election in 1976 and does not expire. The 2025 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 2025 BONDS – Pledge of 1976 Sales Tax Revenues and Certain Amounts Held by Trustee” herein.

The 2025 Bonds and any additional parity bonds hereafter authorized by, and at any time Outstanding under the Indenture, are referred to collectively herein as the “Bonds.” See “SECURITY AND SOURCES OF PAYMENT FOR THE 2025 BONDS – Additional Bonds and Parity Obligations” herein.

The only obligations payable from 1976 Sales Tax Revenues on a senior basis to the Bonds, including the 2025 Bonds, are the Santa Clara Valley Transportation Authority Sales Tax Revenue Refunding Bonds, 2017 Series B (the “2017B Bonds”), \$12,620,000 in aggregate principal amount of which is currently outstanding, and the Santa Clara Valley Transportation Authority Sales Tax Revenue Refunding Bonds, 2018 Series A (the “2018A Bonds,” and together with the 2017B Bonds, the “Existing Bonds”), \$32,580,000 in aggregate principal amount of which is currently outstanding, issued pursuant to the Act and an Indenture, dated as of November 1, 1997, between the Authority and the U.S. Bank Trust Company, National Association, as successor trustee to First Trust of California, National Association (as amended and supplemented, the “Existing Indenture”). Pursuant to the Indenture, the Authority has covenanted that as long as any of the Bonds, including the 2025 Bonds, are Outstanding under the Indenture it will not issue any additional obligations or securities under the provisions of the Existing Indenture. The Authority has also covenanted in the Indenture that it will terminate the Existing Indenture pursuant to its terms upon or promptly after payment of the final maturity of the Existing Bonds. The 2018A Bonds have a final maturity of June 1, 2026 and the 2017B Bonds have a final maturity of June 1, 2028. See “OUTSTANDING 1976 SALES TAX BONDS – Existing Bonds; No Additional Bonds under the Existing Indenture.”

No Reserve Fund

No debt service reserve will be funded for the 2025 Bonds.

Standby Letters of Credit

Payment of the Purchase Price for the 2025 Bonds tendered for purchase by the Holders and not remarketed will be supported, for each of the 2025 Series A Bonds and the 2025 Series B Bonds, initially by standby letters of credit (each, a “Standby Letter of Credit” or “Liquidity Facility” and together, the “Standby Letters of Credit” or the “Liquidity Facilities”) to be issued by Sumitomo Mitsui Banking Corporation, acting through its New York Branch (the “Liquidity Provider”), pursuant to a Standby Letter of Credit and Reimbursement Agreement, dated as of May 1, 2025 (the “Reimbursement Agreement”), by and between the Authority and the Liquidity Provider. Each Liquidity Facility, subject to certain conditions precedent therein, supports only the payment of the purchase price of the related series of 2025 Bonds tendered for purchase and not remarketed (as described herein), and does not otherwise provide security or support for the payment of the principal of, premium, if any, or interest on such series of related 2025 Bonds or provide for any payment whatsoever with respect to the other series of 2025 Bonds. Under certain circumstances described herein, the obligation of the Liquidity Provider to purchase such related 2025 Bonds will be suspended or terminated and, in some circumstances, such suspension or termination will be automatic and immediate and without notice to the bondholders or opportunity to tender. In such event, no funds will be available pursuant to the related Liquidity Facility to purchase such 2025 Bonds. See “THE STANDBY LETTERS OF CREDIT AND THE REIMBURSEMENT AGREEMENT” and APPENDIX H – “INFORMATION REGARDING THE LIQUIDITY PROVIDER.”

Remarketing Agents

BofA Securities, Inc. is serving as the initial sole remarketing agent for the 2025 Series A-1 Bonds and the 2025 Series B-1 Bonds (the “BofA Remarketing Agent”) pursuant to a Remarketing Agreement, dated as of May 1, 2025 (the “BofA Remarketing Agreement”), and J.P. Morgan Securities LLC is serving as the initial sole remarketing agent for the 2025 Series A-2 Bonds and the 2025 Series B-2 Bonds (the “JPM Remarketing Agent” and, together with the BofA Remarketing Agent, the “Remarketing Agents”) pursuant to a Remarketing Agreement, dated as of May 1, 2025 (the “JPM Remarketing Agreement” and, together with the BofA Remarketing Agreement, the “Remarketing Agreements”). See “DESCRIPTION OF THE 2025 BONDS – Special Considerations Relating to the 2025 Bonds.”

Each Remarketing Agent undertakes, among other things, to use its best efforts to remarket the applicable Series of 2025 Bonds that are tendered for purchase. The Authority or the applicable Remarketing Agent may terminate such Remarketing Agreement under the circumstances and in the manner described in the applicable Remarketing Agreement, in which case the Authority expects to appoint a replacement remarketing agent in accordance with the Indenture.

The Remarketing Agents and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Remarketing Agents and their respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the Authority, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Remarketing Agents and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities

activities may involve securities and instruments of the Authority. Certain of the Remarketing Agents or their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such securities and instruments.

Limited Obligations

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE COUNTY OF SANTA CLARA, THE STATE OF CALIFORNIA (THE “STATE”) OR ANY POLITICAL SUBDIVISION OR PUBLIC AGENCY THEREOF, OTHER THAN THE AUTHORITY TO THE EXTENT OF THE PLEDGE OF THE 1976 SALES TAX REVENUES AND OTHER AMOUNTS PLEDGED UNDER THE INDENTURE, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE 2025 BONDS.

References

The descriptions and summaries of the Act and the Indenture and other 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. Capitalized terms not otherwise defined herein shall have the meanings set forth in the Indenture. See APPENDIX D – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE.”

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 of this Official Statement. The Authority (then known as the Santa Clara County Transit District) was created in 1972 pursuant to the Santa Clara County Transit District Act, as amended.

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

PLAN OF FINANCING

The Project

The Authority will apply the proceeds of the 2025 Bonds, together with other available funds, to: (i) finance the acquisition and renovation of a new headquarters building and parking structure for the Authority at 488 South Almaden Blvd., San Jose, (ii) finance the acquisition and renovation of a new transit security operations center at 70 North Second Street, San Jose, (iii) fund improvements to the Authority’s rail and bus transit yards, (iv) finance the demolition of current headquarters building at River Oaks, (v) fund capitalized interest on the 2025 Bonds, respectively, and (vi) pay costs of issuing the 2025 Bonds, respectively. See “ESTIMATED SOURCES AND USES OF FUNDS.”

ESTIMATED PROJECT COSTS

	Costs
Acquisition & Improvements – 488 Almaden	\$107,274,150
Acquisition & Improvements – 70 N Second	15,000,000
Yard Improvements & Amenities	25,000,000
River Oaks Demolition	<u>2,696,385</u>
Total Estimated Project Costs to be Financed	\$149,970,535

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of proceeds of the 2025 Bonds are shown below:

	2025 Series A-1 Bonds	2025 Series A-2 Bonds	2025 Series B-1 Bonds	2025 Series B-2 Bonds	Total
Estimated Sources of Funds:					
Principal Amount	\$54,255,000.00	\$54,255,000.00	\$25,745,000.00	\$25,745,000.00	\$160,000,000.00
Total	\$54,255,000.00	\$54,255,000.00	\$25,745,000.00	\$25,745,000.00	\$160,000,000.00
Estimated Uses of Funds:					
2025 Project Fund	\$53,989,392.60	\$53,989,392.60	\$20,995,874.90	\$20,995,874.90	\$149,970,535.00
Interest Fund ⁽¹⁾			4,623,509.33	4,624,165.82	9,247,675.15
Costs of Issuance ⁽²⁾	265,607.40	265,607.40	125,615.77	124,959.28	781,789.85
Total	\$54,255,000.00	\$54,255,000.00	\$25,745,000.00	\$25,745,000.00	\$160,000,000.00

⁽¹⁾ Includes estimated capitalized interest on all of the 2025 Bonds through August 3, 2026.

⁽²⁾ Includes underwriters' discount, rating agency, municipal advisory, legal and Trustee fees, certain Authority expenses, printing costs and other miscellaneous expenses.

DESCRIPTION OF THE 2025 BONDS

General

The 2025 Bonds are being issued by the Authority pursuant to the Indenture and the Act. The 2025 Bonds will be dated their date of delivery and will mature on June 1, 2055. Initially, each Series of the 2025 Bonds shall bear interest at a Weekly Rate, until a Series is converted to another Interest Rate Determination Method (as described herein). **This Official Statement only describes terms of the 2025 Bonds while bearing interest at a Daily Rate or a Weekly Rate. There are significant differences in the terms of any Series of the 2025 Bonds after Conversion to an Interest Rate Determination Method other than a Daily Rate or a Weekly Rate.**

The Authority will issue the 2025 Bonds as fully registered bonds in Authorized Denominations. "Authorized Denominations" means, with respect to 2025 Bonds during a Daily Rate Period or Weekly Rate Period, \$100,000 and any integral multiple of \$5,000 in excess thereof. The Authority will pay interest on each Series of the 2025 Bonds during a Daily Rate Period or a Weekly Rate Period until Conversion on the first Business Day of each calendar month, commencing on June 2, 2025 (each an "Interest Payment Date").

Interest on the 2025 Bonds will be computed on the basis of a 365/366-day year and actual days elapsed during any Daily Rate Period or Weekly Rate Period.

The 2025 Bonds will be issued in book-entry form only and will be registered in the name of a nominee of The Depository Trust Company, New York, New York (“DTC”), which will act as securities depository for the 2025 Bonds. Investors may purchase 2025 Bonds in book-entry form only. Purchasers (“Beneficial Owners”) of the 2025 Bonds will not receive physical certificates representing their ownership interest in the 2025 Bonds purchased. Payments of principal of and interest on the 2025 Bonds will be made to DTC, and DTC will distribute such payments to its Direct Participants. Disbursement of such payments to Beneficial Owners of the 2025 Bonds is the responsibility of DTC’s Direct and Indirect Participants and not the Authority. See APPENDIX E – “BOOK-ENTRY ONLY SYSTEM.”

Interest Rate Determination Methods

Weekly Rate. Upon the issuance of the 2025 Bonds, and until any Series of the 2025 Bonds are successfully converted to another Interest Rate Determination Method pursuant to the Indenture, the 2025 Bonds will bear interest at a Weekly Rate. During each Weekly Rate Period, the Remarketing Agent for such Series will set a Weekly Rate for such 2025 Bonds, by 5:00 p.m., New York City time, on each Wednesday (or the immediately succeeding Business Day, if such Wednesday is not a Business Day) for the next Calendar Week; provided, that, the Weekly Rate for the first Calendar Week (or portion thereof) following a Conversion Date resulting in a change in the Interest Rate Determination Method to a Weekly Rate shall be set by such Remarketing Agent on the Business Day immediately preceding such Conversion Date. Each Weekly Rate shall be the rate of interest that, if borne by such Series of 2025 Bonds in the Weekly Rate Period, would, in the judgment of the Remarketing Agent, having due regard for the prevailing financial market conditions for municipal securities that are of the same general nature as such Series of the 2025 Bonds for which the Weekly Rate is to be determined, or municipal securities that are competitive as to tax status, credit and maturity (or period for tender) with the tax status, credit and maturity (or period for tender) of the Series of 2025 Bonds for which the Weekly Rate is to be determined, be the lowest interest rate that would enable the Remarketing Agent to place such Series of 2025 Bonds at a price equal to 100% of the aggregate principal amount of such Series of 2025 Bonds (plus accrued interest, if any) on the first day of such Weekly Rate Period. “Calendar Week” means the period of seven (7) days from and including Thursday of any week to and including Wednesday of the next following week. “Business Day” means a day other than (i) a Saturday or Sunday, (ii) a day on which commercial banks in the city in which the Trustee maintains its Trust Office are authorized or required by law or executive order to close, (iii) a day on which banking institutions or governmental offices in the State or the office of the Credit Provider or Liquidity Provider where draws on the Credit Enhancement or the Liquidity Facility, as applicable, are to be presented are authorized or required to close, (iv) a day on which the applicable Remarketing Agent is authorized or required to be closed, or (v) a day on which the New York Stock Exchange is closed.

Daily Rate. Upon a successful Conversion of any Series of the 2025 Bonds to bear interest at the Daily Rate pursuant to the Indenture and until such Series of 2025 Bonds are successfully converted to another Interest Rate Determination Method, such Series of 2025 Bonds will bear interest at a Daily Rate. During each Daily Rate Period for a Series of 2025 Bonds, the Remarketing Agent for such Series will set a Daily Rate for such Series of 2025 Bonds by 10:00 a.m., New York City time, on each Business Day, which Daily Rate shall be the rate of interest which, if borne by such Series of 2025 Bonds in the Daily Rate Period, would, in the judgment of the Remarketing Agent, having due regard for the prevailing financial market conditions for municipal securities that are of the same general nature as such Series of 2025 Bonds, or municipal securities that are competitive as to tax status, credit and maturity (or period for tender) with the tax status, credit and maturity (or period for tender) of such Series of 2025 Bonds for which the Daily Rate is to be determined, be the lowest interest rate that would enable such Remarketing

Agent to place such Series of 2025 Bonds at a price equal to 100% of the aggregate principal amount of such Series of 2025 Bonds (plus accrued interest, if any) on such Business Day. The Daily Rate for any non-Business Day will be the rate for the last Business Day on which a Daily Rate was set.

Commercial Paper Rate. Upon a successful Conversion of any Series of the 2025 Bonds to bear interest at the Commercial Paper Rate pursuant to the Indenture, and until such Series of 2025 Bonds is successfully converted to another Interest Rate Determination Method, such Series of 2025 Bonds shall bear interest at the Commercial Paper Rate or Rates. The Remarketing Agent for such Series shall select the Commercial Paper Rate Period or Periods for each of such Series of 2025 Bonds on a Business Day selected by the Remarketing Agent not more than five (5) Business Days prior to the first day of such Commercial Paper Rate Period and not later than 10:00 a.m., New York City time, on the first day of such Commercial Paper Rate Period. Each Commercial Paper Rate Period shall be a period of not less than one (1) nor more than 270 days determined by the Remarketing Agent with the intention of yielding the lowest overall interest expense on the applicable Series of 2025 Bonds, taking into account (A) all other Commercial Paper Rate Periods for all the 2025 Bonds of the same Series bearing interest at a Commercial Paper Rate, (B) general economic and market conditions relevant to such Series of 2025 Bonds and (C) such other facts, circumstances and conditions as such Remarketing Agent determines to be relevant. Notwithstanding the foregoing, no Commercial Paper Rate Period for any Series of 2025 Bond shall be selected with a last day later than the fifth (5th) Business Day prior to the expiration date of any Credit Enhancement then in effect with respect to such Series of 2025 Bond while bearing interest at the Commercial Paper Rate. The last day of each Commercial Paper Rate Period shall be a day immediately preceding a Business Day. If the Interest Rate Determination Method with respect to any Series of 2025 Bonds is being converted from a Commercial Paper Rate to a new Interest Rate Determination Method, after receipt of the Conversion Notice delivered pursuant to the Indenture, the Remarketing Agent shall determine the Commercial Paper Rate Periods with respect to such Series of 2025 Bonds in such manner that, as soon as possible, all Commercial Paper Rate Periods with respect to such Series of 2025 Bonds shall end on the same date, which date shall be the last day of the then-current Commercial Paper Rate Periods and, upon the establishment of such Commercial Paper Rate Periods, the day next succeeding the last day of all such Commercial Paper Rate Periods shall be the Conversion Date for the new Interest Rate Determination Method. The Remarketing Agent, promptly upon the determination of the last day of such Commercial Paper Rate Periods prior to Conversion to a new Interest Rate Determination Method, shall give written notice of such last day and such Conversion Date to the Notice Parties.

The Remarketing Agent shall set a Commercial Paper Rate for each Series of 2025 Bond bearing interest at the Commercial Paper Rate not later than 10:00 a.m., New York City time, on the first day of each Commercial Paper Rate Period for such Series of 2025 Bonds. The Commercial Paper Rate applicable to each Series of 2025 Bonds bearing interest at the Commercial Paper Rate will be the rate determined by the Remarketing Agent to be the lowest interest rate that would enable such Remarketing Agent to place such Series of 2025 Bonds on the first day of the applicable Commercial Paper Rate Period at a price equal to 100% of the aggregate principal amount of such Series of 2025 Bonds.

Term Rate. Upon a successful Conversion of any Series of 2025 Bonds to bear interest at the Term Rate from another Interest Rate Determination Method pursuant to the Indenture or the establishment of a new Term Rate Period and a new Term Rate for such Series of 2025 Bonds then bearing interest at a Term Rate, and until such Series of 2025 Bonds are successfully converted to another Interest Rate Determination Method, such Series of 2025 Bonds shall bear interest at a Term Rate. The Authority shall select the duration of each Term Rate Period for any Series of 2025 Bonds and shall include the duration of the Term Rate Period in the Conversion Notice given with respect to such Term Rate Period pursuant to the Indenture or the Term Rate Continuation Notice given with respect to any new Term Rate and Term Rate Period for such Series of 2025 Bonds then bearing interest at a Term Rate.

Each Term Rate Period shall commence on the Term Rate Conversion Date and end on the November 30 selected by the Authority which is a minimum of 180 days after the Term Rate Conversion Date, or if the day next succeeding such November 30 is not a Business Day, on the first day after such November 30 which precedes a Business Day, but in no event later than the maturity date of the applicable Series of 2025 Bonds. With respect to each Term Rate Period, the Remarketing Agent will set the Term Rate for the applicable Series of 2025 Bonds by 5:00 p.m., New York City time, on the applicable Term Rate Computation Date. Each Term Rate shall be the rate of interest that, if borne by such Series of 2025 Bonds in such Term Rate Period, would, in the judgment of the Remarketing Agent, having due regard for the prevailing financial market conditions for municipal securities that are of the same general nature as the Series of 2025 Bonds for which the Term Rate is to be determined, or municipal securities that are competitive as to tax status, credit and maturity (or period for tender) with the tax status, credit and maturity (or period for tender) of the Series of 2025 Bonds for which the Term Rate is to be determined, be the lowest interest rate that would enable such Remarketing Agent to place such Series of 2025 Bonds at a price equal to 100% of the aggregate principal amount of such Series of 2025 Bonds on the first day of such Term Rate Period.

Fixed Rate. The Interest Rate Determination Method for any Series of 2025 Bonds may be converted from any Variable Rate to a Fixed Rate in accordance with the provisions of the Indenture. After such Conversion, such Series of 2025 Bonds will bear interest at the Fixed Rate and will not be subject to Conversion to another Interest Rate Determination Method. The interest rate to be borne by such Series of 2025 Bonds of each maturity from the Fixed Rate Conversion Date will be the rate determined by the applicable Remarketing Agent on the Fixed Rate Computation Date to be the rate that, if borne by such Series of 2025 Bonds, would, in the judgment of the Remarketing Agent having due regard for prevailing market conditions for municipal securities that are comparable to such Series of 2025 Bonds, be the lowest interest rate that would enable such Remarketing Agent to place such Series of 2025 Bonds of such maturity for which the Fixed Rate is to be determined at a price equal to 100% of the aggregate principal amount of such Series of 2025 Bonds on the Fixed Rate Conversion Date subject to the terms of the Indenture.

Index Rate. Upon a successful Conversion of any Series of 2025 Bonds to an Index Rate Period pursuant to the Indenture, or upon the continuation of a Series of 2025 Bonds in an Index Rate Period, and until such Series of 2025 Bonds are successfully converted to another Interest Rate Determination Method, such Series of 2025 Bonds shall bear interest at the Index Rate applicable to such Series of 2025 Bonds, as determined by the Index Agent. The initial Index Rate for each Index Rate Period with respect to a Series of 2025 Bonds shall apply to the period commencing on the first day of such Index Rate Period and ending on the day immediately prior to the first Interest Payment Date and thereafter, each Index Rate shall apply to the period commencing on and including an Interest Payment Date (whether or not a Business Day) to but not including the following Interest Payment Date. The Index Rate for a Series of 2025 Bonds shall be based on the Index Rate Index, which shall be designated by the Authority not less than five (5) Business Days prior to the applicable Conversion Date or applicable Purchase Date. The Remarketing Agent shall determine the Applicable Spread to be used in calculating the Index Rate on or before the Index Rate Determination Date preceding the Conversion Date or Purchase Date. The “Applicable Spread” shall be the amount that, when added to or subtracted from the Index Rate Index, will result in the minimum Index Rate that, in the judgment of the Remarketing Agent under then-existing market conditions, will result in the remarketing of such Series of 2025 Bonds on their Conversion Date or Purchase Date at a price equal to 100% of the principal amount thereof. The Remarketing Agent shall provide notice by Electronic Means to the Index Agent and the Authority of the Applicable Spread. The Remarketing Agent shall offer for sale and use its best efforts to sell such Series of 2025 Bonds on the applicable Conversion Date at a price equal to 100% of the principal amount thereof, as provided herein and in the applicable Remarketing Agreement.

Failure to Determine Rate. If, for any reason, the Daily Rate or the Weekly Rate on any Series of 2025 Bond is not established as provided in the Indenture by the applicable Remarketing Agent or no Remarketing Agent is serving as such under the Indenture for such Series of 2025 Bonds or any Rate so established is held to be invalid or unenforceable with respect to any such Rate Period, then the interest rate for such Rate Period will be 100% of the applicable Rate Index on the date such Daily Rate or Weekly Rate was (or would have been) determined as provided in the Indenture.

If no Remarketing Agent is then serving under the Indenture with respect to any Series of 2025 Bonds (other than 2025 Bonds in a Fixed Rate Period), the determination of the applicable Rate Index will be made by the Trustee at the direction of the Authority. The determination of any Rate or Rate Index by a Remarketing Agent or, as aforesaid, the Trustee, at the direction of the Authority, with respect to any 2025 Bond, will be conclusive and binding upon the Authority, the Trustee, the Remarketing Agent, each Liquidity Provider and the Holder of such Series of 2025 Bonds.

Notice of Rates. In a timely fashion following the determination of any Rate, the Remarketing Agent establishing such Rate will give written notice or notice by Electronic Means thereof to the Authority and the Trustee. Such notice will also include details as to the principal amount of the applicable Series of 2025 Bonds and the Interest Rate Determination Method at the time applicable. Promptly upon receipt of notice from a Remarketing Agent of any Fixed Rate, the Trustee will give the Holder of each Series of 2025 Bond being converted to a Fixed Rate notice of the Fixed Rate.

Conversion

General. Upon satisfaction of conditions set forth in the Indenture, the 2025 Bonds of any Series may be changed at the election of the Authority to bear interest calculated pursuant to a different Interest Rate Determination Method (which may be the Daily Rate, the Weekly Rate, the Commercial Paper Rate, the Index Rate, the Term Rate or the Fixed Rate), provided however, that all 2025 Bonds of the same Series must have the same Interest Rate Determination Method and (except for any Liquidity Facility Bonds and 2025 Bonds bearing interest at a Commercial Paper Rate or, in certain circumstances, at a Fixed Rate) will bear interest at the same interest rate. **This Official Statement only describes terms of the 2025 Bonds while bearing interest in a Daily Rate Period or a Weekly Rate Period. There are significant differences in the terms of any Series of the 2025 Bonds after conversion to an Interest Rate Period other than in a Daily Rate Period or a Weekly Rate Period.**

Conversion of Interest Rate Determination Method. The Interest Rate Determination Method for any Series of Outstanding 2025 Bonds is subject to Conversion from time to time by the Authority, with such right to be exercised by delivery of a written notice of an Authorized Representative (each such notice being a “Conversion Notice”) to the Notice Parties as follows: (1) at least four (4) Business Days prior to the fifteenth (15th) day preceding the effective date of such proposed Conversion, in the event of a Conversion to a Daily Rate Period, Weekly Rate Period, Commercial Paper Rate Period or Index Rate Period; and (2) at least five (5) Business Days prior to the fifteenth (15th) day preceding the effective date of such proposed Conversion, in the event of a Conversion to a Term Rate or a Fixed Rate. Each Authorized Representative is hereby authorized to execute and deliver a Conversion Notice to change the Interest Rate Determination Method at such time or times as the officer executing the Conversion Notice determines to be in the best interests of the Authority, such determination to be conclusively evidenced by such execution.

The Conversion Notice must be accompanied by (i) a Favorable Opinion of Bond Counsel stating that the Conversion is authorized and permitted under the Indenture and, with respect to the 2025 Series A Bonds, will not, in and of itself, adversely affect the Tax-Exempt status of the interest on any of the 2025 Series A Bonds to be converted, and (ii) a notice of the new Credit Provider or Liquidity Provider, if

applicable, and the new Credit Enhancement or Liquidity Facility, if at the same time as such Series of 2025 Bonds are being converted there will be a change of Liquidity Provider or Liquidity Facility or the Authority enters into an agreement with a Credit Provider to provide Credit Enhancement with respect to such Series of 2025 Bonds.

If the Authority obtains a Favorable Opinion of Bond Counsel with respect to such actions: (i) in determining, the Fixed Rate for any Series of the 2025 Bonds, the applicable Remarketing Agent, subject to the approval of an Authorized Representative, may also determine on or before the Business Day next preceding the determination of the Fixed Rate for such Series of the 2025 Bonds, redemption dates and redemption premiums, if any, to be paid upon the optional redemption of such Series of the 2025 Bonds which differ from such redemption dates and premiums as are set forth in the Indenture, such redemption dates and redemption premiums, if any, to be, in the best judgment of the Remarketing Agent, consistent with then-current market conditions; and (ii) the Remarketing Agent, subject to the approval of an Authorized Representative, may also determine, on or before the Business Day next preceding the determination of the Fixed Rate for such Series of the 2025 Bonds, with respect to any 2025 Bond constituting a Term Bond, a new maturity date for any portion of such 2025 Bond; provided, however, that such new maturity date will be a June 1 prior to the original maturity date; and provided further that such 2025 Bond will continue to be subject to mandatory redemption from Mandatory Sinking Account Payments established for such 2025 Bond unless, on any Mandatory Sinking Account Payment due date for such 2025 Bond, such Mandatory Sinking Account Payment is applied to the payment of that portion of such 2025 Bond which now matures on such Mandatory Sinking Account Payment due date.

Special Considerations Relating to the 2025 Bonds

The Remarketing Agents are Paid by the Authority. The responsibilities of the Remarketing Agents include determining the interest rate from time to time and remarketing the respective Series of 2025 Bonds that are tendered by the owners thereof for optional or mandatory purchase (subject, in each case, to the terms of the applicable Remarketing Agreement), all as further described herein. Each Remarketing Agent is appointed by the Authority and is paid by the Authority for its services. As a result, the interests of the Remarketing Agents may differ from those of existing owners and potential purchasers of the 2025 Bonds.

Remarketing Agents Routinely Purchase Variable Rate Bonds for their Own Account. The Remarketing Agents act as remarketing agents for a variety of variable rate demand obligations in addition to the 2025 Bonds for which they serve as remarketing agent and, in their sole discretion, routinely purchase such obligations for their own account. A Remarketing Agent is permitted, but not obligated, to purchase tendered 2025 Bonds for its own account and, in its sole discretion, routinely acquire such tendered bonds to achieve a successful remarketing of the 2025 Bonds (e.g., because there otherwise are not enough buyers to purchase the 2025 Bonds) or for other reasons. However, no Remarketing Agent is obligated to purchase 2025 Bonds, and may cease purchasing 2025 Bonds at any time without notice. If such Remarketing Agent ceases to purchase 2025 Bonds, it may be necessary for the Trustee to draw on the Standby Letters of Credit. A Remarketing Agent may also make a market in the 2025 Bonds by routinely purchasing and selling 2025 Bonds other than in connection with an optional or mandatory tender and remarketing. Such purchases and sales must be at fair market value, which may be at or below par. However, no Remarketing Agent is required to make a market in any 2025 Bonds. A Remarketing Agent may also sell any 2025 Bonds it has purchased to one or more affiliated investment vehicles for collective ownership or enter into derivative arrangements with affiliates or others in order to reduce its exposure to the 2025 Bonds. The purchase of 2025 Bonds by a Remarketing Agent may create the appearance that there is greater third party demand for the 2025 Bonds in the market than is actually the case. The practices described above also may result in fewer 2025 Bonds being tendered in a remarketing.

2025 Bonds May Be Offered at Different Prices on Any Date Including an Interest Rate Determination Date. Pursuant to each Remarketing Agreement, a Remarketing Agent is required to determine the minimum rate of interest which, in its opinion, under then-existing market conditions, would result in the sale of the 2025 Bonds at a price equal to 100% of the principal amount thereof on the and as of such date of determination of interest. At the time a new interest rate becomes effective, such Remarketing Agent is required to use its best efforts to remarket the 2025 Bonds at par. Each interest rate will reflect, among other factors, the level of market demand for the 2025 Bonds (including whether the applicable Remarketing Agent is willing to purchase 2025 Bonds for its own account). There may or may not be 2025 Bonds tendered and remarketed on such date of determination, such Remarketing Agent may or may not be able to remarket any 2025 Bonds tendered for purchase on such date at par and such Remarketing Agent may sell 2025 Bonds at varying prices to different investors on such date or any other date. A Remarketing Agent is not obligated to advise purchasers in a remarketing if it does not have third party buyers for all of the applicable Series of 2025 Bonds at the remarketing price. If such Remarketing Agent owns any such 2025 Bonds for its own account, it may, in its sole discretion in a secondary market transaction outside the tender process, offer such 2025 Bonds on any date, including the date of determination, at a discount to par to some investors.

The Ability to Sell 2025 Bonds Other Than Through Tender Process May Be Limited. A Remarketing Agent may buy and sell 2025 Bonds other than through the tender process. However, a Remarketing Agent is not obligated to do so and may cease doing so at any time without notice and may require Holders that wish to sell their 2025 Bonds to instead tender their 2025 Bonds through the Trustee with appropriate notice. Thus, investors who purchase the 2025 Bonds, whether in a remarketing or otherwise, should not assume that they will be able to sell their 2025 Bonds other than by tendering the 2025 Bonds in accordance with the tender process.

Under Certain Circumstances, a Remarketing Agent May Be Removed, Resign or Cease Remarketing its 2025 Bonds, without a Successor Being Named. Under certain circumstances, a Remarketing Agent may be removed, may resign or may cease its remarketing efforts, without a successor having been named, subject to the terms of the Remarketing Agreement.

Redemption Terms for 2025 Bonds

Optional Redemption. The 2025 Bonds bearing interest at a Daily Rate or a Weekly Rate are subject to redemption, at the option of 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, without premium.

Selection of Bonds for Optional Redemption. The Authority may designate the Mandatory Sinking Account Payments, or portions thereof, that are to be reduced as allocated to such redemption. If less than all 2025 Bonds of any Series are to be redeemed at any one time, the Trustee will select the Liquidity Facility Bonds of such Series first and then shall select 2025 Bonds of such Series to be redeemed in any manner that it deems appropriate and fair and will promptly notify the Authority in writing of the numbers of the 2025 Bonds so selected for redemption. For purposes of such selection, 2025 Bonds of each Series will be deemed to be composed of multiples of minimum Authorized Denominations and any such multiple may be separately redeemed.

Sufficient Funds Required for Optional Redemption. Any optional redemption of 2025 Bonds and notice thereof may be conditional and rescinded and cancelled if for any reason on the date fixed for redemption moneys are not available in the Redemption Fund or otherwise held in trust for such purpose in an amount sufficient to pay in full on said date the principal of, interest, and any premium due on the 2025 Bonds called for redemption.

Mandatory Redemption of 2025 Bonds. Except where, under the Indenture, a Mandatory Sinking Account Payment is applied instead to principal on a concurrent date established upon conversion of the related Series of 2025 Bonds to a Fixed Rate, the 2025 Bonds are subject to mandatory redemption from Mandatory Sinking Account Payments, on each date a Mandatory Sinking Account Payment is due, and in the principal amount equal to the Mandatory Sinking Account Payment due on such date at a Redemption Price equal to the principal amount thereof, plus accrued interest to the redemption date, without premium.

Mandatory Sinking Account Payments for 2025 Series A-1 Bonds will be due in such amounts and on such dates as follows:

2025 Series A-1 Bonds			
Redemption Date (June 1)	Mandatory Sinking Account Payment	Redemption Date (June 1)	Mandatory Sinking Account Payment
2028	\$795,000	2042	\$1,945,000
2029	885,000	2043	2,020,000
2030	965,000	2044	2,090,000
2031	1,075,000	2045	2,170,000
2032	1,170,000	2046	2,250,000
2033	1,275,000	2047	2,330,000
2034	1,385,000	2048	2,425,000
2035	1,505,000	2049	2,515,000
2036	1,550,000	2050	2,610,000
2037	1,620,000	2051	2,705,000
2038	1,680,000	2052	2,805,000
2039	1,740,000	2053	2,915,000
2040	1,805,000	2054	3,025,000
2041	1,865,000	2055	3,135,000

[Remainder of page intentionally left blank.]

Mandatory Sinking Account Payments for 2025 Series A-2 Bonds will be due in such amounts and on such dates as follows:

2025 Series A-2 Bonds			
Redemption Date (June 1)	Mandatory Sinking Account Payment	Redemption Date (June 1)	Mandatory Sinking Account Payment
2028	\$795,000	2042	\$1,945,000
2029	885,000	2043	2,020,000
2030	965,000	2044	2,090,000
2031	1,075,000	2045	2,170,000
2032	1,170,000	2046	2,250,000
2033	1,275,000	2047	2,330,000
2034	1,385,000	2048	2,425,000
2035	1,505,000	2049	2,515,000
2036	1,550,000	2050	2,610,000
2037	1,620,000	2051	2,705,000
2038	1,680,000	2052	2,805,000
2039	1,740,000	2053	2,915,000
2040	1,805,000	2054	3,025,000
2041	1,865,000	2055	3,135,000

Mandatory Sinking Account Payments for 2025 Series B-1 Bonds will be due in such amounts and on such dates as follows:

2025 Series B-1 Bonds			
Redemption Date (June 1)	Mandatory Sinking Account Payment	Redemption Date (June 1)	Mandatory Sinking Account Payment
2028	\$165,000	2042	\$875,000
2029	210,000	2043	930,000
2030	255,000	2044	985,000
2031	320,000	2045	1,045,000
2032	370,000	2046	1,115,000
2033	435,000	2047	1,180,000
2034	500,000	2048	1,260,000
2035	570,000	2049	1,335,000
2036	600,000	2050	1,420,000
2037	650,000	2051	1,505,000
2038	685,000	2052	1,595,000
2039	730,000	2053	1,700,000
2040	770,000	2054	1,805,000
2041	815,000	2055	1,920,000

Mandatory Sinking Account Payments for 2025 Series B-2 Bonds will be due in such amounts and on such dates as follows:

2025 Series B-2 Bonds			
Redemption Date (June 1)	Mandatory Sinking Account Payment	Redemption Date (June 1)	Mandatory Sinking Account Payment
2028	\$165,000	2042	\$875,000
2029	210,000	2043	930,000
2030	255,000	2044	985,000
2031	320,000	2045	1,045,000
2032	370,000	2046	1,115,000
2033	435,000	2047	1,180,000
2034	500,000	2048	1,260,000
2035	570,000	2049	1,335,000
2036	600,000	2050	1,420,000
2037	650,000	2051	1,505,000
2038	685,000	2052	1,595,000
2039	730,000	2053	1,700,000
2040	770,000	2054	1,805,000
2041	815,000	2055	1,920,000

Selection of Bonds for Mandatory Sinking Account Redemption. If less than all 2025 Bonds of any Series maturing by their terms on any one date are to be redeemed at any one time with Mandatory Sinking Account Payments, the Trustee will select the 2025 Bonds of such Series and maturity date to be redeemed by lot in any manner that it deems appropriate, provided that Liquidity Facility Bonds of such Series will be redeemed prior to any other 2025 Bonds of such Series, and the Trustee will promptly notify the Authority in writing of the numbers of such 2025 Bonds so selected for redemption. For purposes of such selection, 2025 Bonds of each Series will be deemed to be composed of multiples of minimum Authorized Denominations and any such multiple may be separately redeemed.

Purchase In Lieu of Redemption. The Authority reserves the right at all times to purchase any of its 2025 Bonds on the open market; provided such purchase is not funded from or by a Liquidity Facility or Credit Enhancement. In lieu of mandatory redemption, the Authority may surrender to the Trustee for cancellation 2025 Bonds purchased on the open market, and such 2025 Bonds will be cancelled by the Trustee. If any 2025 Bonds are so cancelled, the Authority may designate the Mandatory Sinking Account Payments or portions thereof within such Series of the 2025 Bonds so purchased that are to be reduced as a result of such cancellation.

General Redemption Provisions

Notice of Redemption. Unless otherwise specified in a Supplemental Indenture establishing the terms and provisions of a Series of Bonds, each notice of redemption will be mailed by the Trustee, not less than ten (10) nor more than sixty (60) days prior to the redemption date, to each Holder and each of the Repositories. A copy of such notice will also be provided to each of the Notice Parties with respect to Series of Bonds to which such notice relates. Notice of redemption to the Holders, the Repositories and the applicable Notice Parties will be given by first class mail. Each notice of redemption will state the date of such notice, the date of issue of the Series of Bonds to which such notice relates, the redemption date, the Redemption Price, the place or places of redemption (including the name and appropriate address or addresses of the Trustee), the CUSIP number (if any) of the maturity or maturities, and, if less

than all of any such maturity, the distinctive certificate numbers of the Bonds of such maturity, if any, to be redeemed and, in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice will also state that on said date there will become due and payable on each of said Bonds the Redemption Price thereof or of said specified portion of the principal amount thereof in the case of a Bond to be redeemed in part only, together with interest accrued thereon to the date fixed for redemption, and that from and after such redemption date interest thereon will cease to accrue, and will require that such Bonds be then surrendered at the address or addresses of the Trustee specified in the redemption notice. Neither the Authority nor the Trustee will have any responsibility for any defect in the CUSIP number that appears on any Bond or in any redemption notice with respect thereto, and any such redemption notice may contain a statement to the effect that CUSIP numbers have been assigned by an independent service for convenience of reference and that neither the Authority nor the Trustee will be liable for any inaccuracy in such CUSIP numbers. Failure by the Trustee to give notice to any Notice Party or any one or more of the Repositories or failure of any Holder, any Notice Party or any Repository to receive notice or any defect in any such notice will not affect the sufficiency or validity of the proceedings for redemption.

Conditional Notice of Redemption; Rescission. With respect to any notice of optional redemption of Bonds delivered pursuant to the Master Indenture or any provision of any Supplemental Indenture, unless, upon the giving of such notice, such Bonds will be deemed to have been paid within the meaning of the Indenture, such notice will state that such redemption will 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 Bonds to be redeemed, and that if such amounts will not have been so received said notice will be of no force and effect and the Authority will not be required to redeem such Bonds. In the event that such notice of redemption contains such a condition and such amounts are not so received, the redemption will not be made and the Trustee will within a reasonable time thereafter give notice to the Holders 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 given pursuant to the Indenture may be rescinded by written notice given to the Trustee by the Authority and the Trustee will give notice of such rescission as soon thereafter as practicable in the same manner, and to the same Persons, as notice of such redemption was given pursuant to the Indenture.

Partial Redemption of Bonds. Upon surrender of any Bond redeemed in part only, the Authority will execute (but need not prepare) and the Trustee will authenticate and deliver to the Holder thereof, at the expense of the Authority, a new Bond or Bonds of authorized denominations, and of the same Series, maturity and interest rate, equal in aggregate principal amount to the unredeemed portion of the Bond surrendered.

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 Bonds (or portions thereof) so called for redemption being held by the Trustee, on the redemption date designated in such notice, the Bonds (or portions thereof) so called for redemption will become due and payable at the Redemption Price specified in such notice together with interest accrued thereon to the redemption date, interest on the Bonds so called for redemption will cease to accrue, said Bonds (or portions thereof) will cease to be entitled to any benefit or security under the Indenture and the Holders of said Bonds will have no rights in respect thereof except to receive payment of said Redemption Price and accrued interest to the date fixed for redemption from funds held by the Trustee for such payment and such funds are hereby pledged to such payment. All Bonds redeemed pursuant to the provisions of this Article will be canceled upon surrender thereof.

Holder's Option to Tender 2025 Bonds for Purchase

(a) During any Daily Rate Period for any Series of the 2025 Bonds, any such 2025 Bond or (subject to subsection (c) below) a portion thereof, may be tendered for purchase on any Business Day at the applicable Purchase Price, payable in immediately available funds, upon (A) delivery by the Holder or Beneficial Owner of such 2025 Bond to the Remarketing Agent and to the Trustee at its Principal Office of an irrevocable written notice or notice by Electronic Means by 10:45 a.m. (New York City time) on the Purchase Date, which states the principal amount of such 2025 Bond to be tendered for purchase and the Purchase Date, and (B) delivery of such 2025 Bond to the Trustee on the Purchase Date.

(b) During any Weekly Rate Period for any Series of the 2025 Bonds, any such 2025 Bond or (subject to subsection (c) of this Section) a portion thereof, may be tendered for purchase on any Business Day at the applicable Purchase Price, payable in accordance with the provisions of the Indenture in immediately available funds, upon (A) delivery by the Holder or Beneficial Owner of such 2025 Bond to the Remarketing Agent and to the Trustee at its Principal Office of an irrevocable written notice or notice by Electronic Means by 5:00 p.m. (New York City time) on any Business Day at least seven (7) days prior to the Purchase Date, which states the principal amount of such 2025 Bond to be tendered for purchase and the Purchase Date, and (B) delivery of such 2025 Bond to the Trustee on the Purchase Date.

(c) If any 2025 Bond is to be purchased in part pursuant to (a) or (b) above, the amount so purchased and the amount not so purchased must each be an Authorized Denomination.

(d) Any instrument delivered to the Trustee will be irrevocable with respect to the purchase for which such instrument was delivered and will be binding upon the Securities Depository and any subsequent Holder or Beneficial Owner of the 2025 Bond to which it relates, including any 2025 Bond issued in exchange therefor or upon the registration of transfer thereof, and as of the date of such instrument, the Holder or Beneficial Owner of the 2025 Bonds specified therein will not have any right to optionally tender for purchase such 2025 Bonds prior to the date of purchase specified in such notice.

Mandatory Tender of 2025 Bonds for Purchase

The 2025 Bonds during a Daily Rate Period or a Weekly Rate Period will be subject to mandatory tender for purchase at the applicable Purchase Price, at the following times and upon the occurrence of any of the events stated below:

(1) with respect to any Series of 2025 Bonds, on the Conversion Date for such 2025 Bonds to a new Interest Rate Determination Method specified in a Conversion Notice (whether or not the proposed Conversion becomes effective on such date, unless converting from an Index Rate Period or a Term Rate Period for which there is no Credit Enhancement or Liquidity Facility and the proposed Conversion does not occur, in which case the mandatory tender will be cancelled);

(2) with respect to any Series of 2025 Bonds bearing interest at a Daily Rate or a Weekly Rate: (A) on the fifth (5th) Business Day preceding (i) the scheduled Expiration of a Credit Enhancement or Liquidity Facility, or (ii) the Termination of a Credit Enhancement or Liquidity Facility, at the election of the Authority as permitted by the related Credit Support Agreement or such Liquidity Support Agreement; and (B) on the date of the provision of an Alternate Credit Enhancement or Alternate Liquidity Facility for such Series of 2025 Bonds and the resultant Termination of the existing Credit Enhancement or Liquidity Facility; provided, however, that, notwithstanding any other provision of the Indenture to the contrary, no mandatory tender for purchase shall be required if a Rating Confirmation shall be delivered by each Rating Agency then rating the Series of 2025 Bonds with respect to which an Alternate Credit Enhancement or Alternate Liquidity Facility is being provided on the date of the

provision of the Alternate Credit Enhancement or Alternate Liquidity Facility and the resultant Termination of the existing Credit Enhancement or Liquidity Facility;

(3) with respect to 2025 Bonds bearing interest at a Daily Rate or a Weekly Rate, upon receipt by the Trustee of written notice from the Credit Provider or Liquidity Provider for any such 2025 Bonds that an event of default or an event of termination (other than an immediate termination or suspension) has occurred under the related Credit Support Agreement or Liquidity Support Agreement with the effect that the obligations of such Credit Provider or Liquidity Provider to purchase such 2025 Bonds or otherwise provide for the Purchase Price of such 2025 Bonds under such Credit Enhancement or Liquidity Facility shall terminate on the date specified in such notice, in which event such 2025 Bonds shall be subject to purchase on a Business Day selected by the Trustee which date shall be not more than five (5) Business Days after receipt of such notice, but in no event later than the Business Day preceding the termination date specified in the notice received from such Credit Provider or Liquidity Provider;

(6) the 2025 Bonds are subject to mandatory tender on the fifth Business Day prior to the date on which the Credit Enhancement or Liquidity Facility is scheduled to expire or terminate in accordance with its terms and if the Trustee has not received notice at least twenty (20) days prior to such date that an extension of such expiration or termination date or that an Alternate Credit Enhancement or Alternate Liquidity is to be provided. Not less than twenty days before each such Mandatory Tender Date, the Trustee shall send a notice to all Owners by first class mail, postage prepaid, which notice shall contain the following information: (i) that the Credit Support Agreement or Liquidity Facility is scheduled to expire or terminate and no Alternate Credit Enhancement or Alternate Liquidity Facility will be provided, (ii) that each Owner's 2025 Bond is subject to mandatory tender as provided in such notice, and (iii) if any of the nationally recognized rating agencies which has a credit rating outstanding on the 2025 Bonds has indicated to the Trustee in writing that it will lower or withdraw its rating on the 2025 Bonds as of such Mandatory Tender Date, notice of such new rating, or if no new rating is available, notice that any of such rating agencies may lower or withdraw such rating as of such Mandatory Tender Date; and

(7) the 2025 Bonds are subject to mandatory tender on the fifth Business Day following receipt by the Trustee of notice from the Credit Provider or Liquidity Provider of the occurrence of an event of default under the Credit Support Agreement or the Liquidity Support Agreement, as applicable, and that the Credit Provider or the Liquidity Provider will not reinstate any portion of the Credit Enhancement or Liquidity Facility, and in each case directing the mandatory tender of the 2025 Bonds.

Remarketing of Tendered 2025 Bonds

Daily Put Bonds. Not later than 11:00 a.m. (New York City time) on each Business Day on which the Trustee receives a notice from a Holder or Beneficial Owner of a 2025 Bond bearing interest at a Daily Rate to be tendered pursuant to Holder's option to tender (the "Daily Put Bonds"), the Trustee shall give notice by Electronic Means to the applicable Remarketing Agent and the Authority, specifying the principal amount of 2025 Bonds for which it has received such notice and the names of the Holder or Holders thereof. The Remarketing Agent shall thereupon offer for sale and use its best efforts to find purchasers for such Daily Put Bonds, other than Liquidity Facility Bonds, which shall be remarketed pursuant to the Indenture.

Weekly Put Bonds. Not later than 10:30 a.m. (New York City time) on each Business Day succeeding a day on which the Trustee receives a notice from a Holder or Beneficial Owner of 2025 Bonds bearing interest at a Weekly Rate to be tendered pursuant Holder's option to tender (the "Weekly Put Bonds"), the Trustee shall give notice by Electronic Means to the Remarketing Agent and the Authority, specifying the principal amount of 2025 Bonds for which it has received such notice, the

names of the Holder or Holders thereof and the Purchase Date. The Remarketing Agent shall thereupon offer for sale and use its best efforts to find purchasers for such Weekly Put Bonds, other than Liquidity Facility Bonds, which shall be remarketed pursuant to the Indenture.

Not later than 11:00 a.m. (New York City time) on the Business Day immediately preceding the Purchase Date described in paragraph above, the Trustee shall give notice by Electronic Means to the applicable Remarketing Agent and the Authority of the accrued amount of interest payable with respect to the Weekly Put Bonds as of such Purchase Date and confirming the aggregate principal amount of the Weekly Put Bonds.

Not later than 11:30 a.m. (New York City time) on any Purchase Date for Weekly Put Bonds, the Remarketing Agent shall give notice by Electronic Means to the Authority and the Trustee of the principal amount of Weekly Put Bonds that have not been remarketed in accordance with the applicable Remarketing Agreement and its commitment to deliver funds from the Weekly Put Bonds that have been remarketed to the Trustee by 2:00 p.m. (New York City time) on the Purchase Date.

If a Remarketing Agent's notice pursuant to paragraph above indicates that such Remarketing Agent has on hand less remarketing proceeds than are needed to purchase all the Weekly Put Bonds to be purchased on any Purchase Date, the Trustee shall demand payment under the applicable Credit Enhancement or Liquidity Facility then in effect with respect to the Weekly Put Bonds in sufficient time (as set forth by the terms of the applicable Credit Support Agreement or Liquidity Facility) so as to provide by 2:30 p.m. (New York City time) on such Purchase Date an amount sufficient, together with the remarketing proceeds to be available for such purchase, calculated solely on the basis of the notice given by the Remarketing Agent pursuant to subparagraph (iii) above, to pay the Purchase Price of the Weekly Put Bonds. The Trustee shall immediately after such demand for payment give notice by Electronic Means to the Authority of the amount, if any, of such demand.

Optional Authority Deposit. If a Remarketing Agent's notice indicates that such Remarketing Agent has remarketed less than all the Daily Put Bonds or Weekly Put Bonds to be purchased on any Purchase Date and the Trustee does not receive sufficient funds from, or has received notice from a Credit Provider or Liquidity Provider that it will not provide sufficient funds from, draws on the applicable Credit Enhancement or Liquidity Facility, as applicable, to pay the Purchase Price of all such 2025 Bonds that have not been remarketed by 2:30 p.m. (New York City time) on the Purchase Date, the Trustee shall immediately (but in no event later than 3:00 p.m. (New York City time)) give notice by Electronic Means to the Authority specifying the principal amount and the Purchase Price of such 2025 Bonds for which moneys will not be available in the 2025 Bonds Purchase Fund and requesting the Authority to deposit with the Trustee as soon as possible on such Purchase Date, preferably by 4:00 p.m. (New York City time), an amount sufficient to pay that portion of the Purchase Price for which moneys will not be available in the 2025 Bonds Purchase Fund, such notice to be confirmed immediately by Electronic Means to the Authority. Such deposit by the Authority shall be at the sole option of the Authority.

Limitation. If a Credit Enhancement or Liquidity Facility is in effect with respect to a Series of 2025 Bonds, the Remarketing Agent with respect to such Series of 2025 Bonds shall not remarket any tendered 2025 Bonds to the Authority or any affiliate of the Authority. Each Remarketing Agent shall remarket the applicable 2025 Bonds at not less than the Purchase Price thereof, except for Liquidity Facility Bonds, which shall be remarketed pursuant to the Indenture.

Inadequate Funds for Tenders. If sufficient funds are not available for the purchase of all 2025 Bonds tendered or deemed tendered and required to be purchased on any Purchase Date, such 2025 Bonds shall bear interest at the Maximum Rate, from the date of such failed purchase until such 2025 Bonds are purchased as required in accordance with the Indenture, and all tendered 2025 Bonds shall be returned to

their respective Owners. Notwithstanding any other provision of the Indenture, such failed purchase and return shall not constitute an Event of Default. Thereafter, the Trustee shall continue to take all such action available to it to obtain remarketing proceeds from the applicable Remarketing Agent and sufficient other funds from the Liquidity Provider or Credit Provider, as applicable.

2025 Bonds Purchase Fund

Deposits. The terms of any sale by a Remarketing Agent of any 2025 Bond tendered or deemed tendered for purchase shall provide for the payment of the Purchase Price for such tendered or deemed tendered 2025 Bond by such Remarketing Agent to the Trustee for deposit in the applicable Remarketing Account of the 2025 Bonds Purchase Fund in immediately available funds at or before 2:00 p.m. (New York City time) on the Purchase Date. Each Remarketing Agent shall cause to be paid to the Trustee on each Purchase Date for tendered or deemed tendered 2025 Bonds all amounts representing proceeds of the remarketing of such 2025 Bonds.

The Trustee shall deposit in the 2025 Series A Bank Purchase Account all amounts received under a Credit Enhancement or Liquidity Facility and related to the 2025 Series A Bonds. The Trustee shall deposit in the 2025 Series B Bank Purchase Account all amounts received under a Credit Enhancement or Liquidity Facility and related to the 2025 Series B Bonds.

Upon receipt of any notice from the Trustee that insufficient funds will be on deposit in the 2025 Bonds Purchase Fund to pay the full Purchase Price of all 2025 Bonds to be purchased on a Purchase Date, the Authority shall, at its sole option, deliver or cause to be delivered to the Trustee immediately available funds in an amount equal to such deficiency prior to 4:00 p.m. (New York City time) on the applicable Purchase Date. All such funds shall be deposited in the applicable 2025 Authority Account.

Disbursements. Moneys in the 2025 Bonds Purchase Fund (other than the proceeds of any remarketing of Liquidity Facility Bonds, which shall be paid to the applicable Credit Provider or Liquidity Provider on the remarketing date) shall be applied at or before 3:00 p.m. (New York City time) to the purchase of 2025 Bonds as provided herein by the Trustee, on each Purchase Date, as follows:

First – Moneys constituting funds in either Remarketing Account shall be used by the Trustee on any Purchase Date to purchase 2025 Bonds of the Series to which such Remarketing Account relates tendered or deemed tendered for purchase at the Purchase Price thereof.

Second – In the event such moneys in any Remarketing Account on any Purchase Date are insufficient to purchase all 2025 Bonds of the Series to which such Remarketing Account relates, moneys in the applicable Bank Purchase Account on such Purchase Date shall be used by the Trustee at that time to purchase such remaining 2025 Bonds of such Series at the Purchase Price thereof.

Third – If the amount of money in the applicable Remarketing Account and Bank Purchase Account on any Purchase Date is insufficient to pay in full the Purchase Price of all 2025 Bonds of such Series tendered or deemed tendered for purchase on such Purchase Date, moneys in the applicable Authority Account on such Purchase Date, if any, shall be used by the Trustee at that time to purchase such remaining 2025 Bonds of such Series at the Purchase Price thereof.

Nondeliveries. The Trustee shall, as to any 2025 Bonds that are not registered in book-entry form and that have not been delivered to it as required by the Indenture, (i) notify the applicable Remarketing Agent in writing of such nondelivery and (ii) place a stop transfer against an appropriate amount of 2025 Bonds registered in the name of the Holder of such 2025 Bonds on the bond registration books maintained by the Trustee.

Limitation. Notwithstanding anything contained in the Indenture to the contrary, while any Credit Enhancement or Liquidity Facility is in effect with respect to a Series of 2025 Bonds, the Trustee shall only use proceeds obtained by remarketing any such 2025 Bonds to the Authority or any affiliate of the Authority to pay any portion of the Purchase Price of the tendered 2025 Bonds, if funds are unavailable under the Credit Enhancement or Liquidity Facility for such purchase.

Credit Enhancement and Liquidity Facility; Liquidity Facility Bonds.

Unless all the Outstanding Bonds of any Series of 2025 Bonds are Liquidity Facility Bonds or are in an Index Rate Period, a Term Rate Period or a Fixed Rate Period, the Authority shall provide, or cause to be provided, to the Trustee a Credit Enhancement or Liquidity Facility for such Series of 2025 Bonds. The Authority shall not reduce the amount of a Credit Enhancement or Liquidity Facility or permit a substitution of a Credit Provider or Liquidity Provider thereunder without obtaining a Rating Confirmation with respect to such action unless such action is considered a substitution of a Credit Enhancement or Liquidity Facility subjecting the 2025 Bonds affected thereby to mandatory purchase. The Authority shall have the right at any time to provide an Alternate Credit Enhancement or Alternate Liquidity Facility for any Credit Enhancement or Liquidity Facility then in effect. In the event that the Authority elects to provide an Alternate Credit Enhancement or Alternate Liquidity Facility with respect to one or more Series of 2025 Bonds, the affected 2025 Bonds shall be subject to the mandatory tender provisions. Notwithstanding the foregoing, if at any time there shall cease to be any Bonds of any Series of 2025 Bonds Outstanding or if all the Outstanding Bonds of any Series of 2025 Bonds have been converted to a Fixed Rate Period, an Index Rate Period or a Term Rate Period for which a Credit Enhancement or Liquidity Facility is not required to be in effect, or a Credit Enhancement or Liquidity Facility shall be terminated pursuant to its terms, the Trustee shall promptly surrender such Credit Enhancement or Liquidity Facility in accordance with its terms for cancellation.

In the event that a Credit Enhancement or Liquidity Facility is in effect with respect to a Series of 2025 Bonds, the Trustee shall make a demand for payment under such Credit Enhancement or Liquidity Facility, subject to and in accordance with its terms, in order to receive payment thereunder on each Purchase Date for such Series of 2025 Bonds as provided in the Indenture.

Each such demand for payment shall be made pursuant to and in accordance with the First Supplemental Indenture and the applicable Credit Enhancement or Liquidity Facility. The Trustee shall give notice of each such demand for payment to the Authority at the time of each such demand. The proceeds of each such demand shall be deposited in the applicable Bank Purchase Account within the 2025 Bonds Purchase Fund and used in the order of priority established by the Indenture. At the time of making any such demand under a Credit Enhancement or Liquidity Facility, the Trustee shall direct the applicable Credit Provider or Liquidity Provider to pay the proceeds of such demand directly to the Trustee for deposit in the applicable Bank Purchase Account. The Trustee shall comply with all provisions of each Credit Enhancement or Liquidity Facility in order to realize upon any demand for payment thereunder, and will not demand payment under any Credit Enhancement or Liquidity Facility of any amounts for payment of: (i) Liquidity Facility Bonds; or (ii) 2025 Bonds held by the Authority or held by any affiliate of the Authority or any nominee of the Authority unless the related Credit Support Agreement or such Liquidity Facility specifically permits such demand.

Any 2025 Bonds purchased with payments made under a Credit Enhancement or Liquidity Facility shall constitute Liquidity Facility Bonds and shall be registered in the name of, or as otherwise directed by, the applicable Credit Provider or Liquidity Provider and delivered to or upon the order of, or as otherwise directed by, such Credit Provider or Liquidity Provider. At the option of the Authority, it may provide funds to the Credit Provider or Liquidity Provider to purchase Liquidity Facility Bonds, in

which event such 2025 Bonds shall be held by the Trustee in accordance with instructions by the Authority.

Unless otherwise provided in a Credit Support Agreement or Liquidity Support Agreement, Liquidity Facility Bonds shall be remarketed by the applicable Remarketing Agent prior to any other 2025 Bonds of such Series tendered for purchase and shall be remarketed in accordance with the terms of the applicable Remarketing Agreement. Upon (i) receipt by the Authority and the Trustee of written notification from the Credit Provider or Liquidity Provider that the Credit Enhancement or Liquidity Facility, as applicable, has been fully reinstated with respect to principal and interest or purchase price, as applicable, and (ii) release by the applicable Credit Provider or Liquidity Provider of any Liquidity Facility Bonds that the Remarketing Agent has remarketed, such 2025 Bonds shall be made available to the purchasers thereof and shall no longer constitute Liquidity Facility Bonds for purposes of the First Supplemental Indenture. The proceeds of any remarketing of Liquidity Facility Bonds shall be paid to the applicable Credit Provider or Liquidity Provider by the Trustee on such remarketing date in immediately available funds with interest on the sale price being calculated as if such 2025 Bond were not a Liquidity Facility Bond; provided, however, if all such 2025 Bonds are Liquidity Facility Bonds, at the principal amount thereof plus accrued interest, and the remarketing date will be considered an Interest Payment Date.

All obligations of the Authority under or in connection with any Credit Support Agreement or Liquidity Support Agreement (including, without limitation, the payment of any reimbursement obligations to any Credit Provider or Liquidity Provider and the payment of any Liquidity Facility Bonds) shall be governed by the terms of the applicable Credit Support Agreement or Liquidity Support Agreement.

Alternate Credit Enhancement and Alternate Liquidity Facility

So long as any 2025 Bonds bear interest at a Variable Rate (other than 2025 Bonds in an Index Rate Period, a Term Rate Period for which there is no Credit Enhancement or Liquidity Facility, or a Fixed Rate Period), on or prior to the Expiration or Termination of any existing Credit Enhancement or Liquidity Facility, including any renewals or extensions thereof (other than an Expiration of such Credit Enhancement or Liquidity Facility at the final maturity of the 2025 Bonds to which such Credit Enhancement or Liquidity Facility relates), the Authority shall provide to the Trustee (with a copy to the applicable Remarketing Agent) a renewal or extension of the term of the existing Credit Enhancement or Liquidity Facility for such Series of 2025 Bonds or an Alternate Credit Enhancement or Alternate Liquidity Facility for such Series of 2025 Bonds meeting the requirements set forth in the Indenture.

The Authority may at any time provide an Alternate Credit Enhancement or Alternate Liquidity Facility for a Series of 2025 Bonds in accordance with the provisions of the Indenture. Any such Alternate Credit Enhancement or Alternate Liquidity Facility must meet the following conditions:

(a) The obligations of the Credit Provider or Liquidity Provider under such Alternate Credit Enhancement or Alternate Liquidity Facility to purchase any Series of 2025 Bonds or otherwise provide for the Purchase Price of any Series of 2025 Bonds tendered or deemed tendered pursuant to the Indenture shall not be subject to suspension or termination on less than fifteen (15) days' notice to the Authority and the Trustee; provided, however, that the obligations of a Credit Provider or Liquidity Provider to purchase such Series of 2025 Bonds or otherwise provide for the Purchase Price of such Series of 2025 Bonds may be immediately suspended or terminated (A) without such notice upon the occurrence of such events as may be provided in a Credit Support Agreement or Liquidity Support Agreement and which are disclosed to the Holders of such Series of 2025 Bonds in connection with the provision of such Credit Enhancement or Liquidity Facility or, (B) if applicable, upon the remarketing of such Series of 2025 Bonds upon the

mandatory tender thereof as a result of provision of such Alternate Credit Enhancement or Alternate Liquidity Facility pursuant to the Indenture;

(b) such Alternate Credit Enhancement or Alternate Liquidity Facility must take effect on or before the Purchase Date for such Series of the 2025 Bonds established pursuant to the Indenture; and

(c) such Alternate Credit Enhancement or Alternate Liquidity Facility must be in an amount sufficient to pay the maximum Purchase Price of the affected Series of 2025 Bonds which will be applicable during the Rate Period commencing on such substitution.

Mandatory Tender for Purchase of 2025 Bonds at Direction of Authority

In addition to the provisions relating to the mandatory tender for purchase of 2025 Bonds described above, the 2025 Bonds, or any of them, will be subject to mandatory tender for purchase by the Authority, subject to consent by the Credit Provider or Liquidity Provider, if any, in whole or in part (such that the portion that is subject to mandatory tender for purchase and the portion not subject to such mandatory tender will each be in an Authorized Denomination), from Available Moneys, at the applicable Optional Purchase Price on each Optional Purchase Date. In the event that the Authority determines to purchase any 2025 Bonds on any Optional Purchase Date, the Authority will provide the Trustee with written notice of such determination at least fifteen (15) days prior to the Optional Purchase Date, which notice will specify the Series of 2025 Bonds and the principal amount of such 2025 Bonds of each maturity that are to be purchased and the Optional Purchase Date on which such purchase is to occur.

When the Trustee will receive notice from the Authority of its determination to purchase any of the 2025 Bonds, the Trustee will give notice, in the name of the Authority, of the mandatory tender for purchase of such 2025 Bonds, which notice will be mailed, by first class mail, postage prepaid, not more than sixty (60) nor less than ten (10) days before the Optional Purchase Date to the Holders of such 2025 Bonds or portions of 2025 Bonds to be purchased at their addresses appearing in the bond registration books maintained by the Trustee, with a copy to the Notice Parties. Such notice will specify the Series of 2025 Bonds and the maturities of such 2025 Bonds to be purchased, the Optional Purchase Date, the Optional Purchase Price and the place or places where the Optional Purchase Price due upon such tender for purchase will be payable and, if less than all of the 2025 Bonds of any Series and like maturity are to be purchased, the letters and numbers or other distinguishing marks of such 2025 Bonds so to be purchased, and, in the case of 2025 Bonds to be purchased in part only, such notice will also specify the respective portions of the principal amount thereof to be purchased. Such notice will further state that on such Optional Purchase Date there will become due and payable upon each 2025 Bond to be purchased, the Optional Purchase Price thereof, or the Optional Purchase Price of the specified portions of the principal amount thereof to be purchased in the case of 2025 Bonds to be purchased in part only, and that from and after such Optional Purchase Date interest on such 2025 Bond for the benefit of the current Holder of such 2025 Bond or the portion of such 2025 Bond to be purchased will cease to accrue and be payable.

Receipt of such notice of mandatory tender for purchase will not be a condition precedent to the mandatory tender for purchase of the 2025 Bonds and failure of any Holder of a 2025 Bond to receive any such notice or any defect in such notice will not affect the validity of the proceedings for the mandatory tender for purchase of the 2025 Bonds pursuant to the Indenture.

If at the time the Trustee sends any notice of mandatory tender for purchase of any of the 2025 Bonds by the Authority, the Authority has not deposited with the Trustee Available Moneys in an amount sufficient to pay the full Optional Purchase Price of such 2025 Bonds, or the portions thereof, to be purchased, such notice will state that such mandatory tender for purchase is conditional upon the receipt

by the Trustee on or prior to the Optional Purchase Date fixed for such purchase of Available Moneys sufficient to pay the Optional Purchase Price of such 2025 Bonds, or the portions thereof to be purchased, and that if such Available Moneys will not have been so received said notice will be of no force and effect and the Authority will not be required to purchase such 2025 Bonds. In the event that such notice of mandatory tender for purchase contains such a condition and such Available Moneys are not so received, no purchase of such 2025 Bonds identified in the notice of mandatory tender for purchase will be made and the Trustee will, within a reasonable time thereafter, give notice, to the applicable Remarketing Agent and to the persons and in the manner in which the notice of tender was given, that such Available Moneys were not so received and that, there will be no purchase of 2025 Bonds pursuant to the notice of mandatory tender for purchase.

If less than all of the Outstanding 2025 Bonds of any Series are to be called for mandatory tender for purchase, the principal amount and maturity of such Series of the 2025 Bonds to be purchased will be selected by the Authority in its sole discretion. If less than all of any Series of the 2025 Bonds of like maturity will be called for mandatory tender for purchase, except as otherwise provided by the Securities Depository, the particular 2025 Bonds or portions of 2025 Bonds to be purchased will be selected at random by the Trustee in such manner as the Trustee in its discretion may deem fair and appropriate; provided, however, that in selecting portions of 2025 Bonds for purchase, the Trustee will treat each 2025 Bond of the same Series as representing that number of 2025 Bonds of the minimum Authorized Denomination for the 2025 Bonds which is obtained by dividing the principal amount of such 2025 Bond by the minimum Authorized Denomination for the 2025 Bonds.

Delivery of Tendered 2025 Bonds. With respect to any 2025 Bond that is registered in book-entry form, delivery of such 2025 Bond to the Trustee in connection with any mandatory tender for purchase will be effected by the making of, or the irrevocable authorization to make, appropriate entries on the books of the Securities Depository for such 2025 Bond or any Participant thereof to reflect the transfer of the beneficial ownership interest in such 2025 Bond to the account of the Trustee, on behalf of the Authority, or to the account of a Participant acting on behalf of the Authority. With respect to any 2025 Bond that is not registered in book-entry form, delivery of such 2025 Bond to the Trustee in connection with any mandatory tender for such 2025 Bond will be effected by physical delivery of such 2025 Bond to the Trustee at its Principal Office, by 1:00 p.m. (New York City time) on the Optional Purchase Date, as provided in the Indenture.

2025 Bonds Deemed Purchased. If moneys sufficient to pay the Optional Purchase Price of 2025 Bonds to be purchased by the Authority on an Optional Purchase Date will be held by the Trustee on such Optional Purchase Date, such 2025 Bonds will be deemed to have been purchased for all purposes of the Indenture, irrespective of whether or not such 2025 Bonds will have been delivered to the Trustee or transferred on the books of the Securities Depository for the 2025 Bonds, and neither the former Holder or former Beneficial Owner of such 2025 Bonds nor any other person will have any claim thereunder, under the Indenture or otherwise, for any amount other than the Optional Purchase Price thereof.

Payment of Optional Purchase Price of 2025 Bonds. Available Moneys held by the Trustee for the payment of the Optional Purchase Price of 2025 Bonds subject to mandatory tender for purchase by the Authority will be applied at or before 3:00 p.m. (New York City time) on the Optional Purchase Date to the purchase of such 2025 Bonds. Except as otherwise provided with respect to 2025 Bonds that are registered in book-entry form, payment of the Optional Purchase Price of 2025 Bonds tendered for purchase by the Authority will be made only upon the surrender of such 2025 Bonds to the Trustee. Notwithstanding anything to the contrary in the Indenture, if the 2025 Bonds to be tendered for purchase are registered in book-entry form, payment of the Optional Purchase Price for tendered 2025 Bonds will be made in accordance with the rules and procedures of the Securities Depository.

The Trustee will, as to any 2025 Bonds that are not registered in book-entry form and that have not been delivered to it as required under the Indenture, place a stop transfer against an appropriate amount of 2025 Bonds registered in the name of the Holder of such 2025 Bonds on the bond registration books maintained by the Trustee. The Trustee will place and maintain such stop transfer commencing with the lowest serial number 2025 Bond registered in the name of such Holder until stop transfers have been placed against an appropriate amount of 2025 Bonds until the appropriate 2025 Bonds are delivered to the Trustee. Upon such delivery, the Trustee will make any necessary adjustments to such bond registration books.

2025 Bonds Owned by Authority. Any 2025 Bonds purchased by the Authority will not be cancelled by the Trustee unless such cancellation is directed by an Authorized Representative but will remain Outstanding for all purposes of the Indenture. The Authority covenants and agrees that it will not transfer or cause the transfer of any 2025 Bond purchased by the Authority unless the Authority delivers to the Trustee a Favorable Opinion of Bond Counsel with respect to such transfer. The Authority covenants and agrees that, in the event that at any time there are insufficient funds in the Revenue Fund, the Principal Fund, the Interest Fund or the Redemption Fund, as applicable, to pay the principal of and interest then due on the Outstanding 2025 Bonds, it will surrender or cause to be surrendered to the Trustee for cancellation any 2025 Bonds held by or on behalf of the Authority.

OUTSTANDING 1976 SALES TAX OBLIGATIONS

Existing Bonds; No Additional Bonds under Existing Indenture

The 2025 Bonds will be secured by the 1976 Sales Tax Revenues on a subordinate basis with the Santa Clara Valley Transportation Authority Sales Tax Revenue Refunding Bonds, 2017 Series B (the “2017B Bonds”), \$12,620,000 in aggregate principal amount of which is currently outstanding, and the Santa Clara Valley Transportation Authority Sales Tax Revenue Refunding Bonds, 2018 Series A (the “2018A Bonds,” and together with the 2017B Bonds, the “Existing Bonds”), \$32,580,000 in aggregate principal amount of which is currently outstanding, issued pursuant to the Act, and an Indenture, dated as of November 1, 1997, between the Authority and the Trustee as successor to First Trust of California, National Association, as supplemented by a First Supplemental Indenture, dated as of November 1, 1997, a Second Supplemental Indenture, dated as of May 1, 2001, a Third Supplemental Indenture, dated as of November 1, 2003, a Fourth Supplemental Indenture, dated as of July 1, 2005, a Fifth Supplemental Indenture, dated as of June 1, 2005, a Sixth Supplemental Indenture, dated as of May 1, 2007, a Seventh Supplemental Indenture, dated as of June 1, 2008, an Eighth Supplemental Indenture, dated as of October 1, 2011, a Ninth Supplemental Indenture, dated as of April 1, 2017, a Tenth Supplemental Indenture, dated as of December 1, 2017, and an Eleventh Supplemental Indenture, dated as of September 1, 2018 (collectively, the “Existing Indenture”), each between the Authority and the Trustee.

Pursuant to the Indenture, the Authority has covenanted that it will not, as long as any of the Bonds are Outstanding, issue any additional obligations or securities under the provisions of the Existing Indenture. The only obligations payable from 1976 Sales Tax Revenues on a basis senior to the 2025 Bonds are the Existing Bonds, consisting of the 2018A Bonds with a final maturity of June 1, 2026 and the 2017B Bonds with a final maturity of June 1, 2028. The Authority has covenanted in the Indenture that it will terminate the Existing Indenture pursuant to its terms upon or promptly after payment of the final maturity of the Existing Bonds.

The following table shows the annual debt service requirements for the Existing Bonds.

Fiscal Year Ending June 30	2018A Bonds Principal	2018A Bonds Interest	2017B Bonds Principal	2017B Bonds Interest	Combined Debt
2025	\$15,910,000	\$1,629,000	\$2,625,000	\$631,000	\$20,795,000
2026	16,670,000	833,500	2,745,000	499,750	20,748,250
2027	-	-	3,525,000	362,500	3,887,500
2028	-	-	3,725,000	186,250	3,911,250

⁽¹⁾ Totals may not add due to rounding.

SECURITY AND SOURCES OF PAYMENT FOR THE 2025 BONDS

Limited Obligations

The Bonds are limited obligations of the Authority secured by a pledge of 1976 Sales Tax Revenues and certain amounts held by the Trustee in the funds and accounts established under the Indenture, subject to the prior lien under the Existing Indenture. The Authority shall not be required to advance any moneys derived from any source other than 1976 Sales Tax Revenues and amounts held by the Trustee in the funds and accounts established under the Indenture, excluding amounts in the Rebate Fund, any Letter of Credit Account 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 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, THE STATE OR ANY POLITICAL SUBDIVISION OR PUBLIC AGENCY THEREOF, OTHER THAN THE AUTHORITY, TO THE EXTENT OF THE PLEDGE OF THE 1976 SALES TAX REVENUES AND OTHER AMOUNTS HELD UNDER THE INDENTURE, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE BONDS.

Pledge of 1976 Sales Tax Revenues and Certain Amounts Held by Trustee

As security for the payment of all amounts owing on the Bonds and Parity Obligations, and subject only to the prior lien on Sales Tax Revenues for the Existing Bonds under the Existing Indenture, there are irrevocably pledged to the Trustee: (i) all Revenues; and (ii) all amounts, including proceeds of the Bonds, held on deposit in the funds and accounts established hereunder (except for amounts held in the Rebate Fund, any Letter of Credit Account and any Purchase Fund), subject to the provision of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture. Pursuant to the Indenture, the pledge of Revenues and all amounts held on deposit in the funds and accounts established hereunder (except for amounts held in the Rebate Fund, any Letter of Credit Account and any Purchase Fund), including the pledge of 1976 Sales Tax Revenues, constitutes a first lien to secure the Bonds and Parity Obligations, subject to the prior lien of the Existing Indenture. The pledge of 1976 Sales Tax Revenues is irrevocable until all Bonds issued under the Indenture and all Parity Obligations are no longer Outstanding.

All Bonds and Parity Obligations shall be of equal rank without preference, priority or distinction of any Bonds and Parity Obligations over any other Bonds and Parity Obligations.

As long as the Existing Bonds are Outstanding and remain unpaid, the Authority has assigned and caused the 1976 Sales Tax Revenues to be transmitted by the CDTFA directly to the Existing Trustee. Pursuant to the Indenture, the Authority assigns all 1976 Sales Tax Revenues remaining after the Existing Trustee makes the required deposits in each month under the Existing Indenture, directly for transfer from the Existing Trustee to the Trustee so long as any Bonds are Outstanding or any Parity Obligations remain unpaid and the Authority shall take any and all actions and make any and all directions necessary to cause such transfer from the Existing Trustee to the Trustee. Following payment in full of the Existing Bonds, so long as any Bonds are Outstanding or any Parity Obligations remain unpaid, the Authority assigns and causes 1976 Sales Tax Revenues to be transmitted by the CDTFA directly to the Trustee.

Subject to the deposits of 1976 Sales Tax Revenues required under the Existing Indenture, the Trustee shall deposit in a trust fund, designated as the "Revenue Fund," all 1976 Sales Tax Revenues, when and as received by the Trustee. Such 1976 Sales Tax Revenues shall be received and held in trust by the Trustee in the Revenue Fund 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.

For a more detailed description of the 1976 Sales Tax and projected receipts of 1976 Sales Tax Revenues, see "1976 SALES TAX" herein.

Revenue Fund; Allocation of 1976 Sales Tax Revenues

(A) Subject to the deposits and payments from 1976 Sales Tax Revenues under the Existing Indenture when and as required to be made thereunder, so long as any Bonds are Outstanding and Parity Obligations, Subordinate Obligations and Junior Subordinate Obligations, and all other amounts payable under the Indenture remain unpaid, the Trustee shall set aside in each month following receipt of the 1976 Sales Tax Revenues, after payment of amounts due under the Existing Indenture, 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 pursuant to Indenture (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):

1. Interest Fund. Following receipt of the 1976 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 Authority, or if the Authority 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 the month of deposit plus one percent (1%) (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 and paid 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 hereunder and then Outstanding and on June 1 and December 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 June 1 and December 1) shall be transferred to the Authority (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). All Swap Revenues received with respect to the Interest Rate Swap Agreements that are Parity Obligations shall be deposited in the Interest Fund and credited to the above-required deposits.

2. Principal Fund; Sinking Accounts. Following receipt of the 1976 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 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. 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 1976 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 1976 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 Obligation of all Serial Bonds issued hereunder 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 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 on deposit with respect to such principal payments. At the beginning of each Fiscal Year and in any event not later than June 1 of each year, the Trustee shall request from the Authority a Certificate of the Authority setting forth the principal payments for which deposits will not be necessary pursuant to the preceding sentence and the reason therefor. On June 1 of each year or as soon as practicable thereafter 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 June 1) shall be transferred to the Authority.

3. 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 Indenture, 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.

4. Subordinate Obligations Fund. While the Subordinate Indenture or any other instrument creating Subordinate Obligations is in effect, the Authority shall instruct the Trustee to, and the Trustee thereupon shall, establish, maintain and hold in trust a separate fund designated as the "Subordinate Obligations Fund." As long as any Subordinate Obligations remain unpaid, any Revenues remaining in the Revenue Fund after the transfers described in (1), (2) and (3) above have been made shall be deposited on the same Business Day in the Subordinate Obligations Fund and transferred to the Subordinate Trustee. After the Subordinate Trustee has made any deposit or payment of Revenues required by the Subordinate Indenture or such other instrument, the Subordinate Trustee shall transfer any remaining Revenues back to the Trustee.

5. Fees and Expenses Fund. The Trustee shall establish, maintain and hold in trust a separate fund designated as the "Fees and Expenses Fund." At the direction of the Authority, after the transfers described in (1), (2), (3) and (4) above have been made, the Trustee shall deposit as soon as practicable in each month in the Fees and Expenses Fund (i) amounts necessary for payment of fees, expenses and similar charges (including fees, expenses and similar charges relating to any Liquidity Facility or Credit Enhancement for the Bonds or any Parity Obligations) owing in such month or following month by the Authority in connection with the

Bonds or any Parity Obligations and (ii) amounts necessary for payment of fees, expenses and similar charges owing in such month or the following month by the Authority in connection with Subordinate Obligations. The Authority shall notify the Trustee of such amounts, in writing, on or prior to the first Business Day of each month.

6. Junior Subordinate Obligations Fund. While the Junior Subordinate Indenture or any other instrument creating Junior Subordinate Obligations is in effect, the Authority shall instruct the Trustee to, and the Trustee thereupon shall, establish, maintain and hold in trust a separate fund designated as the “Junior Subordinate Obligations Fund.” As long as any Junior Subordinate Obligations remain unpaid, any Revenues remaining in the Revenue Fund after the deposits described in (1), (2), (3), (4) and (5) above have been made shall be deposited on the same Business Day in the Junior Subordinate Obligations Fund and transferred to the Junior Subordinate Trustee. After the Junior Subordinate Trustee has made any deposit or payment of Revenues required by the Junior Subordinate Indenture or such other instrument, the Junior Subordinate Trustee shall transfer any remaining Revenues back to the Trustee.

7. Hedging Termination Obligations Fund. While any Interest Rate Swap Agreement is in effect, the Authority shall instruct the Trustee to, and the Trustee thereupon shall, establish, maintain and hold in trust a separate fund designated as the “Hedging Termination Obligations Fund.” As long as any Junior Subordinate Obligations remain Outstanding, any Revenues remaining in the Revenue Fund after the deposits described in (1), (2), (3), (4), (5) and (6) above have been made shall be transferred at the direction of the Authority on the same Business Day to the Hedging Termination Obligations Fund, to pay any Hedging Termination Obligation due and payable in the current month with respect to any Interest Rate Swap Agreement. The Authority shall notify the trustee of any such amount, in writing, on or prior to the first Business Day of each month. After the Trustee has made such transfer, in the amount specified by the Authority, the Trustee shall transfer any remaining Revenues back to the Revenue Fund.

(B) Any Revenues remaining in the Revenue Fund after the foregoing transfers described in (1), (2), (3), (4), (5), (6) and (7) of subsection (A) above, except as the Authority shall otherwise direct in writing or as is otherwise provided in a Supplemental Indenture, shall be transferred to the Authority on the same Business Day or as soon as practicable thereafter. The Authority may use and apply the Revenues when received by it for any lawful purpose of the Authority, 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 Revenue Fund, 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 Authority, in writing, of such deficiency and direct that the Authority transfer the amount of such deficiency to the Trustee on or prior to such payment date. The Authority hereby 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.

The Trustee shall establish within each fund and account provided hereunder such account or subaccount as may be required by a Supplemental Indenture. See APPENDIX D – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Funds and Accounts; Allocation of 1976 Sales Tax Revenues.”

Bond Reserve Fund

The Authority 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 Authority shall be available to secure one or more Series of Bonds as the Authority shall determine and shall specify in the Supplemental Indenture establishing such Bond Reserve Fund or, if the Supplemental Indenture establishing any Bond Reserve Fund also establishes a pooled Bond Reserve Requirement that is applicable to an initial Series of Bonds together with anyone or more subsequently-issued eligible Series of Bonds with the same pooled Reserve Requirement, in subsequent Supplemental Indentures. Any Bond Reserve Fund established by the Authority shall be held by the Trustee and shall comply with the requirements set forth in the Indenture.

In lieu of a cash deposit, the Authority may fulfill all or a portion of its obligation to fund the Bond Reserve Fund by depositing a letter of credit, surety bond or insurance policy, as provided in the Indenture. For a more complete discussion of the Bond Reserve Fund provisions, see APPENDIX D – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Funds and Accounts; Allocation of 1976 Sales Tax Revenues – Establishment, Funding and Application of Bond Reserve Funds.”

No Bond Reserve Fund has been established for the 2025 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 1976 Sales Tax Revenues on a parity with the 2025 Bonds, subject to compliance with the terms and provisions set forth in the Indenture.

Issuance of Additional Series of Bonds. The Authority may by Supplemental Indenture establish one or more Series of Bonds payable from 1976 Sales Tax Revenues and secured by the pledge made under the Indenture equally and ratably with Bonds previously issued, and subordinate only to the pledge of the 1976 Sales Tax Revenues securing the Existing Bonds under the Existing Indenture, 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) Subject to the provisions of the Indenture, in the event a Supplemental Indenture providing for the issuance of such Series 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 Authority or from both such sources or may be made in the form of a letter of credit or surety bond or insurance policy as described under “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Funding and Application of Bond Reserve Fund.”

(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 Authority shall place on file with the Trustee a Certificate of the Authority certifying that the amount of 1976 Sales Tax Revenues collected during the most recent Fiscal Year for which audited financial statements are available preceding the date on which such additional Series of Bonds will become Outstanding shall have been at least equal to 2.0 times Maximum Annual Debt Service on all Series of Bonds and Parity Obligations then Outstanding under the Indenture, all Existing Bonds then outstanding under the Existing Indenture, 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.

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 subcaption “Issuance of Additional Series of Bonds”; provided, that Maximum Annual Debt Service on all Bonds Outstanding and 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 Parity Obligations outstanding prior to the issuance of such Refunding Bonds or that the Authority expects a reduction in Debt Service on all Bonds Outstanding and Parity Obligations outstanding to result from the refunding to be effected with the proceeds of such Refunding Bonds.

Parity Obligations. As defined in the Indenture, “Parity Obligations” means any (i) any indebtedness, installment sale obligation, lease obligation or other obligation of the Authority for borrowed money, (ii) any obligation to pay the Rebate Requirement, (iii) any Interest Rate Swap Agreement (excluding in each case 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 Sales Tax Revenues subordinate to the lien and charge upon 1976 Sales Tax Revenues that secures the Bonds, Parity Obligations and payment of principal of and interest on Subordinate Obligations) entered into in connection with a Series of Bonds, and in each case having an equal lien and charge upon the 1976 Sales Tax Revenues and therefore being payable on a parity with the Bonds (whether or not any Bonds are Outstanding). The Authority may issue or incur additional Parity Obligations payable on a parity with the Bonds and which will have, when issued, an equal lien and charge upon the 1976 Sales Tax Revenues, provided that the conditions to the issuance of such Parity Obligation set forth in the Indenture and any other authorizing instruments are satisfied, including the coverage test described in subsection (d) above under the subcaption “Issuance of Additional Series of Bonds,” unless such Parity Obligation is for refunding purposes, in which case the coverage test shall not apply.

Subordinate Obligations; Junior Subordinate Obligations

The Authority may issue Subordinate Obligations that are payable as to principal, premium, interest and reserve fund requirements, if any, only out of 1976 Sales Tax Revenues after the prior payment of all amounts then required to be paid under the Existing Indenture and the Indenture from 1976 Sales Tax Revenues for principal, premium, interest and reserve fund requirements, if any, for all Existing Bonds outstanding, Bonds Outstanding and all Parity Obligations outstanding, as the same become due and payable; provided certain conditions are satisfied as set forth in the Indenture. Termination payments and fees and expenses on Interest Rate Swap Agreements, Liquidity Provider or Credit Provider fees and expenses and other obligations that shall be secured by a lien and charge on the Revenues subordinate to

the lien and charge upon the Revenues that secures the Bonds, Parity Obligations and Subordinate Obligations.

The Authority may issue Junior Subordinate Obligations that are payable as to principal, premium, interest and reserve fund requirements, if any, only out of 1976 Sales Tax Revenues after the prior payment of all amounts then required to be paid under the Existing Indenture and the Indenture from 1976 Sales Tax Revenues for principal, premium, interest and reserve fund requirements, if any, for all Existing Bonds outstanding, all Bonds Outstanding, all Parity Obligations outstanding, and all Subordinate Obligations outstanding, provided certain conditions set forth in the Indenture are satisfied:

Alternate Liquidity or Credit Enhancement

So long as any Series of the 2025 Bonds bears interest at a Variable Rate (other than 2025 Bonds in an Index Rate Period, a Term Rate Period for which there is no Credit Enhancement, or a Fixed Rate Period), on or prior to the Expiration or termination of any existing Credit Enhancement, including any renewals or extensions thereof (other than an Expiration of such Credit Enhancement at the final maturity of the 2025 Bonds to which such Credit Enhancement relates), the Authority will provide to the Trustee (with a copy to the applicable Remarketing Agent) a renewal or extension of the term of the existing Liquidity Facility for such Series of 2025 Bonds or Alternate Liquidity Facility or Alternate Credit Enhancement for such Series of 2025 Bonds meeting the requirements set forth in the Indenture. “Alternate Credit Enhancement” means, with respect to a Series of 2025 Bonds, a policy of insurance, a letter of credit, revolving credit agreement or other credit arrangement pursuant to which a Credit Provider provides credit (and to the extent applicable, liquidity) support with respect to the payment of principal of and interest on (and to the extent applicable, Purchase Price of) the 2025 Bonds, but shall not include a Reserve Facility, issued to replace an existing Credit Enhancement.

Any such Alternate Credit Enhancement must meet the following conditions:

(i) the obligations of a Credit Provider under an Alternate Credit Enhancement to purchase such Series of 2025 Bonds or otherwise provide for the Purchase Price of such Series of 2025 Bonds tendered or deemed tendered will not be subject to suspension or termination on less than fifteen (15) days’ notice to the Authority and the Trustee; provided, however, that the obligations of a Credit Provider to purchase such Series of 2025 Bonds or otherwise provide for the Purchase Price of such Series of 2025 Bonds may be immediately suspended or terminated (A) without such notice upon the occurrence of such events as may be provided in a Credit Support Agreement and which are disclosed to the Holders of such Series of 2025 Bonds in connection with the provision of such Credit Enhancement or, (B) if applicable, upon the remarketing of such Series of 2025 Bonds upon the mandatory tender thereof as a result of provision of such Alternate Credit Enhancement;

(ii) such Alternate Credit Enhancement must take effect on or before the Purchase Date for Series of the 2025 Bonds; and

(iii) such Alternate Credit Enhancement must be in an amount sufficient to pay the maximum Purchase Price of the affected Series of 2025 Bonds which will be applicable during the Rate Period commencing on such substitution.

Prior to the date of the delivery of such Alternate Credit Enhancement to the Trustee, the Authority will cause to be furnished to the Trustee (i) a Favorable Opinion of Bond Counsel addressed to the Trustee to the effect that the delivery of such Alternate Credit Enhancement to the Trustee is authorized under the Indenture and complies with the terms hereof and, with respect to the 2025 Series A Bonds will not, in and of itself, adversely affect the Tax-Exempt status of interest on the 2025 Series A

Bonds and (ii) an opinion or opinions of counsel to the Credit Provider for such Alternate Credit Enhancement addressed to the Trustee, to the effect that such Alternate Credit Enhancement has been duly authorized, executed and delivered by the applicable Credit Provider and constitutes the valid, legal and binding obligation of such Credit Provider enforceable against such Credit Provider in accordance with its terms and (iii) if the affected Series of 2025 Bonds are not subject to mandatory tender for purchase, Rating Confirmation. The Trustee will give notice by first class mail to the Holders of the affected Series of 2025 Bonds of the proposed substitution of a Credit Enhancement not later than the fifteenth (15th) day prior to the substitution date.

Limitations on Rights of Credit Providers, Liquidity Providers or Reserve Facility Providers

A Supplemental Indenture establishing the terms and provisions of a Series of Bonds may provide that any Credit Provider, Liquidity 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 Provider, a Liquidity 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 Provider, Liquidity Provider or Reserve Facility Provider were not mentioned therein (i) during any period during which there is a default by such Credit Provider, Liquidity 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, non-appealable 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 Provider, Liquidity Provider or Reserve Facility Provider will be of no further force and effect if all amounts owing to such Credit Provider, Liquidity 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. Each Credit Provider, Liquidity Provider or Reserve Facility Provider with respect to Bonds or any Series is an express third-party beneficiary of the Indenture with the power to enforce the provisions thereof against the parties thereto, subject to the provisions therein.

THE STANDBY LETTERS OF CREDIT AND THE REIMBURSEMENT AGREEMENT

The following is a summary of certain provisions contained in the Standby Letters of Credit and the Reimbursement Agreement and is not to be considered a full statement pertaining thereto. Capitalized terms used in the following summary which are not otherwise defined in this Official Statement shall have the meanings given to such terms in Reimbursement Agreement. In the event of any conflict between a definition set forth in this Official Statement and the corresponding definition set forth in the Reimbursement Agreement, the definition set forth in Reimbursement Agreement shall control for purposes of this section. Any references within this section to the Liquidity Provider shall mean the initial Liquidity Provider.

Investors should obtain and review a copy of the Reimbursement Agreement in order to understand all of the terms of that document. A redacted version of the Reimbursement Agreement will be available on the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System (www.emma.msrb.org) or a copy may be obtained from the Authority. The provisions of any substitute liquidity facility may be different from those summarized below.

The Standby Letters of Credit and the Reimbursement Agreement

On date of issuance of the 2025 Bonds, the Authority and the Liquidity Provider will enter into the Reimbursement Agreement pursuant to which the Liquidity Provider will issue two separate Standby Letters of Credit, one for each of the 2025 Series A Bonds and one for each of the 2025 Series B Bonds to provide liquidity support with respect to such related series of 2025 Bonds. Subject to the terms and conditions of the Reimbursement Agreement and the Standby Letters of Credit, the Liquidity Provider agrees, in the manner provided in the related Standby Letter of Credit and subject to the terms and conditions thereof, 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 First Supplemental Indenture, but only to the extent that the proceeds of remarketing of such Eligible Bonds are not available therefor. “Eligible Bonds” means all 2025 Bonds bearing interest at a Covered Rate, other than (A) Bank Bonds, and (B) 2025 Bonds owned beneficially or of record by or on behalf of, for the benefit of or for the account of the Authority, any Affiliate of the Authority or any nominee of the Authority. “Covered Rate” means, with respect to the 2025 Bonds, the Weekly Rate, the Daily Rate or such other rate as consented to by the Liquidity Provider pursuant to the terms of the Reimbursement Agreement.

The Standby Letters of Credit are each in the form of a letter of credit, but, nonetheless, each is a conditional obligation of the Liquidity Provider. The obligations of the Liquidity Provider are subject to immediate termination or suspension without notice and no Drawing will be honored by the Liquidity Provider upon the occurrence of a Termination Event or Suspension Event (each as hereinafter defined).

Each Standby Letter of Credit will only support the payment of the purchase price of the related series of 2025 Bonds, subject to the terms and conditions thereof, and will not provide for any payment whatsoever with respect to the other series of 2025 Bonds. The Standby Letters of Credit do not guarantee or otherwise support the payment of principal of or interest or redemption premium, if any, on any 2025 Bonds in the event of non-payment of such interest, principal or redemption premium, if any, by the Authority. In addition, the Standby Letters of Credit do not guarantee, provide security for or otherwise support the payment of principal of or interest or premium, if any, on 2025 Bonds whatsoever.

Each Standby Letter of Credit will be issued in the initial Available Amount as stated therein, which represents the principal amount of the related series of 2025 Bonds, plus interest (calculated on 34 days at the rate of 12% based on a year of 365 days). The Trustee, upon compliance with the terms of the related Standby Letter of Credit, is authorized and directed to draw up to (a) an amount sufficient to pay the portion of the Purchase Price of the related series of 2025 Bonds tendered for purchase to the extent that the proceeds of remarketing such Eligible Bonds are not available therefor, plus (b) an amount not to exceed 34 days’ of accrued interest on the related series of 2025 Bonds at the rate of 12% to pay the portion of the Purchase Price of the related series of 2025 Bonds tendered for purchase to the extent that the proceeds of remarketing such Eligible Bonds are not available therefor, equal to the interest accrued, if any, on such related series 2025 Bonds; provided, however, if the Purchase Date for any Eligible Bond is also an Interest Payment Date for such Eligible Bond, the Purchase Price for such Eligible Bond shall not include accrued but unpaid interest on such Eligible Bond. No drawing shall be made for 2025 Bonds which are not Eligible Bonds.

Each Standby Letter of Credit will terminate on the Liquidity Provider’s close of business on the earliest to occur of: (a) the Liquidity Provider’s close of business on April 30, 2029 (as extended from time to time, the “Termination Date”); (b) (i) the Liquidity Provider’s close of business on the date specified in a certificate in the form set forth in the Standby Letter of Credit when there are no 2025 Bonds of the related series outstanding under the Indenture, (ii) the Liquidity Provider’s close of business on the date specified by the Liquidity Provider in the Notice of Termination Date (which date shall not be

sooner than 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), so long as the Liquidity 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 Liquidity Provider's close of business on the Business Day immediately succeeding the date that a Credit Enhancement or an Alternate Liquidity Facility becomes effective under the First Supplemental Indenture, so long as the Liquidity Provider has honored any advance of funds to purchase 2025 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 the 2025 Bonds has been converted to a mode not covered by the related Standby Letter of Credit; or (c) the date on which an Immediate Termination Event as described under "Events of Default – Events of Default Permitting an Immediate Termination" below has occurred.

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 applicable Standby Letter of Credit (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 loan made pursuant to the applicable Standby Letter of Credit 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. Upon the occurrence and continuance of an Immediate Termination Event, the Available Amount of each Standby Letter of Credit shall automatically, without notice or other action by the Liquidity Provider or any other Person, be reduced to zero.

If, on any Purchase Date during the Commitment Period, the Liquidity Provider receives not later than 12:00 p.m. (New York City time), a Drawing from the Trustee, the Liquidity Provider shall, subject to the terms and conditions set forth in the Reimbursement Agreement and the related Standby Letter of Credit 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 for purchase on such date but not remarketed as such amount is specified in such Drawing.

The obligation of the Liquidity Provider to honor a Drawing during the Commitment Period is subject to the conditions precedent that, on the date of such Drawing, the Liquidity Provider shall have timely received a properly presented and conforming Drawing under the related Liquidity Facility and no Immediate Termination Event or Suspension Event shall have occurred and be continuing.

Under certain circumstances described below, the obligation of the Liquidity Provider to purchase the 2025 Bonds tendered by the owners thereof pursuant to an optional tender or mandatory purchase may be suspended or terminated without notice. In such event, sufficient funds may not be available to purchase the 2025 Bonds tendered by the owners thereof pursuant to an optional tender or mandatory purchase.

Events of Default; Immediate Termination Events and Suspension Events

The occurrence of any of the following events constitute an Event of Default under the Reimbursement Agreement.

Events of Default Permitting an Immediate Termination. The following events are "*Immediate Termination Events*" under the Reimbursement Agreement:

- (i) the Authority shall fail to (A) pay when due (whether regularly scheduled, by scheduled maturity, sinking fund requirement, required prepayment or otherwise) any amount of

principal of or interest or premium, if any, due on any 2025 Bond (including, without limitation, Bank Bonds other than Bank Bonds which are accelerated for any reason other than nonpayment as set forth in this paragraph (i)); or (B) repay or cause to be repaid when due (whether regularly scheduled, by scheduled maturity, sinking fund requirement, required prepayment or otherwise) any amount of principal of or interest or premium, if any, due on any Advance (other than Advances which are accelerated for any reason other than nonpayment as set forth in this paragraph (i)), including, without limitation, the Authority's failure to pay the Interest Component, if any, together with all interest thereon, pursuant to the terms of 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 is secured by or payable from any or all of the 1976 Sales Tax Revenues, the operation or result of which judgment(s), individually or in the aggregate, equals or exceeds \$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, dissolution, moratorium, debt adjustment or other relief 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, or for the appointment of a receiver, liquidator, assignee, custodian, trustee or sequestrator (or other similar official) or shall consent to or acquiesce in such relief or the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it or the Authority shall take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (B), (C), (D) or (E) of this paragraph or fail to file an answer or other pleading denying the material allegations of any such proceeding filed against it, (B) the Authority shall make a general assignment for the benefit of creditors, or the Authority shall become insolvent within the meaning of the Bankruptcy Code, or the Authority shall state in writing that it is unable generally to pay principal of or interest on the 2025 Bonds or any other Parity Obligations of the Authority or its other 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 of or interest on the 2025 Bonds (including Bank Bonds or Advances) or any other Parity Obligations of the Authority or on all debt of the Authority is imposed or declared or determined (whether or not in writing and including, without limitation, by legislation or an executive order or a judgment or decree) by the State or any other Governmental Authority of competent jurisdiction, (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 2025 Bonds (including Bank Bonds or Advances) or any other Parity Obligations of the Authority, or shall take any action in furtherance of any of the foregoing, or (E) a proceeding is instituted in a court having jurisdiction seeking to adjudicate the Authority bankrupt or insolvent or 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, 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

(iv) (A) the Authority contests in an administrative or judicial proceeding, repudiates or otherwise denies (including, without limitation, authorizing the filing of a claim to such effect in an administrative or judicial proceeding) that it has any further liability or obligation under or with respect to any provision of the Act, the Reimbursement Agreement, the Indenture, the 2025 Bonds or the Parity Obligations relating to (1) the ability or the obligation of the Authority to pay, when due, the principal of or interest on the 2025 Bonds (including any Bank Bonds and Advances) or on any Parity Obligation or (2) the 1976 Sales Tax Revenues, and/or the pledge or lien thereof, securing said 2025 Bonds (including any Bank Bonds and Advances) and any Parity Obligation; or

(B) the Authority contests in an administrative or judicial proceeding, repudiates or otherwise denies (including, without limitation, authorizing the filing of a claim to such effect in an administrative or judicial proceeding) the legality, validity or enforceability of any provision of the Reimbursement Agreement, the 2025 Bonds, the Act, the Indenture or any Parity Obligation relating to (1) the ability or the obligation of the Authority to pay, when due, the principal of or interest on the 2025 Bonds (including any Bank Bonds and Advances) or on any Parity Obligation or (2) the 1976 Sales Tax Revenues, and/or the pledge or lien thereof, securing said 2025 Bonds (including any Bank Bonds and Advances) and any Parity Obligation; or

(C) any provision of the Act, the Reimbursement Agreement, the Indenture or the 2025 Bonds relating to (1) the ability or the obligation of the Authority to pay, when due, the principal of or interest on the 2025 Bonds (including any Bank Bonds and Advances) or any Parity Obligation or (2) the 1976 Sales Tax Revenues, and/or the pledge or lien thereof, securing said 2025 Bonds (including any Bank Bonds and Advances) or any Parity Obligation shall, at any time, and for any reason, cease to be valid and binding on the Authority, or shall be declared to be null and void, invalid or unenforceable, in each case, as the result of a final nonappealable judgment or other finding or ruling by any federal or state court or as a result of any legislative or administrative action by any Governmental Authority having jurisdiction over the Authority; or

(D) any Governmental Authority with jurisdiction to rule on the legality, validity or enforceability of the Reimbursement Agreement, the 2025 Bonds, the Act or the Indenture shall make a finding or ruling or other determination or shall enact or adopt legislation or issue an executive order or enter a judgment or decree which contests or finds, rules or determines that any provision of the Reimbursement Agreement, the 2025 Bonds, the Act or the Indenture, as the case may be, relating to (1) the ability or the obligation of the Authority to pay, when due, the principal of or interest on the 2025 Bonds (including any Bank Bonds and Advances) or (2) the 1976 Sales Tax Revenues, and/or the pledge or lien thereof, securing said 2025 Bonds (including any Bank Bonds and Advances), is null and void or not valid or not binding on, or enforceable against, the Authority; or

(v) Moody's, Fitch and Standard & Poor's (in each case, to the extent then rating the 2025 Bonds or any Parity Obligation) shall have (A) assigned the 2025 Bonds or any Parity Obligation a long-term rating below "Baa3" (or its equivalent) by Moody's and "BBB-" (or its equivalent) by Fitch and Standard & Poor's, (b) withdrawn their long-term ratings of the 2025 Bonds or any Parity Obligation for any credit related reasons or (c) suspended their long-term ratings of the 2025 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 paragraph (v) shall not be deemed an Event of Default 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 premium of or interest on any Modified Parity Obligation, issued and outstanding or to be issued, when due (i.e., whether upon said Modified 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 Modified Parity Obligation; provided, however, that a failure to pay any principal or interest due on Modified Parity Obligations described in clause (b) of the definition of "Modified Parity Obligation" within the Reimbursement Agreement which payment or repayment has been accelerated and is immediately due and payable after the occurrence of an event of default under any related liquidity agreement for a reason other than the nonpayment thereof, in each case, shall not constitute an Immediate Termination Event under the Reimbursement Agreement; or

(vii) dissolution or termination of the existence of the Authority if a Governmental Authority does not, contemporaneously with the dissolution or termination of the existence of the Authority, assume the obligations of the Authority under Reimbursement Agreement and the other Related Documents to which it is a party related to paying principal of or interest on the 2025 Bonds, the Bank Bonds and other Parity Obligations from the 1976 Sales Tax Revenues.

Events of Default Permitting Suspension. The following event is a "*Suspension Event*" under the Reimbursement Agreement. The State shall have taken any official action, or has duly enacted any statute, to the effect that (i) the Authority has no further liability or obligation under the Reimbursement Agreement, the 2025 Bonds, the Act or the Indenture to pay, when due, the principal of or interest on the 2025 Bonds (including any Bank Bonds) or (ii) any provision of Reimbursement Agreement, the 2025 Bonds, the Act or the Indenture relating to or otherwise affecting the Authority's ability or obligation to pay, when due, the principal of or interest on the 2025 Bonds (including any Bank Bonds) or the 1976 Sales Tax Revenues securing said 2025 Bonds is illegal, invalid or unenforceable against the Authority.

Events of Default Not Permitting Immediate Termination or Suspension. The following are "*Notice Events of Default*" not resulting in immediate termination or suspension of the Liquidity Provider's obligation to make Advances to purchase Eligible Bonds under each Standby Letter of Credit:

(i) other than as set forth under the subheading "– Events of Default Permitting an Immediate Termination" above, nonpayment of any amounts payable by the Authority to the Liquidity 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

(ii) any representation or warranty made by the Authority in the Reimbursement Agreement (or incorporated therein 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

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

(iv) 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 Article VII of the Reimbursement Agreement) and the continuance of such default for thirty (30) days after the occurrence thereof; or

(v) any of Moody's, Standard & Poor's, Fitch (in each case, to the extent then rating the 2025 Bonds or any Parity Obligation) or any other Rating Agency then rating the 2025 Bonds and any Parity Obligation shall have (a) assigned the 2025 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 2025 Bonds or any Parity Obligation for any credit related reasons or (c) suspended their long-term ratings of the 2025 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 paragraph (v) shall not be deemed an Event of Default 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) excluding any Default or Event of Default otherwise specified above, the occurrence of an "event of default" under any Remarketing Agreement, the Indenture (without regard to any cure thereof caused by the issuance of Bonds, Parity Obligations, Subordinate Obligations or Junior Subordinate Obligations), any Parity Obligations or the 2025 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

(vii) other than as set forth under "– Events of Default Permitting an Immediate Termination" above, (a) the Authority shall fail to make any payment in respect of principal of 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, upon demand or otherwise), and such failure shall continue after the applicable grace period, if any, specified in the agreement or instrument relating to such Parity Obligation; (b) 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, with the giving of notice if required, such Parity Obligation to become due and payable; (c) any Governmental Authority with jurisdiction to rule on the legality, validity or enforceability of any Parity Obligation shall find or rule, in a judicial or administrative proceeding, that any provision of the Act or the Indenture, as the case may be, relating to (1) the ability or the obligation of the Authority to pay, when due, the principal of or interest on any Parity Obligation or (2) the 1976 Sales Tax Revenues securing said Parity Obligation, is not valid or not binding on, or enforceable against, the Authority; or (d) the State shall (1) make a claim in a judicial or administrative proceeding or (2) contest in a judicial or administrative proceeding that (y) the Authority has no further liability or obligation under any Parity Obligation to pay, when due, the principal of or interest on said Parity Obligation or (z) any provision of the Act or the Indenture relating to or otherwise

affecting the Authority's ability or obligation to pay, when due, the principal of or interest on any Parity Obligation or the 1976 Sales Tax Revenues securing said Parity Obligation is illegal, invalid or unenforceable against the Authority; or

(viii) other than as set forth under “– Events of Default Permitting an Immediate Termination” above, one or more final, unappealable writs or warrants or attachments, or any similar process or processes, against the property of the Authority, the operation or result of which, individually or in the aggregate, equal or exceed \$10,000,000 shall remain unpaid, unstayed, undischarged, unbonded or undismissed for a period of sixty (60) days; or

(ix) except as otherwise provided under “Events of Default” in the Reimbursement Agreement, a default shall occur and be continuing under any other agreement between the Authority and the Liquidity Provider or under any other obligation owed by the Authority to the Liquidity Provider; or

(x) other than as set forth in under “– Events of Default Permitting an Immediate Termination” above, (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; or (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 2025 Bonds under the Indenture is not valid or binding on it; or

(xi) (a) the Authority shall fail to make any payment in respect of principal or interest on any Subordinate Obligation or any other Indebtedness of the Authority having an inferior lien and charge upon the 1976 Sales Tax Revenues, issued and outstanding or to be issued, aggregating in excess of \$10,000,000, when due (i.e., whether upon said indebtedness' scheduled maturity, required prepayment, acceleration, upon demand or otherwise), and such failure shall continue after the applicable grace period, if any, specified in the agreement or instrument relating to such Subordinate Obligation or other Indebtedness of the Authority having an inferior lien and charge upon the 1976 Sales Tax Revenues; or (b) the Authority shall default in the observance or performance of any other agreement or condition relating to any Subordinate Obligation or any other Indebtedness of the Authority having an inferior lien and charge upon the 1976 Sales Tax Revenues aggregating in excess of \$10,000,000, 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 Subordinate Obligation or any other Indebtedness of the Authority having an inferior lien and charge upon the 1976 Sales Tax Revenues (or a trustee or agent on behalf of such holder or holders or beneficiary or beneficiaries) to cause, with the giving of notice if required, such Subordinate Obligation or such other Indebtedness of the Authority having an inferior lien and charge upon the 1976 Sales Tax Revenues to become due and payable, the operation or result of which, individually or in the aggregate, equal or exceed \$10,000,000; or

- (vii) dissolution or termination of the existence of the Authority.

Remedies

Upon the occurrence and during the continuance of any Event of Default described above, the Liquidity Provider may exercise any one or more of the following rights and remedies, in addition to any other remedies in the Reimbursement Agreement or by law provided.

Immediate Termination. Upon the occurrence and continuance of an Immediate Termination Event, the Commitment and the Available Amount applicable to each series of the 2025 Bonds to purchase 2025 Bonds automatically shall terminate without notice or other action by the Liquidity Provider or any other Person, reduce to zero, and the Commitment Period shall terminate, in which case, the obligation of the Liquidity Provider to make Advances to purchase Eligible Bonds under each Standby Letter of Credit then outstanding shall immediately terminate and expire; provided, that interest on any unpaid amounts due under the Reimbursement Agreement and the Fee Letter shall bear interest at the Default Rate until paid in full. Promptly after the Liquidity Provider receives notice or otherwise becomes aware of the occurrence of an Immediate Termination Event, the Liquidity Provider shall give written notice of the same to the Authority, the Trustee and the applicable Remarketing Agent; provided, that the Liquidity Provider shall incur no liability or responsibility whatsoever by reason of its failure to receive or give such notice and such failure shall in no way affect the termination of the Available Amount and of its obligation to make Advances to purchase Eligible Bonds under each Standby Letter of Credit.

Suspension. Upon the occurrence of an Event of Default described under the heading “Events of Default – Event of Default Permitting Suspension” above, the Liquidity Provider’s obligations to make Advances to the Trustee to purchase Eligible Bonds of all series shall be immediately and automatically suspended and remain suspended unless and until a court with jurisdiction to rule on such an Event of Default shall enter a final and non-appealable judgment that any of the material provisions of the Act or any other document described in “Events of Default – Events of Default Permitting Suspension” are not valid or not binding on, or enforceable against, the Authority then the Available Amounts, the Commitment and the obligation of the Liquidity Provider to make Advances to the Trustee to purchase Eligible Bonds shall immediately terminate without notice or demand and, thereafter, the Liquidity Provider shall be under no obligation to make Advances to the Trustee to purchase Eligible Bonds. If a court with jurisdiction to rule shall find or rule by entry of a final and non-appealable judgment that the material provision of the Act or any other document described in “Events of Default – Events of Default Permitting Suspension” above is valid and binding on, or enforceable against, the Authority, then the Commitment, the Available Amounts and the obligations of the Liquidity Provider under each Standby Letter of Credit shall, in each such case, thereupon be reinstated (unless the Commitment Period shall otherwise have been terminated, suspended or expired as provided in the Reimbursement Agreement). Notwithstanding the foregoing, if the suspension of the obligations of the Liquidity Provider pursuant to an Event of Default described in “Events of Default – Events of Default Permitting Suspension” above remains in effect and litigation is still pending and a determination regarding same shall not have been dismissed or otherwise made pursuant to a final and non-appealable judgment, as the case may be, when a Termination Date occurs, then the Available Amount and the obligation of the Liquidity Provider to make Advances to the Trustee to purchase Eligible Bonds under the applicable Standby Letter of Credit shall terminate on the related Termination Date without notice or demand and, thereafter, the Liquidity Provider shall be under no obligation to make Advances to the Trustee to purchase Eligible Bonds under the applicable Standby Letter(s) of Credit.

Other Remedies. Upon the occurrence of any Event of Default, the Liquidity Provider shall have all remedies provided at law or equity including, without limitation, specific performance; and in

addition, the Liquidity Provider, in its sole discretion, may do one or more of the following: (i) give written notice of such Event of Default and termination of the Commitment, the Available Amounts and each Standby Letter of Credit 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 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 Amounts and the Letters of Credit then outstanding shall terminate and the Liquidity Provider shall be under no obligation under the Reimbursement Agreement or either Standby Letter of Credit to make Advances to the Trustee to purchase Eligible Bonds; (ii) exercise any right or remedy available to it under any other provision of the Reimbursement Agreement; or (iii) 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 Provider shall not have the right to terminate its obligation to make Advances to the Trustee to purchase Eligible Bonds except as provided under “Remedies”. Notwithstanding anything to the contrary in the Reimbursement Agreement, no failure or delay by the Liquidity Provider in exercising any right, power or privilege under the Reimbursement Agreement or either Standby Letter of Credit, under the Indenture and any other Related Document or under the 2025 Bonds and no course of dealing between the Authority and the Liquidity Provider shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise hereof or 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 Provider would otherwise have.

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

THE 1976 SALES TAX

Authorization, Application and Collection

The terms of the Act authorize the imposition of the 1976 Sales Tax upon the approval of the electorate of the County. Voter approval of the 1976 Sales Tax was obtained by special election in 1976. The Act does not provide for expiration of the 1976 Sales Tax.

The 1976 Sales Tax is a 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. 1976 Sales Tax Revenues are net of an administrative fee paid to the CDTFA for the collection and disbursement of the 1976 Sales Tax, which by statute cannot exceed 1.5% of collections. In the Fiscal Year ended June 30, 2024, the amount of the administrative fee was approximately \$1,740,100. For a summary of the 1976 Sales Tax Revenues reported by the Authority for the ten Fiscal Years ended June 30, 2024, see “THE 1976 SALES TAX – Historical Sales Tax Revenues” herein.

Collection of the 1976 Sales Tax is administered by the CDTFA. The Authority has authorized the CDTFA to make payment of 1976 Sales Tax Revenues directly to the Existing Trustee pursuant to the Existing CDTFA Agreement (defined below) and instructed the Existing Trustee to transfer immediately to the Trustee all 1976 Sales Tax Revenues remaining after making required deposits in each month under the Existing Indenture. Pursuant to its procedures, the CDTFA projects receipts of the 1976 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 second month of each quarter, the CDTFA adjusts the amount remitted to reflect the actual receipts of the 1976 Sales Tax for the prior quarter and to deduct the full amount of the administrative fee for the prior quarter. So long as the Existing Bonds are Outstanding, upon receipt of the 1976 Sales Tax Revenues from the CDTFA the Existing Trustee shall retain an amount necessary to meet debt service requirements and make the other deposits required by the Existing Indenture, and shall then forward the remaining balance to the Trustee, which shall retain an amount necessary to meet the debt service requirements and make the other deposits required by the Indenture. Following the repayment in full of the Existing Bonds, upon receipt of the 1976 Sales Tax Revenues from the CDTFA the Trustee shall retain an amount necessary to meet debt service requirements and make the other deposits required by the Indenture, and shall then forward the remaining balance to Authority.

The Santa Clara County Transit District, predecessor to the Authority, has entered into an agreement with the California State Board of Equalization, predecessor to the CDTFA (the “Existing CDTFA Agreement”), under and pursuant to which the CDTFA will process and supervise collection of said retail transactions and use tax and will transmit 1976 Sales Tax Revenues directly to the Existing Trustee. Pursuant to the Indenture the Authority has covenanted to cause the Existing Trustee to transfer immediately to the Trustee all Sales Tax Revenues remaining after making required deposits in each month under the Existing Indenture. The Authority further covenants that prior to the payment in full of the Existing Bonds, the Authority will enter into an agreement with the CDTFA (the “Future CDTFA Agreement”) under and pursuant to which the CDTFA will process and supervise collection of said retail transactions and use tax and will transmit 1976 Sales Tax Revenues directly to the Trustee, said agreement to become effective upon payment of the final maturity of the Existing Bonds. So long as any of the Existing Bonds are Outstanding, the Authority covenants that it shall not amend, modify, alter, substitute or terminate the Existing CDTFA Agreement without the written consent of the Trustee. So long as any of the Bonds are Outstanding, the Future CDTFA Agreement will be continued in effect and shall not be amended, modified, altered, substituted or terminated without the written consent of the Trustee. So long as any of the Bonds are Outstanding, should the Authority receive any Sales Tax Revenues directly from the CDTFA, the Authority shall hold such Sales Tax Revenues in trust for (and remit immediately to) the Existing Trustee or the Trustee, as applicable.

The 1976 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 1976 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 1976 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 1976 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 1976 Sales Tax are imposed. Such changes or amendments could have either an adverse or beneficial effect on 1976 Sales Tax Revenues. The Authority is not currently aware of any proposed legislative change which would have a material adverse effect on 1976 Sales Tax Revenues.

2000 Measure A Sales Tax, 2008 Measure B Sales Tax and 2016 Measure B Sales Tax Not Pledged to 2025 Bonds

In addition to the 1976 Sales Tax, the Authority levies three additional retail transactions and use taxes approved by over two-thirds of the voters in the County: (i) one-half of one percent (0.5%) sales tax that became effective April 1, 2006 and continues for 30 years (the “2000 Measure A Sales Tax”), for transit projects and operations, (ii) 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”), dedicated to support the operation and maintenance of the BART to Silicon Valley Project, and (iii) a one-half of one percent (0.5%) sales tax that became effective April 1, 2017 and continues for 30 years (the “2016 Measure B Sales Tax”), to 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 2000 Measure A Sales Tax, 2008 Measure B Sales Tax and 2016 Measure B Sales Tax are levied against the same sales tax base as the 1976 Sales Tax and collection of such taxes are administered by the CDTFA subject to payment of a separate administrative charge in virtually the same manner as the 1976 Sales Tax. The 2000 Measure A Sales Tax is collected by the CDTFA and is remitted to the trustee for obligations secured by the 2000 Measure A Sales Tax pursuant to a separate agreement between the Authority and the CDTFA. **Revenues derived from the 2000 Measure A Sales Tax, 2008 Measure B Sales Tax and 2016 Measure B Sales Tax do not secure the 2025 Bonds.**

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 County purposes that became effective April 1, 2013 and was renewed by voters in November 2018. In November 2020, over two-thirds of the voters in the County approved Measure RR, implementing a one-eighth of one percent (0.125%) sales tax that became effective July 1, 2021, expiring on June 30, 2051, and will help fund Caltrain rail service. In addition, the cities of Campbell (“Campbell”), Milpitas (“Milpitas”) and San Jose (“San Jose”), each located within the County, approved a one-quarter of one percent (0.25%) sales tax and the City of Los Gatos (“Los Gatos”) approved a one-eighth of one percent (0.125%) sales tax. The Campbell sales tax does not expire while the Milpitas, San Jose and Los Gatos sales taxes expire in 2029, 2031 and 2039, respectively. **These sales taxes do not secure any of the Bonds, including the 2025 Bonds.**

Accounting for all the various sales taxes described above, transactions in the County are being taxed at an effective rate of 9.125% outside of Campbell, Milpitas, San Jose and Los Gatos, 9.25% within Los Gatos and 9.375% within Campbell, Milpitas and San Jose.

1976 Sales Tax Revenues

The following table shows 1976 Sales Tax Revenues reported by the Authority during the Fiscal Years shown. 1976 Sales Tax Revenues for Fiscal Year ending June 30, 2024 decreased by 3% due to a general decline in taxable sales during the period. See “RISK FACTORS—Economy of the County and the State.”

HISTORICAL 1976 SALES TAX REVENUES
Fiscal Years Ended June 30, 2015 – 2024

Fiscal Year Ended June 30	1976 Sales Tax Revenues⁽¹⁾	Rate of Change⁽²⁾
2015	\$199,220,925	6.86%
2016	205,418,423	3.11
2017	209,005,407	1.7
2018 ⁽³⁾	207,588,092	-0.68
2019 ⁽³⁾	237,877,468	14.59
2020 ⁽⁴⁾	209,827,633	-11.79
2021 ⁽⁴⁾	220,574,122	5.12
2022 ⁽⁴⁾	258,474,089	17.18
2023	275,288,357	6.51
2024	266,942,359	-3.03

(1) Cash basis, net of CDTFA administrative fee.

(2) Rounded.

(3) In May 2018, the CDTFA implemented a new automated system for processing, reporting, and distributing sales tax revenues to agencies throughout the State. As a result, several thousand tax returns were not processed in a timely manner. Approximately \$7 million of Fiscal Year 2018 revenue was recorded in Fiscal Year 2019. Assuming the \$7 million figure was properly accounted for in Fiscal Year 2018, annual sales tax revenues would have been \$214.9 million for Fiscal Year 2018 and \$230.9 million in Fiscal Year 2019.

(4) Sales tax collections from Fiscal Year 2020 through Fiscal Year 2022 reflect a confluence of factors, including the brief COVID-19 related economic downturn and subsequent recovery, federal and local stimulus payments and inflation. See “RISK FACTORS – Economy of the County and the State.”

Source: The Authority.

The following table shows historical and projected debt service coverage based on annual debt service for the obligations under the Existing Indenture and the estimated net annual debt service of the 2025 Bonds during the Fiscal Years shown.

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HISTORICAL AND PROJECTED DEBT SERVICE COVERAGE
Fiscal Years Ending June 30, 2020 – 2029

Fiscal Year Ended June 30	1976 Sales Tax Revenues⁽¹⁾⁽²⁾	Debt Service under Existing Indenture⁽²⁾	Net Estimated Debt Service 2025 Bonds⁽²⁾⁽³⁾	Total Debt Service⁽²⁾	Coverage Ratio⁽²⁾
2020	\$209,827,633	\$20,803,017	-	\$20,803,017	10.1 x
2021	220,574,122	20,760,917	-	20,760,917	10.6 x
2022	258,474,089	20,891,727	-	20,891,727	12.4 x
2023	275,288,357	20,830,542	-	20,830,542	13.2 x
2024	266,942,359	20,781,708	-	20,781,708	12.8 x
2025	272,631,000	20,795,000	-	20,795,000	13.1 x
2026	273,829,000	20,748,250	-	20,748,250	13.2 x
2027	279,577,000	3,887,500	\$5,945,742	9,833,242	28.4 x
2028	285,923,360	3,911,250	9,227,215	13,138,465	21.8 x
2029	292,020,521	-	9,397,000	9,397,000	31.1 x

(1) Cash basis, net of CDTFA administrative fee for Fiscal Years 2020 through 2024. Estimated 1976 Sales Tax Revenues for Fiscal Years 2025 through 2029.

(2) Rounded.

(3) Assumptions include: (a) capitalized interest in the amount of \$9,247,675 for the 2025 Bonds; (b) all-in interest rate assumed to be 3.75% for 2025 Series A Bonds and 6.25% for 2025 Series B Bonds; and (c) interest only payments through June 1, 2027, debt service escalating at 2%/year through June 1, 2034, and level debt service thereafter.

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.”

The table below shows quarterly receipts of the 1976 Sales Tax Revenues for the last three fiscal years (audited) and the first two quarters of Fiscal Year 2025 (unaudited).

Historical 1976 Sales Tax Revenue Quarterly Disbursements⁽¹⁾
Fiscal Years Ended June 30, 2022 through 2025

Fiscal Year	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Annual Total
2021-22	\$62,360,695	\$67,567,334	\$61,508,284	\$67,037,776	\$258,474,089
2022-23	69,195,088	73,667,797	62,950,279	69,475,193	276,288,357
2023-24	67,967,405	70,126,768	62,301,389	66,546,798	266,942,359
2024-25 ⁽²⁾	67,432,998	75,449,303	Not available	Not available	142,882,301 ⁽²⁾

Totals may not add due to rounding.

(1) Cash basis, net of CDTFA administrative fee.

(2) First two quarters of Fiscal Year 2025 only.

RISK FACTORS

Economy of the County and the State

The 2025 Bonds are secured by a pledge of 1976 Sales Tax Revenues, which consist of receipts from the levy of the 1976 Sales Tax less an administrative fee paid to the CDTFA. The level of 1976 Sales Tax Revenues collected at any time is dependent upon the level of retail sales within the County, which, in turn, is 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 1976 Sales Tax Revenues and therefore upon the ability of the Authority to pay principal of and interest on the 2025 Bonds.

The worldwide COVID-19 pandemic that began in March 2020, and the resulting governmentally imposed business shutdowns, negatively affected the collection of 1976 Sales Tax Revenues during the last three months of Fiscal Year 2020 and the first nine months Fiscal Year 2021. However, beginning in April 2021, as COVID-19 vaccines became more widely available and as COVID-19 restrictions were eased and ultimately terminated, 1976 Sales Tax revenue collections began to recover rapidly and since then annual 1976 Sales Tax revenue collections have been significantly higher than during Fiscal Year 2020 or Fiscal Year 2021. See “THE 1976 SALES TAX – 1976 Sales Tax Revenues.” In the event of new outbreaks of COVID-19 variants and the reimposition of restrictions on businesses, 1976 Sales Tax Revenues could decline in the future, reducing amounts available to pay the principal and interest on the 2025 Bonds.

Beginning in 2021, the County, like the rest of the nation, experienced significant increases in costs of food, energy and other products. Continued inflation, the imposition of tariffs and weaker employment may affect consumer spending decisions and as a result adversely impact sales transactions in the County and ultimately the amount of 1976 Sales Tax Revenues received by the Authority. The Authority cannot predict the extent of inflationary, tariff and unemployment pressures on 1976 Sales Tax Revenues or the County’s economy more broadly.

To project future 1976 Sales Tax Revenues for budgetary purposes, the Authority incorporates actual long-term experience combined with forecasts from local economists and other publicly available sources of data. The Authority does not itself develop forecasts of current or future economic conditions. Furthermore, the CDTFA does not provide the Authority with any forecasts of the revenues generated by the 1976 Sales Tax Revenues for future periods. Therefore, the Authority is unable to predict with certainty future levels of 1976 Sales Tax Revenues. In addition, the County is located in a seismically active region. A major earthquake, pandemic, epidemic or other natural disaster could adversely affect the economy of the County and the amount of 1976 Sales Tax Revenues. Future significant declines in the amount of the 1976 Sales Tax Revenues could ultimately impair the ability of the Authority to pay principal of and interest on the 2025 Bonds.

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

The 1976 Sales Tax; Legislative Changes

With limited exceptions, the 1976 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 1976 Sales Tax are imposed, or adversely

affect the collection or distribution of sales taxes or otherwise impair the operations or finances of the Authority. Any such change or limitation could have an adverse impact on the amount of 1976 Sales Tax Revenues collected. The Authority is not currently aware of any proposed legislative change, initiative or judicial decision, which would have a material adverse effect on the 1976 Sales Tax Revenues. For a further description of the 1976 Sales Tax, see “THE 1976 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 XIIC and XIID to the California Constitution. Article XIIC 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 1976 Sales Tax received the approval of more than two-thirds of the voters as required by Article XIIC. However, Article XIIC 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 1976 Sales Tax in a manner which would prevent the payment of debt service on the 2025 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.

Impact of Internet Use on Sales Tax Revenues

In June 2018, the United States Supreme Court published its decision in *South Dakota v. Wayfair* (the “Wayfair Decision”), in which the Supreme Court held that sales to a customer in a particular state alone are sufficient to create a nexus for purposes of determining whether a seller is required to collect sales taxes of the applicable state. Prior to the Wayfair Decision, courts had interpreted the dormant Commerce Clause of the United States Constitution to require that a company have a physical nexus in a state in order for the seller to be liable for the collection of the state’s sales tax. Physical nexus is defined as having either property or payroll in a state, including a resident employee working from home or inventory stored in that state.

The State of California has issued guidance in response to the Wayfair Decision. Under such guidance retailers located outside of the State are required to register with the CDTFA, collect California use tax, and pay the tax to the CDTFA based on the amount of their sales into California, even if they do not have a physical presence in the State. The new collection requirements apply to retailers if during the preceding or current calendar year certain sales thresholds are met. The new collection requirements started to apply to taxable sales of tangible property to California consumers on and after April 1, 2019, and were not retroactive. Additionally, the State’s passage of Assembly Bill 147, signed by Governor Newsome on April 25, 2019, provides the implementation rules for the Wayfair Decision in California. The Authority is unable to predict the ultimate benefit that the Wayfair Decision may have on 1976 Sales Tax Revenues. However, the Authority believes that some internet transactions still may avoid taxation and in the future may continue to avoid taxation either through error or deliberate non-reporting and this potentially may reduce the amount of 1976 Sales Tax Revenues.

Further Initiatives

Proposition 218 was adopted as a measure 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 1976 Sales Tax.

Subordinate to Existing Bonds; Acceleration

The Existing Bonds are secured by a lien on 1976 Sales Tax Revenues that is senior to the lien securing the Bonds, including the 2025 Bonds. The 2018A Bonds have a final maturity of June 1, 2026 and the 2017B Bonds have a final maturity of June 1, 2028. Pursuant to the Indenture, the Authority has covenanted that as long as any of the Bonds, including the 2025 Bonds, are Outstanding under the Indenture it will not issue any additional obligations or securities under the provisions of the Existing Indenture. The Authority has also covenanted in the Indenture that it will terminate the Existing Indenture pursuant to its terms upon or promptly after payment of the final maturity of the Existing Bonds. See “OUTSTANDING 1976 SALES TAX BONDS – Existing Bonds; No Additional Bonds under Existing Indenture.”

The Existing Indenture provides for acceleration in the event of a default in the payment of principal and interest on the Existing Bonds when due.

No Acceleration of the Bonds

The Indenture does not permit acceleration of the 2025 Bonds in the event of a default in the payment of principal of or interest on the 2025 Bonds when due. In the event of a default by the Authority, the Trustee and the Owners of the 2025 Bonds will have the right to exercise the remedies, subject to the limitations thereon, set forth in the Indenture. Under the Reimbursement Agreement, the principal amount of Liquidity Facility Bonds that remain unremarketed upon the expiration of the applicable Standby Letter of Credit shall convert to a term loan payable by the Authority to the Liquidity Provider in quarterly installments over three years. See APPENDIX D – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE.”

Cybersecurity

The Authority, like many other public and private entities, relies on computer and other digital networks and systems to conduct its operations and finances. As a recipient and provider of personal, private or other electronic sensitive information, the Authority is potentially subject to multiple cyber threats including, but not limited to, hacking, viruses, malware, ransomware and other attacks on computer and other sensitive digital networks and systems. Entities or individuals may attempt to gain unauthorized access to the Authority’s systems for the purposes of misappropriating assets or information or causing operational disruption or damage.

No assurances can be given that the security and operational control measures of the Authority will be successful in guarding against any and each cyber threat or breach. The cost of remedying damage or disruption caused by cyber-attacks could be substantial and in excess of any applicable insurance coverage.

Technology and Societal Changes

The Authority cannot predict the technological and societal changes which may affect the collection of 1976 Sales Tax Revenues during the period that the 2025 Bonds are outstanding. Recent technological and societal changes have included, for example, the increased use of telecommunication technologies to work remotely following the COVID-19 pandemic.

Climate Change

Numerous scientific studies on global climate change show that, among other effects on the global ecosystem, sea levels will rise, extreme temperatures will become more common, wildfires will become more common and intense, and extreme weather events will become more frequent as a result of increasing global temperatures attributable to atmospheric pollution. For example, the Fifth National Climate Assessment, published by the U.S. Global Change Research Program, in November 2023 (NCA5) finds that more frequent and intense extreme weather and climate-related events, as well as changes in average climate conditions, are expected to continue to damage infrastructure, ecosystems and social systems over the next 25 to 100 years. Sea level rise may particularly impact coastal areas throughout California. The Authority cannot predict what impact climate change will have on 1976 Sales Tax Revenues in the future.

Risks Related to Federal Administration and Changes in Law

Federal Transit Administration (“FTA”) grants are a significant source of funding for the Authority. If there is a significant decrease in or delay of FTA grants, the Authority may need to delay or cancel projects or use alternate funding sources for projects, possibly including Additional Bonds or Parity Obligations. Additional Bonds and Parity Obligations may be issued only if the additional bonds tests described under “SECURITY AND SOURCES OF PAYMENT FOR THE 2025 BONDS-Additional Bonds and Parity Obligations” are satisfied

On January 20, 2025, President Trump signed an executive order which requires all agencies to of immediately pause the disbursement of funds appropriated through the Inflation Reduction Act of 2022 or the Infrastructure Investment and Jobs Act, and to review their processes, policies and programs for issuing grants, loans, contracts or other financial disbursements of such appropriated funds for consistency with the law and policy outlined in the executive order. Within 90 days of the executive order all agency heads are required to submit a report that details the findings of this review, and no funds may be disbursed by a given agency until such disbursements are determined to be consistent with any review recommendations they have chosen to adopt. On January 27, 2025, the White House Office of Management and Budget issued a memorandum which requires, among other things, all agencies to identify and review all federal financial assistance programs and supporting activities, complete a comprehensive analysis of all federal financial assistance programs and temporarily pause all activities related to obligation or disbursement of all federal financial assistance and other related agency activities. Prior to effectiveness on January 28, 2025, a U.S. District Judge ordered a temporary administrative stay which delayed the implementation of the memorandum and on January 29, 2025, the White House Office of Management and Budget rescinded the January 27, 2025 memorandum. On February 13, 2025, another U.S. District Judge issued a similar temporary restraining order. In addition, the U.S. Department of Transportation (“USDOT”) issued an order which, among other things, requires its operating administrations to review their existing grant agreements, and to the extent permitted by law, unilaterally amend the general terms and conditions as necessary to ensure compliance with federal law and consistent with the order, which aims at ensuring all USDOT policies, grants, loans and actions are based on sound economic principles, positive cost benefit analyses and pro-economic growth policies. It remains unclear how and to what extent the executive order, the USDOT order or any new order or memoranda issued by President Trump or any executive office of the President or any governmental agencies will impact FRA grants and the timing, process or amount of disbursements to the Authority.

The Authority’s collection of 1976 Sales Tax Revenues to pay debt service on the Bonds, including the 2025 Bonds, is not affected by the receipt of FTA grants.

On April 2, 2025 President Trump announced global tariffs on all items imported into the U.S., subject to limited exemptions, declaring a 10% baseline tax on imports from all countries as well as higher rates for dozens of nations that run trade surpluses with the U.S. On April 9, 2025 President Trump suspended such higher rates for 90 days, while maintaining a 10% levy on imports from all countries except China, which is currently subject to a 145% tariff. The Authority cannot predict what additional actions may ultimately be taken by the U.S. and or other governments with respect to tariffs or trade relations, what products may be subject to such actions or what actions may be taken by the other governments in retaliation. The imposition of additional tariffs or other trade barriers could impact the cost of construction materials and supplies for the Authority or have an impact on inflation and spending habits of the public. Additionally, it is possible that government policy changes and uncertainty about such changes could increase market volatility and currency exchange rate fluctuations. As a result of these dynamics, the Authority cannot predict the impact of any future changes to the trading relationships between the U.S. and other countries or the impact new laws, regulations or policies adopted by the U.S. or other countries may have on the Authority's receipt of the 1976 Sales Tax Revenues.

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 2025 Bonds.

If the 1976 Sales Tax Revenues are "special revenues" under the Bankruptcy Code, then 1976 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 1976 Sales Tax was levied to finance the Expenditure Plan, which includes a number of projects (collectively, the "Expenditure Plan Projects"), and some of these projects are described in broad terms. If a court determined that the 1976 Sales Tax was levied to finance the general purposes of the Authority, rather than specific Expenditure Plan Projects, then 1976 Sales Tax Revenues would not be special revenues. No assurance can be given that a court would not hold that the 1976 Sales Tax Revenues are not special revenues or are not subject to the lien of the Indenture. Were the 1976 Sales Tax Revenues determined not to be "special revenues," then 1976 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 2025 Bonds may not be able to assert a claim against any property of the Authority other than the 1976 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 2025 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, 1976 Sales Tax Revenues would be considered to be "derived" from the Expenditure Plan Projects. To the extent that 1976 Sales Tax Revenues are determined to be derived from the Expenditure Plan Projects, the Authority may be able to use 1976 Sales Tax Revenues to pay necessary operating expenses of the Expenditure Plan Projects, before the remaining 1976 Sales Tax Revenues are turned over to the Trustee to pay amounts owed to the holders of the 2025 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 2025 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 2025 Bonds from funds in the Trustee's possession. The procedure pursuant to which 1976 Sales Tax Revenues are paid directly by the Board of Equalization to the Trustee may no longer be enforceable, and the Authority may be able to require the Board of Equalization to pay 1976 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 1976 Sales Tax Revenues), which lien could have priority over the lien of the Indenture, or to cause some 1976 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 2025 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 2025 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 2025 Bonds, provided that the bankruptcy court determines that the alterations are "fair and equitable."

There may be delays in payments on the 2025 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 2025 Bonds, or result in losses to the holders of the 2025 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 2025 Bonds.

Loss of Tax Exemption

As discussed under "TAX MATTERS," interest on the 2025 Series A Bonds could become includable in federal gross income, possibly from the date of issuance of the 2025 Series A Bonds, as a result of acts or omissions of the Authority subsequent to the issuance of the 2025 Series A Bonds.

Current and future legislative proposals, if enacted into law, clarifications of the Code or court decisions may cause interest on the 2025 Series A Bonds, to be subject, directly or indirectly, in whole or in part, to federal income taxation, or cause the interest on the 2025 Bonds to be subject to state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. Legislative proposals arise from time to time which would limit the exclusion of gross income of interest on obligations like the 2025 Series A Bonds to some extent for taxpayers who are individuals and whose income is subject to higher marginal income tax rates, or that could significantly reduce the benefit of, or otherwise affect, the exclusion of gross income from interest on obligations like the 2025 Series A Bonds. The introduction or enactment of any such legislative proposals, clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or the marketability of, the 2025 Series A Bonds.

Prospective purchasers of the 2025 Series A Bonds should consult their own tax advisers regarding any pending or proposed federal or state legislation, regulations or litigation, and regarding the impact of future legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

Limitations of the Standby Letters of Credit

Each Standby Letter of Credit is in the form of a letter of credit but, nonetheless, is a conditional obligation of the Liquidity Provider. The obligation of the Liquidity Provider under each Standby Letter of Credit to purchase unremarketed 2025 Bonds is subject to the conditions and limitations set forth therein. The obligations of the Liquidity Provider are subject to immediate termination or suspension without notice and no Drawing will be honored by the Liquidity Provider upon the occurrence of an

Immediate Termination Event or a Suspension Event (each defined herein). See “THE STANDBY LETTERS OF CREDIT AND THE REIMBURSEMENT AGREEMENT” herein.

The Standby Letter of Credit supporting the 2025 Series A Bonds is not available to pay the Purchase Price of 2025 Series B Bonds and the Standby Letter of Credit supporting the 2025 Series B Bonds is not available to pay the Purchase Price of 2025 Series A Bonds.

The ability to obtain funds under a Standby Letter of Credit in accordance with its terms may be limited by federal or State law. Bankruptcy, conservatorship, receivership and similar laws governing financial institutions may prevent or restrict payment under the Standby Letters of Credit. To the extent the short-term rating on the 2025 Bonds depends in any manner on the rating of the Liquidity Provider, the short-term ratings on the 2025 Bonds could be downgraded or withdrawn if the Liquidity Provider were to be downgraded, placed on credit watch or have its ratings suspended or withdrawn or were to refuse to perform under the Standby Letters of Credit.

Ratings May Be Lowered or Withdrawn; Unsolicited Ratings

There can be no assurance that the ratings assigned to the 2025 Bonds will not be lowered or withdrawn at any time, the effect of which could adversely affect the market price for and marketability of the 2025 Bonds. Such rating changes could occur due to changes in the rating of the Liquidity Provider or the underlying credit of the Authority. See also the information under the heading “RATINGS.”

The 2025 Bonds will receive credit ratings from two nationally recognized statistical rating organizations (“NRSROs”). A credit rating is not a recommendation to buy, sell or hold the 2025 Bonds. The short-term ratings assigned to the 2025 Bonds are based upon the delivery of the Liquidity Facility. See “RATINGS” below.

An NRSRO other than the NRSROs engaged by the Authority may issue ratings on the 2025 Bonds, and an NRSRO other than an NRSRO engaged by the Liquidity Provider may issue ratings on the Liquidity Provider (“Unsolicited Ratings”), which may be lower, and could be significantly lower, than the ratings assigned by the respective engaged NRSROs. Issuance of an Unsolicited Rating lower than the ratings assigned by the an engaged NRSRO on the 2025 Bonds or the Liquidity Provider might adversely affect the value of the 2025 Bonds. Investors of the 2025 Bonds should consult with their legal and financial advisors regarding the effect of the issuance of a rating by a non-engaged NRSRO that is lower than the rating of a hired NRSRO. None of the Authority, the Remarketing Agents, the Liquidity Provider or any of their affiliates will have any obligation to inform the Holders of the 2025 Bonds of any Unsolicited Ratings assigned after the date of this Official Statement. In addition, if the Authority or the Liquidity Provider fail to make available to a non-engaged NRSRO any information provided to any engaged rating agency for the purpose of assigning or monitoring the ratings on the 2025 Bonds or the Liquidity Provider, an engaged NRSRO could withdraw its ratings on the 2025 Bonds or the Liquidity Provider, which could adversely affect the market value of the 2025 Bonds.

FINANCIAL STATEMENTS

The financial statements of the Authority for the Fiscal Year ended June 30, 2024, included in APPENDIX B of this Official Statement have been audited by Eide Bailly LLP, independent auditors, as stated in their report therein. Eide Bailly 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 Official Statement, and no opinion is expressed by Eide Bailly LLP with respect to any event subsequent to the date of its report.

LITIGATION

There is not now pending or, to the best knowledge of the Authority, threatened, any litigation concerning or affecting the validity or the original issuance of the 2025 Bonds or contesting the Authority's ability to impose and collect the 1976 Sales Tax. 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 – "THE SANTA CLARA VALLEY TRANSPORTATION AUTHORITY – Litigation."

TAX MATTERS

Federal Tax Exemption - 2025 Series A Bonds

General. In the opinion of Norton Rose Fulbright US LLP, Los Angeles, California, Bond Counsel to the Authority, under existing statutes, regulations, rulings and judicial decisions, and assuming compliance by the Authority with certain covenants in the Indenture, the Tax Certificate and other documents pertaining to the 2025 Series A Bonds and requirements of the Internal Revenue Code of 1986 (the "Code") regarding the use, expenditure and investment of proceeds of the 2025 Series A Bonds and the timely payment of certain investment earnings to the United States, interest on the 2025 Series A Bonds is not included in the gross income of the owners of the 2025 Series A Bonds for federal income tax purposes. Failure to comply with such covenants and requirements may cause interest on the 2025 Series A Bonds to be included in gross income retroactive to the date of issuance of the 2025 Series A Bonds.

In the further opinion of Bond Counsel, interest on the 2025 Series A Bonds is not treated as an item of tax preference for purposes of the federal alternative minimum tax on individuals. Bond Counsel expresses no opinion regarding the applicability of the federal corporate alternative minimum tax to the adjusted financial statement income of certain corporations.

Ownership of, or the receipt of interest on, tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with excess passive income, individual recipients of Social Security or Railroad Retirement benefits, taxpayers that may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations and taxpayers who may be eligible for the earned income tax credit. Bond Counsel expresses no opinion with respect to any collateral tax consequences and, accordingly, prospective purchasers of the 2025 Series A Bonds should consult their tax advisors as to the applicability of any collateral tax consequences.

Certain requirements and procedures contained or referred to in the Indenture, the Tax Certificate or other documents pertaining to the 2025 Series A Bonds may be changed, and certain actions may be taken or not taken, under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with the approving opinion of counsel nationally recognized in the area of tax-exempt obligations. Bond Counsel expresses no opinion as to the effect of any change to any document pertaining to the 2025 Series A Bonds or of any action taken or not taken where such change is made or action is taken or not taken without the approval of Norton Rose Fulbright US LLP or in reliance upon the advice of counsel other than Norton Rose Fulbright US LLP with respect to the exclusion from gross income of the interest on the 2025 Series A Bonds for federal income tax purposes.

Bond Counsel's opinion is not a guarantee of result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and judicial decisions and the representations

and covenants of the Authority described above. No ruling has been sought from the Internal Revenue Service (the “IRS”) with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel’s opinion is not binding on the IRS. The IRS has an ongoing program of examining the tax-exempt status of the interest on municipal obligations. If an examination of the 2025 Series A Bonds is commenced, under current procedures the IRS is likely to treat the Authority as the “taxpayer,” and the owners of the 2025 Series A Bonds would have no right to participate in the examination process. In responding to or defending an examination of the tax-exempt status of the interest on the 2025 Series A Bonds, the Authority may have different or conflicting interests from the owners. Additionally, public awareness of any future examination of the 2025 Series A Bonds could adversely affect the value and liquidity of the 2025 Series A Bonds during the pendency of the examination, regardless of its ultimate outcome.

Information Reporting and Backup Withholding. Interest paid on the 2025 Series A Bonds will be subject to information reporting in a manner similar to interest paid on taxable obligations. Although such reporting requirement does not, in and of itself, affect the excludability of such interest from gross income for federal income tax purposes, such reporting requirement causes the payment of interest on the 2025 Series A Bonds to be subject to backup withholding if such interest is paid to beneficial owners who (a) are not “exempt recipients,” and (b) either fail to provide certain identifying information (such as the beneficial owner’s taxpayer identification number) in the required manner or have been identified by the IRS as having failed to report all interest and dividends required to be shown on their income tax returns. Generally, individuals are not exempt recipients, whereas corporations and certain other entities are exempt recipients. Amounts withheld under the backup withholding rules from a payment to a beneficial owner are allowed as a refund or credit against such beneficial owner’s federal income tax liability so long as the required information is furnished to the IRS.

Federal Income Tax – 2025 Series B Bonds

General. The following is a general summary of the United States federal income tax consequences of the purchase and ownership of the 2025 Series B Bonds. This discussion is based upon laws, Treasury Regulations, rulings and judicial decisions now in effect, all of which are subject to change (possibly with retroactive effect) or possibly differing interpretations. No assurance can be given that future changes in the law will not alter the conclusions reached herein. The discussion below does not purport to deal with United States federal income tax consequences applicable to all categories of investors. Further, this summary does not discuss all aspects of United States federal income taxation that may be relevant to a particular investor in the 2025 Series B Bonds in light of the investor’s particular personal investment circumstances or to certain types of investors subject to special treatment under United States federal income tax laws (including insurance companies, tax-exempt organizations, financial institutions, broker-dealers and persons who have hedged the risk of owning the 2025 Series B Bonds). This summary is therefore limited to certain issues relating to initial investors who will hold the 2025 Series B Bonds as “capital assets” within the meaning of Section 1221 of the Code, and who acquire such 2025 Series B Bonds for investment and not as a dealer or for resale. Except as specifically discussed below, the discussion below addresses the United States federal income tax consequences applicable only to Beneficial Owners of the 2025 Series B Bonds who are “United States persons,” within the meaning of Section 7701(1)(30) of the Code (“United States persons”) and does not address any consequence to persons other than United States persons. Prospective investors should note that no rulings have been or will be sought from the IRS with respect to any of the United States federal income tax consequences discussed herein, and no assurance can be given that the IRS will not take contrary positions.

PROSPECTIVE INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS IN DETERMINING THE FEDERAL, STATE, LOCAL, FOREIGN AND ANY OTHER TAX CONSEQUENCES TO THEM FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE 2025 SERIES B BONDS.

Payments of Stated Interest on the 2025 Series B Bonds. Subject to the rules relating to “acquisition discount” discussed below, the stated interest paid on the 2025 Series B Bonds will be included in the gross income, as defined in Section 61 of the Code, of the Beneficial Owners thereof and will be subject to United States federal income taxation when received or accrued, depending on the tax accounting method used by the Beneficial Owners thereof.

Acquisition Discount. Special rules apply to certain government obligations, such as the 2025 Series B Bonds, that have a fixed maturity date not more than one year from their date of issuance (“short-term government obligations”). Beneficial Owners that report income for federal income tax purposes on an accrual method and certain other Beneficial Owners, including banks, regulated investment companies and dealers in securities, are required to include acquisition discount on short-term government obligations in income on a straight-line basis (based on the number of days in a taxable year in which the obligation is held), unless an election is made to accrue the acquisition discount according to a constant-yield method based on daily compounding. The amount of “acquisition discount” on a 2025 Series B Bond is equal to the excess of the stated redemption price at maturity of the 2025 Series B Bond over the Beneficial Owner’s basis in the 2025 Series B Bond. The “stated redemption price at maturity” of a 2025 Series B Bond is equal to the sum of its principal amount plus all other payments scheduled to be made on the 2025 Series B Bond. A Beneficial Owner subject to this reporting rule will increase such Beneficial Owner’s basis in the 2025 Series B Bond by the amount of acquisition discount included in such Beneficial Owner’s income with respect to the 2025 Series B Bond.

A Beneficial Owner who is not required to include acquisition discount in income currently (e.g., an individual who is a cash-method taxpayer) may nonetheless elect to do so. In the case of such Beneficial Owner who does not elect to do so, any gain realized upon the sale or other disposition of the 2025 Series B Bond (including the redemption thereof at maturity) will be characterized as ordinary income to the extent of the Beneficial Owner’s ratable share of the acquisition discount (accrued on a straight-line basis or, if elected, according to a constant-yield method based on daily compounding, through the date of sale or other disposition). In addition, Beneficial Owners who are not required, and do not elect, to include acquisition discount in income currently are required to defer deductions for any interest paid on indebtedness incurred or continued to purchase or carry a 2025 Series B Bond in an amount not exceeding the accrued acquisition discount with respect to the 2025 Series B Bond until the accrued acquisition discount is realized. Beneficial Owners are urged to consult their own tax advisors regarding the acquisition discount rules and their potential application to the 2025 Series B Bonds.

Medicare Contribution Tax. Pursuant to Section 1411 of the Code, as enacted by the Health Care and Education Reconciliation Act of 2010, an additional tax is imposed on individuals beginning January 1, 2013. The additional tax is 3.8% of the lesser of (i) net investment income (defined as gross income from interest (including acquisition discount), dividends, net gain from disposition of property not used in a trade or business and certain other listed items of gross income), or (ii) the excess of “modified adjusted gross income” of the individual over \$200,000 for unmarried individuals (\$250,000 for married couples filing a joint return and a surviving spouse). Holders of the 2025 Series B Bonds should consult with their own tax advisors concerning this additional tax, as it may apply to interest (including acquisition discount) earned with respect to the 2025 Series B Bonds as well as gain on the sale of a 2025 Series B Bond.

Disposition of 2025 Series B Bonds. A Beneficial Owner of 2025 Series B Bonds will generally recognize gain or loss on the redemption, sale or exchange of 2025 Series B Bonds equal to the difference between the redemption or sales price (exclusive of any amount paid for accrued interest) and the Beneficial Owner's adjusted basis in the 2025 Series B Bonds. Generally, the Beneficial Owner's adjusted basis in the 2025 Series B Bonds will be the Beneficial Owner's initial cost, increased by the acquisition discount previously included in the Beneficial Owner's income to the date of disposition. Any gain or loss generally will be capital gain or loss and will be short-term, as the 2025 Series B Bonds will mature less than one year from their issue date.

Backup Withholding. Under Section 3406 of the Code, a Beneficial Owner of the 2025 Series B Bonds who is a United States person may, under certain circumstances, be subject to "backup withholding" on payments of current or accrued interest (including acquisition discount) on the 2025 Series B Bonds or with respect to proceeds received from the disposition of the 2025 Series B Bonds. This withholding applies if such Beneficial Owner of 2025 Series B Bonds (i) fails to furnish to the payor such Beneficial Owner's social security number or other taxpayer identification number ("TIN"); (ii) furnishes the payor an incorrect TIN; (iii) fails to properly report interest, dividends or other "reportable payments" as defined in the Code; or (iv) under certain circumstances, fails to provide the payor with a certified statement, signed under penalty of perjury, that the TIN provided to the payor is correct and that such Beneficial Owner is not subject to backup withholding.

Backup withholding will not apply, however, with respect to payments made to certain Beneficial Owners of the 2025 Series B Bonds. Beneficial Owners of the 2025 Series B Bonds should consult their own tax advisors regarding their qualification for exemption from backup withholding and the procedures for obtaining such exemption.

Withholding on Payments to Nonresident Alien Individuals and Foreign Corporations. Under Sections 1441 and 1442 of the Code, nonresident alien individuals and foreign corporations are generally subject to withholding at the rate of 30% on periodic income items arising from sources within the United States, provided that such income is not "effectively connected" with the conduct of a United States trade or business, within the meaning of Section 864 of the Code. Assuming the interest (including acquisition discount) received by the Beneficial Owners of the 2025 Series B Bonds is not treated as effectively connected income, such interest (including acquisition discount) will be subject to 30% withholding, or any lower rate specified in an income tax treaty, unless such income is treated as "portfolio interest" within the meaning of Sections 871 and 881 of the Code. Interest (including acquisition discount) will be treated as portfolio interest under such sections if: (i) the Beneficial Owner provides a statement to the payor certifying under penalty of perjury that such Beneficial Owner is not a United States person and providing the name and address of such Beneficial Owner; (ii) such interest (including acquisition discount) is treated as not effectively connected with the Beneficial Owner's United States trade or business; (iii) interest payments (including payments of acquisition discount) are not made to a person within a foreign country that the IRS has included on a list of countries having provisions inadequate to prevent United States tax evasion; (iv) interest payable with respect to the 2025 Series B Bonds (including acquisition discount) is not deemed contingent interest within the meaning of the portfolio debt provision; (v) such Beneficial Owner is not a controlled foreign corporation within the meaning of Section 957 of the Code; and (vi) such Beneficial Owner is not a bank receiving interest with respect to the 2025 Series B Bonds (including acquisition discount) pursuant to a loan agreement entered into in the ordinary course of the bank's trade or business.

Assuming interest payments with respect to the 2025 Series B Bonds (including payments of acquisition discount) are treated as portfolio interest within the meaning of Sections 871 and 881 of the Code, then no backup withholding under Sections 1441 and 1442 of the Code and no backup withholding under Section 3406 of the Code are required with respect to Beneficial Owners or intermediaries who

have furnished Form W-8BEN, Form W-8BEN-E, Form W-8EXP or Form W-8IMY, as applicable, provided the payor does not have actual knowledge or reason to know that such person is a United States person.

Foreign Account Tax Compliance Act. Sections 1471 through 1474 of the Code impose a 30% withholding tax on certain types of payments made to a foreign financial institution, unless the foreign financial institution enters into an agreement with the U.S. Treasury to, among other things, undertake to identify accounts held by certain United States persons or U.S.-owned entities, annually report certain information about such accounts, and withhold 30% on payments to account holders whose actions prevent it from complying with these and other reporting requirements, or unless the foreign financial institution is otherwise exempt from those requirements. In addition, the Foreign Account Tax Compliance Act (“FATCA”) imposes a 30% withholding tax on the same types of payments to a non-financial foreign entity unless the entity certifies that it does not have any substantial United States owners or the entity furnishes identifying information regarding each substantial United States owner. Failure to comply with the additional certification, information reporting and other specified requirements imposed under FATCA could result in the 30% withholding tax being imposed on payments of interest (including acquisition discount) and principal under the 2025 Series B Bonds and sales proceeds of 2025 Series B Bonds held by or through a foreign entity. In general, withholding under FATCA currently applies to payments of U.S. source interest (including acquisition discount) and will apply to “foreign passthru payments” but no earlier than two years after the date of publication of final regulations defining the term “foreign passthru payment.” Prospective investors should consult their own tax advisors regarding FATCA and its effect on them.

Reporting of Interest Payments. Subject to certain exceptions, interest payments made to Beneficial Owners of the 2025 Series B Bonds (including acquisition discount) will be reported to the IRS. Such information will be filed each year with the IRS on Form 1099-INT (or other appropriate reporting form), which will reflect the name, address and TIN of the Beneficial Owner. A copy of Form 1099 will be sent to each Beneficial Owner of a 2025 Series B Bond for U.S. federal income tax purposes.

State Tax Exemption

In the further opinion of Bond Counsel, interest on the 2025 Bonds is exempt from personal income taxes imposed by the State of California.

Future Developments

Existing law may change to reduce or eliminate the benefit to owners of the 2025 Bonds of the exclusion of the interest on the 2025 Series A Bonds from gross income for federal income tax purposes or of the exemption of interest on the 2025 Bonds from State of California personal income taxation. Any proposed legislation, whether or not enacted, or administrative action, whether or not taken, could also affect the value and marketability of the 2025 Bonds. Prospective purchasers of the 2025 Bonds should consult their own tax advisors with respect to any proposed or future change in tax law.

A copy of the form of opinion of Bond Counsel relating to the 2025 Bonds is attached hereto as Appendix G.

LEGAL MATTERS

Norton Rose Fulbright US LLP, Los Angeles, California, Bond Counsel to the Authority, will render an opinion substantially in the form set forth in APPENDIX G hereto, with respect to the Indenture and the 2025 Bonds. Bond Counsel expresses no opinion regarding the accuracy, completeness or

fairness of this Official Statement. Certain legal matters will be passed upon for the Authority by the Authority's General Counsel and by Norton Rose Fulbright US LLP, as Disclosure Counsel to the Authority, for the Liquidity Provider by its special United States counsel, Chapman and Cutler LLP, Chicago, Illinois, and for the Underwriters by their counsel, Stradling Yocca Carlson & Rauth, LLP, Newport Beach, California. Compensation paid to Bond Counsel, Disclosure Counsel and Underwriters' Counsel is contingent on the successful issuance of the 2025 Bonds.

RATINGS

S&P Global Ratings ("S&P") and Fitch Ratings, Inc. ("Fitch") have assigned each Series of the 2025 Bonds their long-term ratings of "AAA" and "AA+," respectively, with Stable Outlooks. S&P and Fitch have also assigned short-term ratings on each Series of the 2025 Bonds of "A-1" and "F1," respectively, based on the delivery of the Standby Letters of Credit. The ratings described above reflect only the views of such organizations and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same, at the following addresses: S&P Global Ratings, 55 Water Street, New York, New York 10041 and Fitch Ratings, 33 Whitehall Street, New York, New York 10004. Such ratings are not recommendations to buy, sell or hold securities. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agencies, if in the judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of any of such ratings may have an adverse effect on the market price of the affected Series of 2025 Bonds.

UNDERWRITING

The Authority has entered into two separate Purchase Contracts (the "Purchase Contracts"), each dated April 30, 2025, one with BofA Securities, Inc. ("BofA Securities"), as representative of itself and J.P. Morgan Securities LLC ("JPMS") for the 2025 Series A-1 Bonds and the 2025 Series B-1 Bonds and the other with JPMS as representative of itself and BofA Securities for the 2025 Series A-2 Bonds and the 2025 Series B-2 Bonds, pursuant to which BofA Securities and JPMS (together, the "Underwriters") will agree, subject to certain conditions, to purchase (i) the 2025 Series A-1 Bonds for reoffering at a price of \$54,183,914.11, which represents the aggregate principal amount of the 2025 Series A-1 Bonds, less an Underwriters' discount of \$71,085.89, (ii) the 2025 Series A-2 Bonds for reoffering at a price of \$54,184,944.30, which represents the aggregate principal amount of the 2025 Series A-2 Bonds, less an Underwriters' discount of \$70,055.70, (iii) the 2025 Series B-1 Bonds for reoffering at a price of \$25,711,100.79, which represents the aggregate principal amount of the 2025 Series B-1 Bonds, less an Underwriters' discount of \$33,899.21, and (iv) the 2025 Series B-2 Bonds for reoffering at a price of \$25,711,757.28, which represents the aggregate principal amount of the 2025 Series B-2 Bonds, less an Underwriters' discount of \$33,242.72. The Purchase Contracts provide that the Underwriters will purchase all of the 2025 Bonds relating to each Purchase Contract if any are purchased. The Underwriters agree to make a public offering of the 2025 Bonds.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities which may include securities trading, commercial and investment banking, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for Authority for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of Authority.

BofA Securities, an underwriter of the 2025 Bonds, has entered into a distribution agreement with its affiliate Merrill Lynch, Pierce, Fenner & Smith Incorporated (“Merrill”). As part of this arrangement, BofA Securities may distribute securities to Merrill, which may in turn distribute such securities to investors through the financial advisor network of Merrill. As part of this arrangement, BofA Securities may compensate Merrill as a dealer for their selling efforts with respect to the 2025 Bonds.

JPMS, an underwriter of the 2025 Bonds, has entered into negotiated dealer agreements (each, a “Dealer Agreement”) with each of Charles Schwab & Co., Inc. (“CS&Co.”) and LPL Financial LLC (“LPL”) for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement, each of CS&Co. and LPL may purchase 2025 Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any 2025 Bonds that such firm sells.

MUNICIPAL ADVISOR

The Authority has retained Ross Financial, San Francisco, California, as municipal advisor (the “Municipal Advisor”) in connection with the issuance and sale of the 2025 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 Official Statement. Compensation paid to the Municipal Advisor is contingent on the successful issuance of the 2025 Bonds.

CONTINUING DISCLOSURE

The Authority has covenanted for the benefit of the owners and beneficial owners of the 2025 Bonds to provide certain financial information and operating data relating to the Authority by not later than 210 days following the end of the Authority’s Fiscal Year (presently June 30) (the “Annual Report”), commencing with the report for the Fiscal Year ending June 30, 2025, and to provide notices of the occurrence of certain enumerated events. The Annual Report will be filed by Digital Assurance Certification, L.L.C. (the “Dissemination Agent”) on behalf of the Authority with the Municipal Securities Rulemaking Board (the “MSRB”). Any notices of enumerated events will be filed by the Dissemination Agent on behalf of the Authority with the MSRB. The specific nature of the information to be contained in the Annual Report and the notices of enumerated events is set forth under the caption APPENDIX E – “FORM OF CONTINUING DISCLOSURE CERTIFICATE.” These covenants have been made in order to assist the Underwriters in complying with Rule 15c2-12 (the “Rule”) of the U.S. Securities and Exchange Commission promulgated under the Securities Exchange Act of 1934, as amended. Since 2007, the Authority has contracted with Digital Assurance Certification, L.L.C. to assist the Authority with its disclosure filings under the Rule.

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 such documents, as the case may be. A copy of the Indenture is available for inspection at the Authority and following delivery of the 2025 Bonds will be on file at the offices of the Trustee in San Francisco, California.

Any statement in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Authority and the purchasers or Owners of any of the 2025 Bonds.

The execution and delivery of this Official Statement has been duly authorized by the Authority.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

By: /s/ Greg Richardson
Deputy General Manager

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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 (North West)	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 (North East)	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 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.)

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

Sergio Lopez, Chairperson
Matt Mahan, Vice Chairperson

GROUP 1 (San Jose)

City of San José

Domingo Candelas
David Cohen
Pam Foley
Rosemary Kamei
Matt Mahan*
Michael Mulcahy, Alternate

GROUP 2 (North West)

City of Los Altos
Town of Los Altos Hills
City of Mountain View
City of Palo Alto

Jonathan D. Weinberg

John McAlister, Alternate

GROUP 3 (West Valley)

City of Campbell
City of Cupertino
Town of Los Gatos
City of Monte Sereno
City of Saratoga

Sergio Lopez

Rob Moore, Alternate

GROUP 4 (South County)

City of Gilroy
City of Morgan Hill

Greg Bozzo, Alternate
Mark Turner

GROUP 5 (North East)

City of Santa Clara
City of Sunnyvale
City of Milpitas

Sudhanshu “Suds” Jain
Linda Sell
Carmen Montano, Alternate

GROUP 6 (Santa Clara County)

County of Santa Clara

Margaret Abe-Koga*
Sylvia Arenas
Betty Duong, Alternate

Ex-Officio*

Pat Burt

* Metropolitan Transportation Commission Commissioners representing Santa Clara County, Cities of Santa Clara County, and City of San Jose

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:

CAROLYN M. GONOT – General Manager/CEO since July 2021. Ms. Gonot has provided solid public transportation leadership for more than a quarter century and is one of a handful of women leading major public transit agencies throughout the U.S. She built her career over three decades, mostly at the Authority, in multiple leadership roles including Chief Engineering and Program Delivery Officer, Chief BART Program Officer, Chief Development Officer, and Deputy Director of the Congestion Management Program.

Her extensive experience in successfully delivering capital projects to improve mobility in Silicon Valley led her to become the first woman to take the helm of the Utah Transit Authority, where she served from 2019-2021.

Ms. Gonot then returned to the VTA, rising to the challenge of navigating the agency through the recovery of transit service significantly impacted by the COVID-19 pandemic. In her role as General Manager and Chief Executive Officer of VTA, she is responsible for approximately 2,200 employees, delivering projects, programs, and transit services that provide mobility solutions for more than 2 million people who live and work in Silicon Valley.

Born and raised in Pittsburgh, Pennsylvania, Ms. Gonot received a Bachelor of Science from the University of Notre Dame, and a Master of Science in Civil Engineering from Penn State University. She is an active supporter of the Women’s Transportation Seminar (“WTS”), honored as the San Francisco Bay Area Chapter’s Woman of the Year in 2013.

GREG RICHARDSON - Deputy General Manager. Mr. Richardson joined the VTA in December 2021 as the Chief Financial Officer, was appointed as the Assistant General Manager in December 2022, and in January 2025 was appointed as Deputy General Manager. Mr. Richardson is responsible for the fiscal stewardship of VTA leading a team focused on finance, accounting, budget, treasury and farebox revenue. In addition to these core fiscal responsibilities, Mr. Richardson leads VTA’s efforts regarding procurement, technology, risk management and real estate development.

Prior to joining VTA, Mr. Richardson was the Deputy General Manager and Chief Financial Officer at Hartsfield-Jackson Atlanta International Airport (“ATL”) and was responsible for ATL’s nearly \$1 billion annual budget and all funding and financing needs to support ATL’s nearly \$8 billion capital improvement program. Additionally, he was responsible for the strategic planning, sustainability initiatives, and information technology for ATL. Mr. Richardson began working for ATL in April 2011 after serving as the controller for the City of Atlanta from 2009 to 2011. He was named the assistant general manager for finance and accounting in April 2012 before becoming the Deputy General Manager and Chief Financial Officer in 2016.

Mr. Richardson has worked in accounting and finance for over 35 years. Before joining the City of Atlanta, he was the business segment controller for CheckFree Corp. Before his tenure at CheckFree, he was the chief accounting officer for Hobbs Group, LLC. He started his career with RTM Restaurant Group in 1987 as a staff accountant and ultimately worked his way up to controller.

Mr. Richardson is a graduate of Florida State University with a Bachelor of Science in accounting and earned his license as a Certified Public Accountant in 1992.

EVELYNN TRAN – General Counsel since September 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 April 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.

TOM MAGUIRE – Chief Megaprojects Delivery Officer. Mr. Maguire has 24 years of experience leading major transportation programs and project teams. He joined VTA in 2023 as Chief Megaprojects Delivery Officer, where he is responsible for delivering BART to Silicon Valley Phase II, the largest transit project in the Bay Area. Previously he worked at the San Francisco Municipal Transportation Agency (SFMTA) where he oversaw completion of the Central Subway and Van Ness Avenue BRT, and served as Streets Director, responsible for the City's parking and traffic operations. He has also served as Assistant Commissioner of the New York City Department of Transportation (NYC DOT); and worked at the engineering and design firm Arup, where he helped design such projects as the Second Avenue Subway and the reconstruction of Lower Manhattan's streets after 9/11. He holds degrees from Rutgers and UC Berkeley.

PATRICE SMITH – Chief Communications Officer. Ms. Smith joined the VTA in September 2023 as Chief Communications Officer. She oversees media relations, communications, marketing, community engagement, creative services and customer service for the agency. Ms. Smith has an extensive background in public relations, communications and government affairs. Over the past three decades, she has honed her skills in corporate, nonprofit and communications agency settings. She has managed high performing communications and public affairs teams in a variety of industries. Ms. Smith holds a BA in Public Relations from San Jose State University. She also has a certificate from Harvard Business School, Executive Education Program.

CASEY EMOTO – Chief Engineering & Program Delivery Officer since September 2019. Mr. Emoto is a registered civil engineer with over 30 years of experience in the transportation industry. Mr. Emoto served as Deputy Director responsible for the Highway Program, Environmental Programs, Express Lanes Program and Traffic Engineering from December 2008 to September 2019. Prior to serving this role, Mr. Emoto started at VTA in 1997 as a Transportation Planner III followed by time as a Senior Transportation Engineering and Transportation Engineering Manager in the Congestion Management Agency Division. Mr. Emoto worked for a Bay Area transportation consulting firm before joining VTA. Mr. Emoto recently served as Co-chair of the Transportation Research Board's Standing Committee on Managed Lanes from April 2016 to March 2019, and has an undergraduate degree in civil engineering from the University of Alaska, Fairbanks and a Master's Degree in Civil Engineering from the University of California, Berkeley.

NAUNIHAL "NAUNI" SINGH – Interim Chief Operating Officer since February 2025. Mr. Naunihal has built a distinguished career at VTA over the past 25 years, having started as a Coach Operator and advancing through various roles, including Light Rail Operator, Rail Control Supervisor, Assistant Superintendent of Service Management, Superintendent of Light Rail Operations, and, since 2021, Deputy Director of Transit Operations. Throughout his career, Mr. Singh has demonstrated a commitment to excellence, earning numerous accolades, including his recognition as "Supervisor of the Year" in 2017 for his outstanding leadership. As a Rail Operator, Mr. Singh represented VTA at several Rail Rodeos, consistently earning top honors for his exceptional performance.

In addition to his operational leadership, Mr. Singh served as Vice President of AFSCME for over four years, where he played a key role in streamlining several processes within VTA. Mr. Singh's ability to lead under pressure was on full display when he served as VTA's Incident Commander during Super Bowl 50, ensuring the successful delivery of transit services for the event and is currently leading efforts for major events such as Super Bowl 60 and FIFA 2026. Mr. Singh earned his Bachelor of Arts degree from

Punjab University and is also a graduate of the American Public Transit Association (APTA) Leadership Program.

SONYA MORRISON – Chief People Officer since 2022. Ms. Morrison joined VTA August 2022. Ms. Morrison oversees human resources including employee and labor relations, retirement services, benefits and wellness, recruitment, learning and development, classification and compensation, employee engagement, and performance management. Ms. Morrison serves on the VTA Deferred Compensation Committee. Prior to joining VTA, Ms. Morrison was the Human Resources Director for the City of Burlingame, California. Ms. Morrison holds a B.A., and a Master's in Business Administration from Santa Clara University, with a concentration in Leading People and Organizations. She is a graduate of the California Public Employers Labor Relations Association ("CALPELRA") Labor Relations Management ("CLRM") program, holds a Professional in Human Resources (PHR) certification, and is an Association of Workplace Investigators certificate holder ("AWI-CH"). In addition, Ms. Morrison serves as the Treasurer on the CALPELRA Board of Directors.

DEBORAH DAGANG - Chief Planning & Programming Officer since September 2019. Ms. Dagang is a Senior Executive with over 30 years of experience in the transportation field. She worked for transportation consulting firms in the Bay Area before joining the Authority, and her expertise includes multimodal transportation planning and engineering, bus rapid transit, evaluation of transportation strategies and alternatives analysis, and consensus building. She earned both her Master's Degree in Civil Engineering (with an emphasis in Infrastructure Planning and Management) and Bachelor's Degree in Civil Engineering from Stanford University. Ms. Dagang is a member of the WTS, the APTA, the Institute of Transportation Engineers ("ITE") and, is the Chair of the WTS Foundation. She is also a registered Traffic Engineer in the State of California.

SCOTT HAYWOOD –Chief of Staff since August 2024. Mr. Haywood has been at VTA since 1998 and has served in a variety of roles. Prior to his appointment as Chief of Staff, he has served as the Deputy Director for Planning from 2019 to 2024, leading a team that includes long-range planning, bicycle and pedestrian planning, development review, congestion management, programming and transit capital planning. He has also served the agency in the government affairs and marketing departments. Before joining VTA, Mr. Haywood worked at Apple where he oversaw their transportation demand management program and transportation policy. Mr. Haywood has a Bachelor's Degree in Political Science and a Masters of Public Administration from San Jose State University.

ASTON GREENE – Chief System Safety & Security Officer. Prior to joining VTA, Mr. Greene was the Executive Officer & Deputy Chief of System Security and Law Enforcement at Los Angeles Metropolitan Transportation Authority and is a retired Major & Commander for Metropolitan Atlanta Rapid Transit Authority ("MARTA") Police & Emergency Management. In his current role, Mr. Greene oversees the existing law enforcement contracts and budgets with multiple jurisdictions, and manages the Department's Security Officers & Safety, Cyber-security & Emergency Management Divisions. Mr. Greene is a Safety, Security & Emergency Management subject matter expert and is a member of the International ASIS Supply Chain & Transit Security Council. Mr. Greene has over 25 years of experience in law enforcement and security in New York City, NY, Atlanta, GA and Los Angeles, CA. Mr. Greene is responsible for a training and exercise program that includes tabletop and full-scale exercises in accordance with the Homeland Security Exercise and Evaluation Program ("HSEEP"). Mr. Greene's academic credentials includes a Bachelor of Science and a Master of Public Administration in Criminal Justice.

BEVERLY GREENE – Chief Government Affairs Officer since June 2024. Ms. Greene leads the Government Affairs and Secretary of the Board Divisions where she is responsible for developing and coordinating VTA's federal, state, regional and local government affairs programs, and efficient Board operations. Before joining VTA, Ms. Greene served as the Executive Director of External Affairs,

Marketing & Communications at the Alameda – Contra Costa Transit District (AC Transit) responsible for communicating with external stakeholders regarding District service, programs and projects, and set strategic direction for positive communications and relationships with riders, policy makers, and key stakeholders. She is a graduate of Leadership APTA, the ENO Transit Senior Executive Program, Leadership Oakland, the WTS Executive Women’s Leadership Seminar, and Emerge California. In 2023, she received a California Fellowship to the Harvard Kennedy School’s Senior Executives in State and Local Government Executive Education Program. Ms. Greene received a B.S. in Business Administration from the University of Southern California, a M.B.A. from the UCLA Anderson School of Management, and was the recipient of a Dow Company Corporate Fellowship to study the intersection of commerce and government at The Washington Campus Consortium.

Employees

The Authority has approximately 2,320 employees of which approximately 92% are represented by unions. The Amalgamated Transit Union, Division 265 (“ATU”), represents approximately 1,591 employees (69% 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 2022 and expired on March 3, 2025.

On March 3, 2025, the contract with the ATU and the VTA reached its three-year anniversary and expiration of its base term. Subject to the terms of the contract, the contract term was automatically extended from year to year thereafter absent an election by the parties to terminate. Neither VTA nor ATU provided the contractually required notice to terminate. ATU disputes there is an automatic extension of the contract and asserts the contract terminated after March 3, 2025, which, according to ATU, allows ATU to strike. Negotiations with the ATU began in August 2024 and have continued to current. The union is seeking compensation increases and adjustments to various business provisions in the contract.

On March 10, 2025, members of ATU began a strike at VTA. The same day, VTA filed a legal action in Santa Clara County Superior Court for breach of contract and breach of implied covenant of good faith and fair dealing. VTA sought an injunction to stop the strike to halt the significant harm posed by the resulting disruption in transit service. The court held a hearing March 26, 2025, and granted the injunction, which ended the 17-day strike. ATU workers have returned to work and bus and light rail service is operating normally. On April 1, 2025, ATU filed a petition for writ of mandate, asking the appellate court for a stay of the injunction. VTA’s preliminary opposition to the petition is due on April 11, 2025. The court of appeal has discretion to grant or deny writ petitions and may summarily deny a petition with or without a response.

While the strike is currently not ongoing, the labor negotiations are continuing with the ATU requesting greater compensation increases than VTA has offered. If the appellate court issues a stay of the injunction, then ATU could potentially resume the strike. It should be noted that a labor stoppage affecting bus and light rail operation has minimal direct impact on VTA’s financial situation, as farebox recovery only accounts for around 8% of revenue funding operating costs, with the bulk of funding coming from sales tax revenue.

The remaining represented employees consist of: members of Service Employees International Union, Local 521 (“SEIU”), representing approximately 251 employees in technical, paraprofessional and administrative positions; members of American Federation of State, County and Municipal Employees, Local 57 (“AFSCME”), representing approximately 260 employees in managerial, supervisory and other professional level positions; and members of Transit Authority Engineers and Architects (“TAEA”), representing 28 employees in engineering and architect positions. The contract with AFSCME expired on April 3, 2025; SEIU expired on December 31, 2024; TAEA expired on April 3, 2025; and ATU expired on

March 3, 2025. Contracts are automatically continued beyond their expiration date to facilitate continuation of work during contract negotiations. The remaining number of employees is non-represented.

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 443 buses, consisting of 55 diesel-powered, 388 hybrid-diesel-powered buses and 10 electric buses. The average age of these buses is 10.7 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 3,188 bus stops, 600 of which have bus shelters. The Authority also maintains 26 park and ride lots, which includes two parking garages.

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 59 stations and 23 park and ride lots, which are fully integrated with the bus system.

Other Services. VTA provides funding for a portion of the operating and capital costs of the Caltrain commuter rail service, which is provided by the Peninsula Corridor Joint Powers Board ("PCJPB"). The PCJPB is composed of three member agencies: VTA, the San Mateo County Transit District ("SamTrans") and the City and County of San Francisco. The rail line on which service is operated currently extends from San Francisco 77 miles south to Gilroy, serving 31 stations. Connection to VTA'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 is operated between San José Diridon Station and San Francisco. Caltrain's operating costs were previously shared between the three member agencies based on morning peak period ridership. In November 2020, voters in San Francisco, Santa Clara and San Mateo counties approved Measure RR, a 30-year one-eighth cents sales tax to provide a dedicated funding source for Caltrain. With the passage of Measure RR, member agencies will no longer contribute to the operating and capital costs of the Caltrain commuter rail service. VTA also has its own program of Caltrain capital improvements which is supported by 2016 Measure B funds.

VTA is also a member of the Capitol Corridor Joint Powers Authority (the "Capitol Corridor JPA"), which is composed of the six (6) local transit agencies in the eight (8) Northern California counties: Placer, Sacramento, Yolo, Solano, Contra Costa, Alameda, San Francisco, and Santa Clara. The Capitol Corridor JPA provides intercity rail service between Sacramento and San José that provides a convenient alternative to traveling along the congested I-80, I-680, and I-880 freeways. Stops are located at stations in Auburn, Rocklin, Roseville, Sacramento, Davis, Suisun/Fairfield, Fairfield/Vacaville Hannigan, Martinez, Richmond, Berkeley, Emeryville, Oakland (2), Hayward, Fremont, Santa Clara (2) and San José. An extensive, dedicated motorcoach network provides bus connections to serve the second-largest urban service area in the Western United States. The Capitol Corridor JPA shares the administration and management of the Capital Corridor, which is comprised of sixteen (16) members, two (2) of whom are

appointed by VTA. VTA 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, San Francisco Bay Area Rapid Transit District (“BART”) manages the service and Amtrak operates the service on tracks owned by Union Pacific Railroad and the PCJPB.

VTA provides funding for a portion of the operating costs of the Altamont Corridor Express (“ACE”) pursuant to a cooperative agreement (the “ACE Agreement”) among VTA, Alameda County Congestion Management Agency and the San Joaquin Regional Rail Commission (“SJRRRC”). ACE rail service provides peak hour weekday commuter rail service from the Central Valley to Santa Clara 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.

VTA also provides First-and-Last mile connections to transport ACE riders from the Great America Station (Santa Clara) to major employment sites. It consists of eight (8) routes during the morning and afternoon commute peak periods. VTA is the lead agency for managing and contracting the ACE shuttle services. The program is funded by the San Joaquin Regional Rail Commission (SJRRRC) and the Transportation Fund for Clean Air (TFCA) County Fund Grant. VTA will continue to apply annually for the TFCA County funding program. Operational cost not covered by TFCA grant funds is fully funded by the SJRRRC.

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 VTA through a Cooperative Agreement. VTA 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. This weekday-only service is operated by a private contractor and managed by AC Transit.

VTA 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 VTA, the Santa Cruz Metropolitan Transit District (“Santa Cruz Metro”), AMTRAK, the Capitol Corridor JPA and the San Joaquin Joint Powers Authority (“SJIPA”). Santa Cruz Metro is responsible for the management and operation of the service.

The Monterey-Salinas Transit District (“MST”) provides service from the Salinas Transit Center in the City of Salinas to the Gilroy Caltrain Station in the city of Gilroy (hereinafter referred to as “Line 59 Salinas-Gilroy Service”). VTA provides funding for a portion of the operating cost. MST wholly operates the Line 59 Salinas-Gilroy Service using its own coach, operators, and equipment in accordance with the Memorandum of Understanding between MST and VTA.

VTA operates ADA paratransit service, known as VTA ACCESS, to support individuals who, due to physical, visual, or cognitive disabilities, cannot independently use conventional public transit some or all the time. The service provides exterior door-to-exterior door transportation using vehicles that are fully compliant with the Americans with Disabilities Act (ADA) and operated by professional drivers. As an operator of bus and light rail service, VTA is required by the Americans with Disabilities Act (“ADA”) to ensure that paratransit services are provided to areas within $\frac{3}{4}$ of a mile of where fixed-route transit service is provided while that service is in operation. VTA’s Paratransit service offers a premium service area which extends the service area an additional mile (from the $\frac{3}{4}$ mile), trips beginning or ending in the premium service area pay premium fare which is four times the standard paratransit fare. In addition, VTA

offers same-day service, open returns, and second vehicle for a premium fare. VTA's paratransit service is operated through a turnkey model and provides direct oversight of operations. The program has one contractor that manages the ADA Eligibility Certification process, and a separate contractor to provide day-to-day operation including reservations, dispatch, and operators.

Authority Revenues

The Authority's primary revenue sources consist of (i) the 1976 Sales Tax; (ii) the 2000 Measure A 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 ("TDA"), 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.

1976 Sales Tax Revenues

The 1976 Sales Tax is the Authority's single largest source of revenue for operations. The 1976 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 limited exceptions. The tax is collected by the California Department of Tax and Fee Administration (the "CDTFA") and does not expire. Pursuant to an agreement between the Authority and the CDTFA, as successor to the State Board of Equalization, the CDTFA remits revenues from the 1976 Sales Tax to the trustee for senior lien obligations secured by the 1976 Sales Tax (the "1976 Sales Tax Bond Trustee") on a monthly basis. Pursuant to its procedures, the CDTFA projects receipts of the 1976 Sales Tax on a quarterly basis and remits an advance of such receipts to the Trustee each month based on such projection. During the second month of each quarter, the CDTFA adjusts the amount remitted to reflect the actual receipts of the 1976 Sales Tax for the previous quarter less administration costs. After application for payment of the senior lien obligations and junior lien obligations (if any) secured by the 1976 Sales Tax (herein referred to as the "1976 Sales Tax Obligations"), all remaining 1976 Sales Tax Revenues are released from the lien, are remitted to the Authority and are available to pay operating expenses and capital expenditures. The 1976 Sales Tax Revenues secure the 2025 Bonds.

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, one-half of one percent (0.5%) 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 similar to the 1976 Sales Tax, both in terms of the tax base (sales within County) and tax rate (0.5%). 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 (the "2000 Measure A Ordinance"). Approximately 21% of the annual 2000 Measure A Sales Tax Revenues are used to support operating expenses.

Collection of the 2000 Measure A Sales Tax is administered by the CDTFA in the same way as is done for the 1976 Sales Tax. 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 remits an advance of

such receipts to the 2000 Measure A Sales Tax Bond Trustee on a monthly basis based on such projection. During the second 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 released from the lien and forwarded to the Authority. **The 2000 Measure A Sales Tax Revenues do not secure the 2025 Bonds.**

2008 Measure B Sales Tax and 2016 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”), expiring on June 30, 2042, and is dedicated to support the operation and maintenance of the BART to Silicon Valley Project.

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 that became effective April 1, 2017 and continues for 30 years (the “2016 Measure B Sales Tax”), expiring on March 31, 2047, 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 2008 Measure B Sales Tax and 2016 Measure B Sales Tax are levied against the same sales tax base as the 1976 Sales Tax and 2000 Measure A Sales Tax, and collection of the 2008 Measure B Sales Tax and 2016 Measure B Sales Tax are administered by the CDTFA in the same manner as the 1976 Sales Tax and the 2000 Measure A Sales Tax. **Revenues of the 2008 Measure B Sales Tax and the 2016 Measure B Sales Tax do not secure the 2025 Bonds.**

The following table shows the total amount of 1976 Sales Tax, 2000 Measure A Sales Tax, 2008 Measure B Sales Tax and 2016 Measure B Sales Tax Revenues received during the ten fiscal years ended June 30, 2024.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Historical Sales Tax Revenues

For the Fiscal Years ended June 30, 2015 through June 30, 2024

(Dollars in Thousands)

Fiscal Year Ended 6/30/2025	1976 Sales Tax Revenues	Rate of Change	2000 Measure A Sales Tax Revenues	Rate of Change	2008 Measure B Sales Tax Revenues	Rate of Change	2016 Measure B Sales Tax Revenues(1)	Rate of Change
2015	\$199,221	6.90%	\$199,653	7.20%	\$47,501	6.10%		
2016	205,418	3.1	205,636	3	49,262	3.7		
2017	209,005	1.7	208,672	1.5	50,023	1.5	\$ 50,126	
2018	207,588	-0.7	207,870	-0.4	49,792	-0.5	204,986	
2019	237,877	14.6	237,883	14.4	58,006	16.5	236,672	15.50%
2020	209,828	-11.8	209,885	-11.8	50,767	-12.5	209,324	-11.6
2021	220,574	5.1	220,493	5.1	53,915	6.2	220,354	5.3
2022	258,474	17.2	258,470	17.2	63,294	17.4	258,000	17.1
2023	275,288	6.5	275,283	6.5	67,161	6.1	272,988	5.8
2024	266,942	-3	266,901	-3	65,249	-2.8	266,618	-2.3

(1) Collection of 2016 Measure B Sales Tax began FY2017 Q4

Source: The Authority.

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 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, formerly known as the Santa Clara County Transit District, began operations in 1972 and 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
(Dollars in Thousands)

<u>Fiscal Year</u> <u>Ended June 30</u>	<u>TDA Revenues for Operations</u> <u>Distributed to the Authority</u>
2020	\$110,985
2021	115,032
2022	100,029
2023	127,829
2024	126,413

Source: Santa Clara Valley Transportation Authority ACFRs Fiscal Years 2020-2024.

State Transit Assistance Program; Restructuring of State Transportation Funding. The State Legislature appropriates a portion of the revenues derived from the sales tax on diesel fuel purchases to the State Transit Assistance Program (“STA”) for public transportation purposes. These STA revenues are allocated to eligible public transit agencies throughout the State by formula, 50% are based on population, and 50% are based on operating revenues. In addition, 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 provided a new diesel sales tax rate of 3.5 percent for the STA, effective November 1, 2017, allowing public transit agencies to use their formula shares for any eligible STA operating or capital expenditure. Secondly, SB 1 established a transportation improvement fee, effective January 1, 2018, that ranges from \$25 to \$175 based on the market value of an individual’s vehicle and is indexed to inflation on an annual basis. Of the revenues generated by this new fee, \$350 million per year (adjusted annually for inflation) is split between two programs, with 70 percent going to the Transit and Intercity Rail Capital Program (\$245 million) and 30 percent to STA (\$105 million). In addition to raising new revenues for transportation purposes, SB 1 addresses the volatility of the variable portion of the State’s gasoline excise tax by: (1) ending the State Board of Equalization’s annual adjustments and converting the variable rate to a fixed rate of 17.3 cents per gallon, effective July 1, 2019; and (2) indexing the fixed rate to inflation every year to maintain purchasing power.

Also, in 2019, the California State Controller’s Office, the agency responsible for calculating STA revenues, revised the Qualifying Revenue definition and updated the Financial Transaction Reporting for qualifying agencies, impacting the STA revenue allocations.

Once STA Revenues are allocated, the Authority must claim them semi-annually, based on actual cash expenditures, typically disbursed every quarter.

The Authority has received STA Revenues each year since Fiscal Year 1980, except for Fiscal Years 2009 and 2010. 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
2020	\$25,232,673
2021	29,556,752
2022	37,722,691
2023	43,387,421
2024	45,273,482

Source: Santa Clara Valley Transportation Authority ACFRs Fiscal Years 2020-2024.

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

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Ridership, Farebox Revenues and Advertising Revenues

Fiscal Year Ended June 30	Number of Passengers⁽¹⁾	Farebox, Advertising (In Thousands)
2020	27,968,308	\$34,431
2021	11,876,114	17,415
2022	17,465,232	28,242
2023	23,408,795	33,356
2024	27,156,809	36,471

(1) Directly operated services.

Source: Santa Clara Valley Transportation Authority ACFRs Fiscal Years 2020-2024.

Farebox revenues historically account for only around 8% of the Authority’s operating revenue. As a result, ridership and farebox revenue declines during and after the pandemic did not pose a significant challenge to VTA’s finances. More than 86% of operating revenue comes from sales tax sources, which tend to be relatively stable. Thus, the Authority is not immediately facing a “Fiscal Cliff” that has been discussed in some media coverage related to other transit operators.

Federal Funding. The Authority 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. 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, 2024, include \$8.4 million in operating grants and \$71 million in capital grants.

The Federal formula fund grants that contribute to the VTA include FTA Section 5307, 5309, and 5337.

FTA Section 5307 capital grants make federal resources available to urbanized areas and to Governors for transit capital and operating assistance in urbanized areas and for transportation related planning. FTA Section 5309 is a discretionary capital grant program that provides funding for major transit

capital improvements, including heavy rail, commuter rail, light rail, streetcars, and bus rapid transit. The State of Good Repairs Grants under FTA Section 5337 provides capital assistance for maintenance, replacement, and rehabilitation projects of high intensity fixed guideway and bus systems to help transit agencies maintain assets in a state of good repair.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Historical Federal Formula Fund Grants ⁽¹⁾
(Dollars in Thousands)

Fiscal Year Ended June 30	Federal Formula Grant Funds for Operations Distributed to the Authority
2020	\$27,744
2021	18,639
2022	8,748
2023	15,048
2024	61,847

(1) Includes FTA Sections 5307, 5309, and 5337

Source: Santa Clara Valley Transportation Authority ACFRs Fiscal Years 2020-2024

Change in the federal administration has led to uncertainty in the future disbursement of federal funds.

Authority Budgeted Revenues and Expenditures

The Authority’s budget is prepared biennially. The Adopted Budget for Fiscal Year ending June 30, 2024 and Fiscal Year ending June 30, 2025 (the “Budget”) was approved by the Board of Directors on June 1, 2023 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 services, ADA Paratransit service, congestion management, BART Operating, 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 services.

Transit System Budget. The following table is derived from the Authority’s Fiscal Years 2024 and 2025 Biennial Budget, adopted in June 2023, and summarizes the Authority’s Adopted Operating and Capital Budget which supports activities related to the Authority’s Transit System.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Comparison of Revenues and Expenses
(Dollars in Thousands)

Line	Category	FY23 Actuals	FY24 Amended Budget ⁽¹⁾	FY24 Actuals	Variance from FY24 Budget	% Var	FY25 Adopted Budget	Variance from FY24 Budget	% Var
1	Fares-Transit	26,103	25,518	28,439	2,921	11.4	25,912	394	1.5
2	Fares-Paratransit	1,202	1,405	1,363	(42)	-3.0	1,546	141	10.0
3	Sales Tax Revenue	275,288	279,938	266,942	(12,996)	-4.6	290,223	10,285	3.7
4	TDA	127,829	124,770	126,413	1,643	1.3	129,707	4,937	4.0
5	Measure A Sales Tax-Oper. Asst.	57,121	58,087	55,382	(2,705)	-4.7	60,221	2,134	3.7
6	2016 Measure B - Transit OPS	17,500	15,503	15,290	(213)	-1.4	20,270	4,767	30.7
7	STA	43,387	45,725	45,273	(452)	-1.0	46,982	1,257	2.7
8	Federal Operating Grants	1,597	5,739	5,410	(329)	-5.7	5,899	160	2.8
9	State Operating Grants	5,689	150	5,674	5,524	3682.7	150	-	0.0
10	Investment Earnings	6,543	22,211	22,699	488	2.2	18,961	(3,250)	-14.6
11	Advertising Income	3,172	3,125	3,125	-	0.0	3,225	100	3.2
12	Measure A Repayment Obligation	17,559	17,515	17,519	4	0.0	17,473	(42)	-0.2
13	Other Income	5,598	4,117	7,062	2,945	71.5	3,916	(201)	-4.9
14	Total Revenue	588,588	603,803	600,591	(3,212)	-0.5	624,485	20,682	3.4
15	Labor Cost	375,800	409,627	400,015	(9,612)	-2.3	426,392	16,765	4.1
16	Material & Supplies	22,778	29,120	27,166	(1,954)	-6.7	27,591	(1,529)	-5.3
17	Security	19,395	24,182	23,683	(499)	-2.1	24,874	692	2.9
18	Professional & Special Services	10,689	17,657	14,165	(3,492)	-19.8	14,083	(3,574)	-20.2
19	Other Services	15,066	17,209	17,325	116	0.7	16,848	(361)	-2.1
20	Fuel	14,103	13,169	14,479	1,310	9.9	12,797	(372)	-2.8
21	Traction Power	5,125	6,721	6,381	(340)	-5.1	7,222	501	7.5
22	Tires	1,639	1,900	1,878	(22)	-1.2	2,006	106	5.6
23	Utilities	4,444	4,399	4,783	384	8.7	4,628	229	5.2
24	Insurance	15,732	10,382	9,726	(656)	-6.3	11,028	646	6.2
25	Data Processing	6,190	9,712	8,133	(1,579)	-16.3	9,923	211	2.2
26	Office Expense	223	319	433	114	35.7	304	(15)	-4.7
27	Communications	2,007	2,152	2,173	21	1.0	2,228	76	3.5
28	Employee Related Expense	894	2,121	1,635	(486)	-22.9	2,234	113	5.3
29	Leases & Rents	1,844	1,660	1,754	94	5.7	1,682	22	1.3
30	Miscellaneous	801	952	972	20	2.1	975	23	2.4
31	Reimbursements	(42,404)	(43,479)	(43,027)	452	-1.0	(44,566)	(1,087)	2.5
32	Subtotal Operating Expense	454,326	507,803	491,675	(16,128)	-3.2	520,249	12,446	2.5
33	Paratransit	23,462	28,987	26,890	(2,097)	-7.2	31,695	2,708	9.3
34	Altamont Corridor Express	3,619	6,865	6,522	(343)	-5.0	7,147	282	4.1
35	Highway 17 Express	402	414	411	(3)	-0.7	454	40	9.7
36	Monterey San Jose Express	-	77	50	(27)	-35.1	77	-	0.0
37	Contribution to Other Agencies	575	717	695	(22)	-3.1	1,131	414	57.7
38	Debt Service	20,839	20,796	20,789	(7)	0.0	20,732	(64)	-0.3
39	Subtotal Other Expense	48,897	57,856	55,357	(2,499)	-4.3	61,236	3,380	5.8
40	Operating and Other Expense	503,223	565,659	547,032	(2,901)	-0.5	581,485	15,826	2.8
41	Transfer to Capital	40,000	40,000	40,000	-	0.0	40,000	-	0.0
42	Contingency	-	775	-	(775)		3,000	2,225	287.1
43	Total Expense/Contingency/Cap	543,223	606,434	587,032	(19,402)	-3.2	624,485	18,051	3.0
44	Operating Balance	45,365	(2,631)	13,559			(0)		

(1) Reflects Budget approved by the Board on June 1, 2023.

Source: The Authority.

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 does not set priorities or schedules for project completion. The Valley Transportation Plan encompasses a set of investments that offers improvements and manages the existing roadway network with local multimodal investments, an expanded Express Lane network, improved interchanges and freeway-to-freeway connector ramps, and bicycle and pedestrian infrastructure improvements.

The Authority is in the process of updating the Valley Transportation Plan. The new update, called Valley Transportation Plan 2050 (VTP 2050), is expected to be completed in 2025. The plan update will include 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, and a new light rail extension that will serve Capitol Expressway. The primary sources of funding for transit improvements included in the Valley Transportation Plan are the 2000 Measure A Sales Tax and the 2016 Measure B Sales Tax.

Short Range Transportation Plan & Strategic Capital Investment Plan. As a transit operator, the Authority prepares a Short Range Transit Plan (“SRTP”) at the request of MTC every four years. In past cycles, the SRTP has included a 10-year transit capital improvement plan as well as 10-year transit operating projections. In 2022, in response to the COVID-19 pandemic, MTC requested that transit operators only develop operating projections for the next 5 years. Accordingly, the 2022 SRTP does not include a capital improvement plan. VTA’s next SRTP is anticipated to be updated in 2026, assuming MTC will resume its normal cadence and planning horizon for future SRTPs.

The VTA Strategic Capital Investment Plan (“SCIP”) serves as VTA’s agencywide integrated capital planning function and comprehensive long-term capital plan. The SCIP is comprised of two elements: (A) 6-year outlook that identifies and prioritizes specific projects, is financially constrained, and informs the capital element of three VTA Biennial Budgets; and (B) an additional 14-year outlook (years 7 through 20) that is unconstrained and not prioritized. The most recent SCIP was adopted by the Board of Directors in June 2022. The next update of the SCIP will likely begin in 2025, but many factors can affect the final completion date and thus Board adoption.

Bay Area Rapid Transit (“BART”) Silicon Valley Project

VTA’s BART Silicon Valley Project is a 16-mile extension of the existing BART system to San José, Milpitas, and Santa Clara, which is planned to be delivered in two phases. The first phase known as the Silicon Valley Berryessa Extension (SVBX), was completed in June 2020 at a cost of approximately \$2.3 billion. The second phase is known as the Silicon Valley Santa Clara Extension (SVSX) and will extend BART service six miles from the Berryessa/North San José Station to Downtown San José terminating in Santa Clara, near the Santa Clara Caltrain Station. The scope of this phase includes four stations, with a five-mile-long subway tunnel through the downtown area of the City of San José and ending at grade in the City of 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. Like SVBX, SVSX will be built by VTA, but operated and maintained by BART. The current estimated cost of the SVSX project is approximately \$12.7 billion, inclusive of finance costs. Revenue service is expected to occur in fiscal year 2038.

SVSX is expected to be fully funded with a combination of a Federal Full Funding Grant Agreement, State Transit Program funds (TIRCP), regional bridge toll measure (RM3) and local sales tax, including 2000 Measure A and 2016 Measure B sales tax. To ensure funds are available through project construction the Authority expects to issue either 2016 Measure B or 2000 Measure A Sales Tax bonds. Estimates of funding include approximately \$6.3 billion in federal funds, \$1.9 billion in State funds, and \$4.4 billion in local funds.

In August 2022, VTA submitted an application to be accepted into the FTA's Capital Investment Grant (CIG) New Starts Funding Program and was accepted into the program in December 2022. VTA has subsequently continued to advance the project's design and identify additional funding sources. In March 2024 VTA applied for acceptance into the CIG New Starts Engineering Phase and was accepted into Engineering in July 2024. The acceptance letter from FTA specified, among other matters, that the maximum funding commitment FTA would be willing to commit is 40% of eligible project costs or \$5.1 billion. VTA had requested 49.4%, or \$6.3 billion. The lower than requested commitment from FTA created a significant funding challenge. Currently the project team is evaluating ways to reduce the cost of the project, while minimizing the impact of such changes on the current project configuration and cleared environmental document. VTA anticipates submitting a final application to FTA requesting a Full Funding Grant Agreement (FFGA) upon completion of cost reduction efforts, likely in late 2025.

Eastridge to BART Regional Connector Project

The Authority is building a new 2.4 mile light rail extension that will operate along Capitol Expressway, extending VTA's existing Orange Line at Alum Rock by two stations, Story and Eastridge. The project is estimated to cost \$653 million. Funding sources include \$352 million from 2000 Measure A Sales Tax (\$85 million of which has already been spent), \$130 million from RM3 funds, \$47 million from TIRCP funds, and \$124 million of other local funds. Construction of the project is expected to be completed in mid 2028.

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, 2024 – 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, 2024. 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, 2024, see APPENDIX B – "AUDITED FINANCIAL STATEMENTS OF THE SANTA CLARA VALLEY TRANSPORTATION AUTHORITY FOR FISCAL YEAR ENDED JUNE 30, 2024." Totals may not add due to independent rounding.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Statement of Revenues, Expenses and Changes in Fund Net Position
Enterprise Funds

For the Years ended June 30, 2020 through June 30, 2024
(In thousands)

OPERATING REVENUES:	2020	2021	2022	2023	2024
Passenger Fares	\$ 28,816	\$ 15,243	\$ 26,103	\$ 34,855	\$ 39,502
Toll revenues collected	3,466	3,140	7,797	19,699	24,597
Advertising and other	4,881	3,236	3,057	4,704	4,780
Charges for services	734	634	3,264	1,347	1,889
Total Operating Revenues	37,897	22,253	40,221	60,605	70,768
OPERATING EXPENSES:					
Labor cost	360,412	332,104	345,614	401,106	416,854
Materials and supplies	33,670	29,303	37,405	39,560	46,410
Services	46,942	111,426	124,079	121,961	192,021
Utilities	9,732	9,734	9,226	11,669	13,451
Casualty and liability	3,834	8,702	17,331	16,442	10,653
Purchased transportation	25,090	21,658	25,783	25,643	29,023
Leases and rentals	859	898	1,326	1,678	1,591
Miscellaneous	1,620	1,581	1,440	1,894	2,816
Depreciation expense	93,237	179,056	194,342	196,483	198,967
Amortization expense	-	-	-	165	340
Costs allocated to capital & other programs	(34,652)	(37,071)	(33,222)	(37,699)	(37,783)
Total Operating Expense	540,744	657,391	723,324	778,902	874,343
Operating Income/(Loss)	(502,847)	(635,138)	(683,103)	(718,297)	(803,575)
NON-OPERATING REVENUES (EXPENSES):					
Sales tax revenue ⁽¹⁾	260,596	274,498	321,768	342,449	332,191
Federal operating assistance & other grants	76,941	76,096	172,614	1,597	5,410
State & local operating assistance grants	137,081	145,778	143,814	176,904	178,369
Caltrain subsidy	(10,800)	(10,800)	(9,120)	-	-
Capital expense on behalf of, and contribution to other agencies	(189,358)	(5,850)	(3,178)	(1,015)	(1,052)
Altamont Corridor Express subsidy	(3,634)	(3,893)	(3,337)	(1,458)	(4,442)
Investment earnings	28,093	5,069	(22,024)	21,503	62,504
Interest expense	(6,464)	(5,972)	(5,206)	(3,553)	(2,152)
Other non-operating income	4,342	2,383	1,906	15,863	3,440
Other non-operating expense	(1,444)	(618)	(681)	(4,277)	(519)
Total Non-operating Revenues (Exp)	295,353	476,691	596,556	548,013	573,749
Income (loss) before capital contributions	(207,494)	(158,447)	(86,547)	(170,284)	(229,826)
Capital grants and contributions	29,212	20,133	10,643	19,853	93,345
Transfer in/(out)	297,934	239,152	275,291	330,667	541,746
Change in net position	119,652	100,838	199,387	180,236	405,265
Net Position beginning of year	5,588,515	5,708,167	5,809,005	6,008,392	6,188,628
Net Position, end of year	\$5,708,167	\$5,809,005	\$6,008,392	\$6,188,628	\$6,593,893

(1) Enterprise Funds since FY 2018 do not include Measure A Funds but are included here for comparison purposes.

Source: Santa Clara Valley Transportation Authority ACFRs Fiscal Years 2020-2024

Management's Discussion of Financial Results

The Authority's Fiscal Years 2024 and 2025 Biennial Budget for transit operations, adopted in June 2023, provided balanced budgets. The transit operating budget for Fiscal Year 2024 ended with a 2.2% favorable budget variance and the second quarter of Fiscal Year 2025 ended with an unfavorable 1.3% variance. More than 85% of VTA's operating budget revenues are derived from sales tax sources, including four local taxes and two state taxes. Since Fiscal Year 2010, growth of sales tax revenue has averaged 3.7% compounded. Since Fiscal Year 2014, three years produced negative year-over-year growth. One resulted from a tax return processing problem at the state CDTFA, one was related to the COVID-19 pandemic restrictions, and the most recent in Fiscal Year 2024 may be from reduced economic activity. The revenues from the 1976 Sales Tax are used exclusively to support transit operations. Between Fiscal Year 2015 and Fiscal Year 2024, revenues from the 1976 Sales Tax increased more than 34%. Approximately 20% of the 2000 Measure A Sales Tax revenues are used as operating assistance to support transit operations.

The Authority's Transit Fund is responsible for delivery of all the bus and light rail service in the county. Sales tax and sales tax-based revenues provide the bulk of the funding for transit operations. The 1976 Sales Tax, state TDA and STA revenues, 2000 Measure A sales tax Operating Assistance, and 2016 Measure B sales tax provide roughly 86% of the Transit Fund's budgeted revenues for Fiscal Year 2025.

Following the Great Recession in 2008, which stressed the Authority's finances, the Authority developed and implemented a reserves policy to strengthen its financial resilience. The policy initially funded three reserves, which has been increased to four. The reserves include the Transit Operating Reserve, the Sales Tax Stabilization Reserve, the Debt Reduction Reserve, and the Transit Capital Reserve.

The purpose of the Transit Operating Reserve is to provide supplemental funds in the event of either unanticipated revenue shortfalls (other than sales tax revenues) or unavoidable expenditure needs. The stated goal of the policy is to fund the reserve to a level equal to 15% of the upcoming year's Enterprise Fund operating budget. 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, 2024, the audited balance in the Transit Operating Reserve was approximately \$93.7 million.

The Sales Tax Stabilization Reserve was established to mitigate the impact of declines in sales tax receipts on the operating budget and reduce the need for reductions in service levels. Sales tax-based revenues that fund the Transit Sales Tax Stabilization Fund include all revenues from the 1976 Sales Tax, 20.75% from 2000 Measure A Sales Tax as Operating Assistance revenues, and the quarter-cent State sales tax provided under the TDA. As of June 30, 2024, the audited balance in the Sales Tax Stabilization Reserve was \$35.0 million.

The Authority's Debt Reduction Reserve provides reserves against unfunded obligations and long-term liabilities, funding for unforeseen transit-related capital improvements and capital replacement in lieu of financing. As of June 30, 2024, the audited balance in the Debt Reduction Reserve was \$102.9 million.

The Transit Operations Capital Reserve was established as part of the June 2023 adoption of the Biennial Budget for Fiscal Years 2024 and 2025. The Authority's Board approved the creation and initial funding of the Transit Operations Capital Reserve. The purpose of the fund is to provide dedicated local funding for transit capital projects over the multi-year life of the projects. As of June 30, 2024, the audited balance in the Transit Operations Capital Reserve was \$152.8 million.

Pandemic Impacts - As with other public transit agencies, the Authority continues to recover from negative impacts from changes in commute patterns that have reduced ridership on its buses and light-rail system. When comparing system-wide ridership for December 2024 to 2019 ridership on the Authority's

bus and rail services, ridership has recovered to around 85% of pre-pandemic levels. Lower ridership levels resulted in reduced farebox revenues. But, given that the Authority's fare box recovery has historically only been approximately 8% of the operating cost, the Authority was not severely impacted and is not immediately facing a "Fiscal Cliff" that has been discussed in some media coverage related to other transit operators. Thus, pandemic related impacts have not had an ongoing dramatic adverse effect on the Authority's finances. The Authority does face ongoing escalation of costs that are rising faster than revenues. The Authority is using a 10-year model to assist in developing strategies to address this disparity.

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, 2024
Sales Tax Revenue Refunding Bonds, 2018 Series A	\$103,215,000	\$32,580,000
Sales Tax Revenue Refunding Bonds, 2017 Series B	27,760,000	12,620,000

Source: The Authority.

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, 2024
Sales Tax Revenue Bonds, 2023 Series A	\$ 559,535,000	\$ 553,985,000
Sales Tax Revenue Bonds, 2020 Series A	69,675,000	69,675,000
Sales Tax Revenue Refunding Bonds, 2015 Series A	86,640,000	8,465,000

Source: The Authority.

Leveraged Lease Transactions. The Authority has outstanding two leveraged lease transactions encumbering 20 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, and from U.S. Government and Agency securities purchased at the outset of each Lease, as the case may be.

See APPENDIX B – "AUDITED FINANCIAL STATEMENTS OF THE SANTA CLARA VALLEY TRANSPORTATION AUTHORITY FOR FISCAL YEAR ENDED JUNE 30, 2024 – Note 20."

Western Alliance Bank Loan. In September 2017, the Authority entered into a loan agreement with Western Alliance Bank to provide up to a \$24 million loan to fund construction costs of the Santa

Clara Valley Express Lanes Program State Route 237 Phase 2 project, pay capitalized interest, and fund issuance costs of the loan. The loan matures on September 1, 2037 and is secured solely by toll revenues and any other related revenues received from the operation of the State Route 237 Express Lanes. As of June 30, 2024, the outstanding principal amount of the loan is \$22,591,365.

Cyber Security and Cyber Risk Management

VTA's Cyber Security program was established in 2017 and serves to assess and mitigate cyber risk to VTA. The program is responsible for all facets of Cyber Security, including risk analysis, assessment, and mitigation, threat detection and prevention, education and awareness, incident response and remediation, the creation and curation of cyber-related policies and processes, and technical implementation and administration of security controls such as endpoint protection, email filters, access control, etc.

In 2022, VTA's Cyber Security program was re-aligned under the office of Safety and Security, to remove potential conflicts of interest and to increase span of oversight and control of Cyber Security related business items to all parts of the agency. Additionally, VTA partnered with the Transportation Security Administration to update policies, processes, and additional technical mitigations to bring VTA into compliance with enhanced security directive SD 1582-21-01C for passenger railroads operators. VTA has further collaborated with TSA on multiple efforts to mature VTA's Cyber Security program, including an on-site review of VTA's incident response plan, conducting a Ransomware Readiness Assessment, and further plans to conduct a Cyber BASE assessment and TSA-guided EXIS Tabletop exercise in May of 2023. VTA is also partnered with other transportation agencies such as Orange County Transportation Authority, Los Angeles County Transportation Authority ("LACMTA"), BART, CalTrain, and others and is a member of the Transit Security Consortium and Multi-State Information Sharing and Analysis Center ("MS-ISAC").

Starting in May of 2024, VTA partnered with CISA to conduct weekly cybersecurity external vulnerability scans and Technology has been able to mitigate the findings from those reports. In addition to CISA, VTA also reached out to the Cyber Security team from the office of CalOES (Cal-CSIC) and since July has received on-demand external scans which have also been addressed as soon as reported. A second Tabletop Exercise was conducted with TSA/CISA (TTX) with excellent feedback from those agencies.

A new Separation of Duties Policy has been approved and will be rolled out to all VTA areas like Enterprise, VTABSV, OT/SCADA and any other group that is required to conduct regular vulnerability assessments by VTA Cybersecurity and reported to the authorities. A new cybersecurity Contract Language Memo was approved and is being added to all vendor contracts to communicate VTA's regulatory requirements and ensure Contractors have additional awareness and sense of urgency when a cybersecurity event occurs within their environment, even if it does not affect VTA directly.

Finally, in March of 2025 VTA Cybersecurity received approval from CISA to conduct a Risk and Vulnerability Assessment (CISA RVA) which will include external and internal scans to report on any findings and mitigate them.

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"), initially adopted by the Board of Directors on April 4, 1996, and most recently amended on June 4, 2015. 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 Type	Max Maturity ^A	Maximum Specified % of Portfolio ^B	Minimum Quality
Local Agency Bonds	5 years	None	“A” Rating
U.S. Treasury Obligations	5 years	None	None
State Obligations – CA and Others	5 years	None	A3/A- Rating for CA Obligations; A1/A+ for non-CA State Obligations
CA Local Agency Obligations	5 years	None	“A” Rating
U.S. Agency Obligations	5 years	None	None
Bankers’ Acceptances	180 days	40% ^C	A ₁ / P ₁
Commercial Paper	270 days	40% ^D	<i>“A-1” if the issuer has issued long-term debt it must be “A” without regard to modifiers ^E</i>
Negotiable Certificates of Deposit	5 years	30% ^F	“A” Rating
Repurchase Agreements	1 year	None	None
Reverse Purchase Agreements and Securities Lending Agreements	92 days ^G	20%	None ^H
Medium Term Notes ^H	5 years	30%	“A” Rating
Mutual Funds and Money Market Mutual Funds	N/A	20% ^I	Multiple ^{J, K}
Collateralized Bank Deposits	5 years	None	None
Mortgage Pass-Through Securities and ABS	5 years	20%	“AA” Rating ^L
Bank/Time Deposits	5 years	None	None
County Pooled Investment Funds	N/A	None	None
Joint Powers Authority Pool	N/A	None	Multiple ^M
Local Agency Investment Funds (LAIF)	N/A	None	None
Supranationals	5 years	30%	“AA”

Table of Notes for Appendix A to Investment of Non-Trust Held Funds Policy

<p><i>A. Section 53601 provides that the maximum term of any investment authorized under this section, unless otherwise stated, is five years. However, the legislative body may grant express authority to make investments either specifically or as a part of an investment program approved by the legislative body that exceeds this five year maturity limit. Such approval must be issued no less than three months prior to the purchase of any security exceeding the five-year maturity limit.</i></p> <p><i>B. Percentages apply to all portfolio investments regardless of source of funds. For instance, cash from a reverse repurchase agreement would be subject to the restrictions. Where this section specifies a percentage limitation for a particular category of investment, that percentage is applicable only at the time of purchase.</i></p> <p><i>C. No more than 30 percent of the agency's money may be in bankers' acceptances of any one commercial bank.</i></p> <p><i>D. No more than 10 percent of the agency's money may be invested in any one issuer's commercial paper and medium-term notes.</i></p> <p><i>E. Issuing corporation must be organized and operating within the U.S. and have assets in excess of \$500 million.</i></p> <p><i>F. No more than 30 percent of the agency's total funds may be invested in CDs authorized under Sections 53601.8, 53635.8, and 53601(i).</i></p> <p><i>G. Reverse repurchase agreements or securities lending agreements may exceed the 92-day term if the agreement includes a written codicil guaranteeing a minimum earning or spread for the entire period between the sale of a security using a reverse repurchase agreement or securities lending agreement and the final maturity dates of the same security.</i></p> <p><i>H. "Medium-term notes" are defined in Section 53601 as "all corporate and depository institution debt securities with a maximum remaining maturity of five years or less, issued by corporations organized and operating within the U.S. or by depository institutions licensed by the U.S. or any</i></p>	<p><i>I. No more than 10 percent invested in any one mutual fund.</i></p> <p><i>J. A mutual fund must receive the highest ranking by not less than two nationally recognized rating agencies or the fund must retain an investment advisor who is registered with the SEC (or exempt from registration), has assets under management in excess of \$500 million, and has at least five years experience investing in instruments authorized by Sections 53601 and 53635.</i></p> <p><i>K. A money market mutual fund must receive the highest ranking by not less than two nationally recognized statistical rating organizations or retain an investment advisor registered with the SEC or exempt from registration and who has not less than five years experience investing in money market instruments with assets under management in excess of \$500 million.</i></p> <p><i>L. Issuer must have an "A" rating or better for the issuer's debt as provided by a nationally recognized rating agency.</i></p> <p><i>M. A joint powers authority pool must retain an investment advisor who is registered with the SEC (or exempt from registration), has assets under management in excess of \$500 million, and has at least five years experience investing in instruments authorized by Section 53601, subdivisions (a) to (o).</i></p>
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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 January 1, 2024, there were 3,422 members of the ATU Plan.

Employees hired before January 1, 2016 – Classic Employees. 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.

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 Authority's 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 California Public Employees' Pension Reform Act of 2013 ("PEPRA").

On September 5, 2019, the Authority's Board approved a labor contract with ATU. The terms of the contract called for Classic employees to contribute 3.4% toward the ATU Plan effective September 9, 2019.

Employees hired on or after January 1, 2016 – PEPRA Employees. For employees hired on or after January 1, 2016, benefit provisions are determined by the Board of Pensions' PEPRA Policy approved on January 11, 2022 in accordance with PEPRA and other requirements are determined by the provisions of the ATU Plan. Since July 2018, PEPRA employees have contributed 6.0% of wages up to a wage limit of \$151,446 in 2024.

Actuarial Methods and Assumptions: The following actuarial methods and assumptions are based on a report dated April, 2024.

Description	Methods/Assumptions
Valuation Date	January 1, 2024
Actuarial cost method	Individual Entry Age Normal to Final Decrement
Amortization method	Level dollar payments over closed layers with a 20-year period for each layer, effective January 1, 2024.
Remaining amortization period	20-year period for each layer
Asset Valuation Method	Calculated on a modified market-related value. The Market Value of Assets is adjusted to recognize, over a five-year period, investment earnings which are greater than (or less than) the assumed investment return on the Market Value of Assets.
Actuarial Assumptions	
Investment Rate of Return	6.75%
Projected Salary Increases	2.75% depending on service (includes inflation at CPI rate of 2.50%)
Consumer Price Index ("CPI")	2.50% per year
Costs of living adjustments	Automatic cost-of-living adjustment provision (subject to the attainment of a designated funding percentage)

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:

<u>Asset Allocation</u>	<u>Range</u>	<u>Actual⁽¹⁾</u>	<u>Target</u>
Global Equity	35-49%	44.3%	42%
Core Fixed Income	10-24%	14.1%	14%
US Treasuries	0-6%	3.0%	3%
Absolute Return	3-9%	6.1%	6%
Private Credit	0-12%	11.2%	9%
Private Equity	0-8%	2.7%	4%
Public Real Assets	0-10%	5.5%	5%
Private Real Estate	5-15%	6.2%	10%
Investment Grade US Corp. Credit	0-6%	3.1%	3%
US High Yield Fixed Income	0-3%	3.0%	1.5%
Leveraged Loans	0-3%	0.0%	1.5%
Cash	0-5%	1.1%	1%

⁽¹⁾ As of September 30, 2024.

Source: The Authority.

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, 2024 resulted in a decrease in the Authority’s contributions to 20.03% of payroll from 20.73% of payroll. The Authority pre-funded its Fiscal Year 2024 contribution to the ATU Pension plan at \$31.6 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
12/31/14	\$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
12/31/18	564,331,981	751,566,289	187,234,308	75	135,929,919	138
12/31/19	588,449,396	777,544,046	189,094,650	76	134,900,811	140
12/31/20	622,609,373	815,899,700	193,290,327	76	133,076,587	145
12/31/21	667,612,246	841,509,266	173,879,020	79	139,106,321	125
12/31/22	683,862,814	877,721,092	193,858,278	78	149,668,697	130
12/31/23	707,433,662	907,138,209	199,704,547	78	160,928,209	124

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	UAAL - MVA	UAAL - MVA Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/14	\$483,457,612	\$600,568,463	\$117,110,851	80%	\$118,270,653	115%
12/31/15	471,900,016	638,565,651	166,665,635	74	128,815,705	116
12/31/16	501,850,792	685,588,515	183,737,723	73	131,640,230	128
12/31/17	564,373,813	742,631,681	178,257,868	76	142,572,313	125
12/31/18	527,668,913	751,566,289	223,897,376	70	135,929,919	165
12/31/19	604,689,941	777,544,046	172,854,105	78	134,900,811	128
12/31/20	632,627,301	815,899,700	183,272,399	78	133,076,587	138
12/31/21	720,809,632	841,509,266	120,699,634	86	139,106,321	87
12/31/22	620,376,453	877,721,092	257,344,639	71	149,668,697	172
12/31/23	674,371,413	907,138,209	232,766,796	74	160,928,209	145

Source: The Authority.

Based on the Authority's Annual Comprehensive Financial Report, 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
6/30/15	\$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
6/30/19	30,583,847	100
6/30/20	28,798,368	100
6/30/21	29,148,790	100
6/30/22	27,761,169	100
6/30/23	30,444,683	100
6/30/24	31,601,731	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, 2024, was 78.0%. 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

This sub-caption contains certain information relating to the California Public Employees Retirement System ("CalPERS"). The Authority has not independently verified the information provided by CalPERS nor makes any representations or expresses any opinion as to the accuracy of the information provided by CalPERS.

The annual comprehensive financial reports of CalPERS are available on its Internet website at www.calpers.ca.gov. The PERS website also contains CalPERS' most recent actuarial valuation reports and other information concerning benefits and other matters. Such information is not incorporated by reference herein. The Authority cannot guarantee the accuracy of such information. Actuarial assessments are "forward-looking" statements that reflect the judgment of the fiduciaries of the pension plans, and are based upon a variety of assumptions, one or more of which may not materialize or may be changed in the future. Actuarial assessments will change with the future experience of the pension plans.

All eligible non-ATU employees of the Authority participate in 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.

CalPERS issues a publicly available financial report, which includes a full description of the pension plan regarding benefit provisions, and assumptions and membership information that can be obtained at <https://www.calpers.ca.gov>. The most recent annual report issued by CalPERS to the Authority was in July 2023 (the “July 2023 CalPERS Report”). The July 2023 CalPERS Report includes information based on the June 30, 2022 actuarial valuation of assets included therein (the “2022 Actuarial Valuation”).

Actuarial Methods and Assumptions:

<u>Description</u>	<u>Methods/Assumptions</u>
Valuation Date	June 30, 2022
Actuarial cost method	Entry Age - Normal
Amortization method	Smoothing, Rate smoothing and level dollar
Asset Valuation Method	Fair value
Actuarial Assumptions:	
Discount Rate	6.80% (as of 2022 - 2023, net of administrative expense; includes inflation)
Projected Salary Increases	Varies by entry age and service
Inflation	2.30%
Payroll Growth (June 30, 2023)	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 estimate required employer contribution rate is 28.9% of payroll for the Fiscal Year ending June 30, 2025. The Classic 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, Classic employees hired before January 1, 2012 contribute 6%, and VTA contributes the remaining 1.0%. Classic employees hired in or after the first full pay period in January contribute 7%. New employees designated as PEPRAs (employees hired after January 1, 2013) contribute 8.00% percent effective July 1, 2023 as determined by CalPERS.

Employees hired on or after January 1, 2013 contribute 8.00% of wages up to the wage limit of \$151,446 in 2024.

The Authority has budgeted its contributions at the required rates. For the Fiscal Year ended June 30, 2024, the Authority’s estimated annual CalPERS pension cost was \$19.98 million.

The schedules of funding progress using Market Value of Assets (“MVA”) are as set forth below.

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

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
6/30/13	\$261,622	\$375,019	\$113,397	70%	\$42,575	266%
6/30/14	301,257	394,726	93,469	76	44,958	208
6/30/15	302,418	413,700	111,282	73	47,458	234
6/30/16	298,126	436,703	138,577	68	49,833	278
6/30/17	326,182	465,046	138,864	70	51,991	267
6/30/18	354,616	504,996	150,380	70	53,903	279
6/30/19	372,778	531,166	158,388	70	56,391	281
6/30/20	391,381	544,679	153,298	71	58,606	279
6/30/21	477,338	587,976	110,638	81	58,748	188
6/30/22	439,388	619,329	179,941	71	62,363	289

Source: The Authority.

Data as of June 30, 2023 from CalPERS Annual Valuation Report Fiscal Year Ended June 30, 2023.

Based on the Authority’s Annual Comprehensive Financial Reports ended June 30, 2024, the annual CalPERS pension costs and Authority contributions for the past ten years is as follows:

Fiscal Year Ended	Annual Pension Cost (APC) (000)	Percentage of APC Contributed
6/30/15	\$ 8,965	100%
6/30/16	10,567	100
6/30/17	11,516	100
6/30/18	12,208	100
6/30/19	13,572	100
6/30/20	15,208	100
6/30/21	16,710	100
6/30/22	17,827	100
6/30/23	16,753	100
6/30/24	19,530	100

Source: The Authority.

Recent Actuarial Changes and Related Developments. In recent years, the CalPERS Board of Administration (the “CalPERS Board”) has taken several steps, as described below, intended to reduce the amount of the unfunded accrued actuarial liability of its managed plans. Many of the assumptions and policies implemented by the CalPERS Board have increased and are likely to continue to increase both the required contributions and the unfunded liabilities of its member employers, including the Authority.

On March 14, 2012, the CalPERS Board voted to lower the CalPERS’ rate of expected price inflation and its investment rate of return (net of administrative expenses) (the “CalPERS Discount Rate”)

from 7.75% to 7.5%. On February 18, 2014, the CalPERS Board voted to keep the CalPERS Discount Rate unchanged at 7.5%. On November 17, 2015, the CalPERS Board approved a new funding risk mitigation policy to incrementally lower the CalPERS Discount Rate by establishing a mechanism whereby such rate is reduced by a minimum of 0.05% to a maximum of 0.25% in years when investment returns outperform the existing CalPERS Discount Rate by at least four percentage points. On December 21, 2016, the CalPERS Board voted to lower the CalPERS Discount Rate to 7.0% over a three year phase-in period in accordance with the following schedule: 7.375% in fiscal year 2017/18, 7.25% in fiscal year 2018/19 and 7.00% in fiscal year 2019/20. This new discount rate went into effect July 1, 2018 for the Authority and other member employers. Lowering the CalPERS Discount Rate means member employers like the Authority will see increases in their normal costs and unfunded actuarial liabilities. Active members hired after January 1, 2013, under the PEPPRA will also see their contribution rates rise.

As a result of earnings for fiscal year 2020/21, the CalPERS Discount Rate was reduced to 6.8% due to the risk mitigation policy.

In April 2013, the CalPERS Board approved revised actuarial policies that aimed at returning the CalPERS system to fully-funded status within 30 years. These policies include a rate-smoothing method with a 30-year fixed amortization period for gains and losses (rather than the current 30-year rolling amortization method). CalPERS delayed the implementation of the new policy until fiscal year 2015/16, and as described below further revised these policies in subsequent years.

Also, on February 20, 2014, the CalPERS Board approved new demographic assumptions reflecting (i) expected longer life spans of public agency employees and related increases in costs for the CalPERS system and (ii) trends of higher rates of retirement for certain public agency employee classes, including police officers and firefighters. The increase in liability due to the new assumptions will be amortized over 20 years with increases phased in over five years, beginning with the contribution requirement for fiscal year 2016/17.

The CalPERS Board is required to undertake an experience study every four years under its Actuarial Assumptions Policy and State law. As a result of the most recent experience study, on November 17, 2021, the CalPERS Board adopted new actuarial assumptions based on the recommendations in the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. This study reviewed the retirement rates, termination rates, mortality rates, rates of salary increases, and inflation assumptions for public agencies. These new assumptions are incorporated into the July 2022 CalPERS Report and 2021 Actuarial Valuation and will impact the required contribution for fiscal year 2023-24. In addition, the CalPERS Board adopted a new asset portfolio as part of its Asset Liability Management process. The new asset mix supports a 6.80% discount rate, which reflects a change in the price inflation assumption to 2.30%. The projected employer contributions are calculated under the assumption that the discount rate remains at 6.8%.

On July 12, 2021, CalPERS reported a preliminary 21.3% net return on investments for FY 2020-21. Since the return exceeded the 7.00% discount rate sufficiently, the CalPERS Funding Risk Mitigation policy allows CalPERS to use a portion of the investment gain to offset the cost of reducing the expected volatility of future investment returns. Based on the thresholds specified in the policy, the excess return of 14.3% prescribes a reduction in investment volatility that corresponds to a reduction in the discount rate of 0.20%, from 7.00% to 6.80% as stated above. However, CalPERS recently announced a preliminary -6.1% net return on investments for the 12-month period ending on June 30, 2022. This is CalPERS' first loss since the global financial crisis of 2009, which was also driven by tumultuous global markets. The negative return, combined with CalPERS' 6.8% discount rate, led to a roughly 10% drop in the pension fund's estimated overall funded status, which now stands at 72%. As a result, employer contributions are expected to increase in the coming years.

On February 14, 2018, the CalPERS Board approved a new actuarial amortization policy with an effective date for actuarial valuations beginning on or after June 30, 2019, which includes (i) shortening the period over which actuarial gains and losses are amortized from 30 years to 20 years, (ii) requiring that amortization payments for all unfunded accrued liability bases established after the effective date be computed to remain a level dollar amount throughout the amortization period, (iii) removing the 5-year ramp-up and ramp-down on unfunded accrued liability bases attributable to assumptions changes and non-investment gains/losses established on or after the effective date and (iv) removing the 5-year ramp-down on investment gains/losses established after the effective date. While CalPERS expects that reducing the amortization period for certain sources of unfunded liability will increase future average funding ratios, provide faster recovery of funded status following market downturns, decrease expected cumulative contributions, and mitigate concerns over intergenerational equity, such changes may result in increases in future employer contribution rates.

There can be no assurances that CalPERS will not make additional changes to its actuarial assumptions and policies in the future impacting upon the Plan's required funding contributions and its unfunded accrued 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 Official Statement.

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 2023 of approximately \$404 million (\$245 million for the ATU Plan and \$159 million for CalPERS).

California Public Employees' Pension Reform Act of 2013 Litigation. In 2012, the State Legislature adopted and the Governor signed into law the PEPRA (Cal. Gov't Code §7522, et seq.), which limits pension benefits and increases the retirement age for public employees, requires public employees hired after December 31, 2012 to pay for half of their pension costs, and stops abusive pension practices. PEPRA affects CalPERS most substantially as it relates to 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.

Following enactment of PEPRA, several unions representing public transit employees in the State (including employees of the Authority) asserted to the U.S. Department of Labor ("USDOL") that PEPRA was inconsistent with collective bargaining rights that are protected under the former Section 13(c), now Section 5333(b) of the Urban Mass Transportation Act. Section 5333(b) requires the preservation of employees' bargained for rights and continuation of these rights. Before a local government agency receives

federal funds for a particular transit system, USDOL must certify that employees' bargained for rights are preserved and their collective bargaining rights continue.

Soon after PEPRAs passage, USDOL refused to certify federal grants to California transit agencies, including VTA, based on union objections that PEPRAs violated Section 5333(b) protections. On behalf of two affected transit agencies, the State successfully challenged USDOL's decisions under the Administrative Procedure Act in federal court in 2013, and the court remanded the matter to USDOL for reconsideration. In response to the unions' assertions, the California Legislature passed Assembly Bill 1222 in September 2013. This Bill temporarily exempted transit workers from PEPRAs 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 PEPRAs 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 PEPRAs. Thus, PEPRAs 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 PEPRAs 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.

In 2015, USDOL on remand again refused to certify the Federal Transportation Administration ("FTA") grants at issue. Again the State sought relief in federal court. Meanwhile, USDOL began certifying the FTA grants to the Authority later in 2015 subject to new certification provisions requiring grantees to restore pre-PEPRAs pension benefits or refund the amount of the grants received since January 1, 2015 in the event USDOL's decisions were ultimately upheld by the court.

On January 24, 2018, the court resolved the dispute in favor of the State and enjoined USDOL from relying on PEPRAs to deny transit funding to the two transit agencies whose federal grants were at issue in the litigation. However, the court declined the State's request to enjoin USDOL from using PEPRAs to deny Section 5333(b) certification to any other California transit agency grantee. On March 8, 2019, USDOL represented to the court in a joint status report that it fully intends to comply with the court's order.

In April 2019, a union representing LACMTA employees objected to certification of a \$2.5 million grant on the basis that PEPRa precludes LACMTA from continuing collective bargaining rights as required by Section 5333(b). In light of the court’s decisions, USDOL reexamined its earlier determinations denying certification of FTA grants to LACMTA because of PEPRa’s impact on transit employees. Based on that reexamination, USDOL concluded on June 14, 2019 that PEPRa does not present a bar to certification under Section 5333(b).

On August 22, 2019, the union (“ATU”) whose objections were rejected by USDOL brought an action against USDOL in the U.S. District Court, District of Columbia, contending that the issuance of grant certifications to California transit agencies, over the union’s objections is contrary to law and in excess of USDOL’s statutory authority because PEPRa diminishes the collective bargaining rights of California transit employees. The State intervened and asked the court to transfer the case to the U.S. District Court for the Eastern District of California, where the prior proceedings concerning USDOL’s authority to issue grant certifications in light of PEPRa have taken place. The court granted the State’s motion and transferred the case to the Eastern District of California where it is currently pending trial. Cross-motions for summary judgment have been filed by the parties and a hearing with respect to such motions was scheduled for May 28, 2021. On May 19, 2021, the court (a) granted USDOL a short stay to permit it to reach a final decision about whether to reconsider its decision to grant certification to California transit agencies or request a remand, and (b) rescheduled the hearing with respect to the cross-motions for summary judgment to August 27, 2021.

USDOL sought and received further stays from the court so that the new Biden administration would have time to become familiar with the issues and decide whether to reconsider USDOL’s position regarding PEPRa. On October 28, 2021, USDOL determined it will not certify transportation grants to California transit agencies based on USDOL’s current position that PEPRa prevents a “continuation of collective bargaining rights as required by Section [5333(b)].” In response to USDOL’s decision, the State requested and obtained leave to file a cross-claim under the Administrative Procedure Act in this action. The State also sought and was granted an order staying USDOL’s October 2021 determination.

A hearing on cross-motions for summary judgment was held on February 17, 2022. On December 28, 2022, District Court Judge Kimberly Mueller issued a ruling that USDOL’s determination to deny California transit agencies’ requests for federal transportation funds on the basis of PEPRa was arbitrary and capricious. The 2021 preliminary injunction remains in place, under which USDOL cannot refuse to approve applications for federal funds on the basis of PEPRa. In addition to invalidating USDOL’s 2021 determination that PEPRa precludes certification under Section 5333(b), the Court ordered the parties to submit a joint status report within 30 days that includes a proposed schedule for resolving the case. Granting the parties’ request in their joint status report, the Court issued a judgment on February 21, 2023 agreeing to convert the temporary injunction into a permanent injunction which allows USDOL and ATU to file a notice of appeal within 60 days. Both USDOL and ATU appealed to the United States Court of Appeals for the Ninth Circuit. On July 29, 2024, the Court of Appeals concluded it and the district court lacked jurisdiction over the matter because the case is not prudentially ripe. The Court of Appeal therefore vacated the judgment in favor of California, vacated the injunction which prohibited USDOL from relying on PEPRa to deny funding under Section 13(c), and remanded the matter to the district court with instructions to dismiss the case for lack of jurisdiction.

FTA grants are a significant source of funding for the Authority. The Authority may have to potentially delay or cancel projects or use alternate funding sources for projects, possibly including Additional Bonds or Parity Obligations. Additional Bonds and Parity Obligations may be issued only if the

additional bonds tests described under “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS-Additional Bonds and Parity Obligations” in the front part of this Official Statement are satisfied.

The Authority’s collection of 1976 Sales Tax Revenues to pay debt service on the Bonds, including the 2025 Bonds, is not affected by the receipt of FTA grants.

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 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 Region 1 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 Region 1 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 January 1, 2024, 1,252 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 is \$157/per month in 2024.

Non-ATU employees who retire directly from VTA on or after attaining the age of 50 years (Classic members) or 52 years (PEPRA 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 January 1, 2024, 625 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 January 1, 2024, the most recent actuarial valuation date, the plan was 120% funded. The actuarial accrued liability was \$316.9 million and the market value of assets was \$381.8 million with \$64.9 million in an overfunded actuarial accrued liability. The covered payroll was \$231.8 million which resulted in a 28% 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 6.25%; (2) a projected salary increase of 2.75% per year in addition to merits increases as outlined in the ATU Local 265 Experience Study and CalPERS Experience study accordingly 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, reflecting the expected long-term trend for the medical Consumer Price Index.

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APPENDIX B

**AUDITED FINANCIAL STATEMENTS OF THE AUTHORITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

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Santa Clara Valley Transportation Authority

Annual Comprehensive Financial Report

**Fiscal Year Ended
June 30, 2024**

Santa Clara County, California



Solutions that move you

FTA Announces \$500 million in FY24 for the Bart Silicon Valley Phase II (BSVII) Project



In May 2024, the FTA announced an allocation of \$500 million in the federal Fiscal Year 2024 budget for the BSVII Project. This demonstrates the federal government's commitment to this national important infrastructure project.

Eastridge to BART Regional Connector (EBRC) Groundbreaking



The groundbreaking in June 2024 celebrates the start of construction on the light rail extension known as the EBRC. The 2.4 mile alignment will transform Capitol Expressway into a multi-modal expressway offering Bus Rapid Transit, light rail transit, and safe connections to the regional transit system, BART.

Tamien Groundbreaking



More than 130 units of affordable housing and more than 500 units of market rate housing are being built next to the Tamien Light Rail and Caltrain station.

Record-breaking ridership with Taylor Swift at Levi's



VTA's special service during Levi's Stadium events broke all VTA/Levi's ridership records with 24,000 riders the first day and 22,000 riders the second day.

Partnership with MST to run Line 59 to Gilroy



VTA is helping to fund a bus line that runs between Monterey County and Santa Clara County, connecting passengers to VTA bus service and Caltrain service in Gilroy.

BART project purchased the \$75 Million dollar tunnel boring machine for BART Extension Phase II



The boring machine is expected to be delivered in 2025 to begin digging the 5-mile tunnel for the final phase of the Silicon Valley BART Extension into Downtown San Jose and Santa Clara.

VTA is on the new Monopoly Board, San Jose edition



The Monopoly and VTA partnership is a great way to expand the VTA brand and stitch it to one of the most iconic board games in history!

**SANTA CLARA VALLEY
TRANSPORTATION AUTHORITY**

SAN JOSE, CALIFORNIA

Annual Comprehensive Financial Report (ACFR)
For Fiscal Year Ended June 30, 2024

Prepared by:
Accounting

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SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Annual Comprehensive Financial Report

For the Year Ended June 30, 2024

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SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Annual Comprehensive Financial Report

For the Year Ended June 30, 2024

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Presented to

**Santa Clara Valley Transportation Authority
California**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2023

Christopher P. Morill

Executive Director/CEO

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INTRODUCTORY SECTION

LETTER OF TRANSMITTAL

BOARD OF DIRECTORS

ORGANIZATIONAL CHART

PRINCIPAL OFFICIALS

SERVICE AREA MAP

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LETTER OF TRANSMITTAL

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October 31, 2024

Board of Directors
Santa Clara Valley Transportation Authority

Subject: Annual Comprehensive 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 Annual Comprehensive Financial Report (ACFR) of the VTA for the year ended June 30, 2024. The ACFR was prepared in accordance with the guidelines recommended by the Government Finance Officers Association of the United States and Canada (GFOA). VTA Management assumes responsibility for the accuracy and completeness of the data and the clarity of the presentation, including all disclosures. To the best of our knowledge, the enclosed report is presented in conformity with Generally Accepted Accounting Principles (GAAP), and is complete and reliable in all material respects.

Eide Bailly LLP, a firm of licensed Certified Public Accountants, has audited the financial statements. The goal of the audit is to obtain a reasonable assurance that the financial statements are free of material misstatements. Eide Bailly LLP concluded, based on the audit, that there was a reasonable basis for rendering an unmodified opinion on the financial statements for the fiscal year ended June 30, 2024, and that the financial statements are fairly stated, in all material respects, in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

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

PROFILE OF THE GOVERNMENT

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

Today, VTA provides bus, light rail, and paratransit services, as well as participates as a funding partner in regional rail service including Caltrain, Capitol Corridor, and the Altamont Corridor Express. As the County's congestion management agency, VTA is responsible for countywide transportation planning, including congestion management, design and construction of specific highway, pedestrian, and bicycle improvement projects, as well as promotion of transit-oriented development. VTA is also a partner agency with San Francisco Bay Area Rapid Transit District (BART) in the operations and maintenance of the Silicon Valley Rapid Transit (SVRT) Extension. 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 1-9 of this report.

ECONOMIC ENVIRONMENT

The economy in which a government entity operates has a significant impact on the results of its operating activities. Due consideration of the economic environment is necessary to better understand the agency's financial condition and results of operations. Thus, it is crucial that readers of the financial statements analyze and interpret them in conjunction with the agency's relevant economic profile and

outlook.

Santa Clara County is located on the southern coast of San Francisco Bay. As part of one of the state's busiest urban regions, encompassing an area of approximately 1,300 square miles and having a population of over 1.9 million. With a median income of \$153,792 and median home value of \$1.7 million, the county ranks as the third wealthiest and one of the most expensive places to live in the nation.¹ The county's economy is driven by its location in Silicon Valley, where many tech companies are headquartered, including Apple, Google, Facebook, Oracle, Adobe, eBay, Hewlett Packard, Broadcom and Intel. The region is a global leader in the development of semiconductors, software, hardware, and other cutting-edge technologies. It also has retail and support workers in large industry groups such as education, healthcare, construction, leisure and hospitality.

The 4.2% unemployment rate in Santa Clara County in June 2024 was slightly above than the national level, but below the state level. This was higher than the 3.7% rate in the previous year. The county continues to adjust to the post-COVID environment where the 20 biggest tech companies have downsized to reflect current and projected business needs.² As the post-COVID recovery continues, inflationary challenges have an impact on Santa Clara County residents as they have in most regions of the United States.

The U.S. Department of Labor reported for June 2024 a national unemployment rate of 4.1%, which was higher than 3.6% from the prior year. In real terms, there were 6.8 million unemployed, which was an increase from 6.0 million last year. Although the government and healthcare sectors experienced job growth, the leisure and hospitality sectors are still catching up to pre-pandemic levels.

As the State faces significant revenue volatility, it plans to implement significant spending cuts to government operations, and pauses of new investments.³ Despite these belt tightening activities, the State committed to maintain current service levels for critical programs, including key health care, and social services. The State's proactive actions in addressing current budget shortfall are part of the ongoing efforts to address priority issues and avoid more harmful cuts in programs that are essential to the well-being of Californians throughout the state.

Unemployment at the state level was 5.2% in June 2024 which was an increase from 4.6% in the prior year. While there were strong investments in artificial intelligence, layoffs had persisted at high-tech firms. Even with certain businesses adopting technology to replace workers, and the leisure sector managing to recover from the deep losses caused by pandemic; other industries, including

¹ Johnson, Steven Ross. "The 15 Richest Counties in the U.S.", US News, December 20, 2023.

² Sumagaysay, Levi. "Tech boom has slowed, but there are still more Silicon Valley jobs than before the pandemic." Cal Matters, February 28, 2024.

³ State Budget May Revision, 2024-25.

manufacturing, information and business services, remained sluggish due to rising costs, financial conditions and ongoing climate challenges.⁴ Hiring in California lagged behind national trends with the exception of the state's healthcare and social assistance sector which experienced job gains. With job gains in critical industry sectors such as outpatient centers, home healthcare firms, nursing facilities, and social assistance, which include vocational and child day-care services, it is believed that the region's economy will remain steadfast and resilient⁵.

While consumer spending patterns did not produce the same level of growth in sales tax receipts as in prior years, consumer behavior is deemed to have helped control inflationary price increases. When households expect low inflation, they tend to delay some purchases in the anticipation that prices won't rise much in the near future, and in some cases, might even decline. The reluctance of consumers to keep paying more made businesses to slow down or cut price increases, leading to cooling of inflation.⁶ The hampered job growth and higher interest rates also led to tightened consumer spending. Most economists, however, believe that consumers are still spending enough to sustain the economy consistently.⁷

Sales tax receipts, which are the basis for VTA's largest funding sources for operations and capital activities, decreased by an average of 2.8% from the prior year. 1976 Half-Cent, 2000 Measure A, 2016 Measure B, and BART Operating sales taxes amounted to \$266.9 million, \$266.9 million, \$266.6 million, and \$65.2 million, respectively, during FY 2024. Transportation Development Act (TDA) which funds a wide variety of transportation projects, also decreased by \$1.4 million, which was consistent with the other programs funded by general sales tax revenues. State Transit Assistance (STA) which is derived from state sales tax from diesel fuel, increased by \$1.9 million in FY 2024. This behavior was attributed to normalized travel patterns as the economy continues to rebound from the pandemic and the consumers show more eagerness to travel.

⁴ Lee, Don. Los Angeles Times. "As Job Growth in California Falls Back, Unemployment Rate Remains Highest". May 17, 2024.

⁵ Ibid.

⁶ Rugaber, Christopher. AP News. "Americans' refusal to keep paying higher prices may be dealing a final blow to US inflation spike." August 12, 2024.

⁷ Ibid.

ENTERPRISE NET POSITION OVERVIEW

Total FY 2024 Net Position is provided below (in thousands):

Net Investment in Capital Assets		\$	5,589,487
Restricted:			
Debt service	\$	3,557	
237 Project Fund with fiscal agent		12,384	
Net OPEB Asset (GASB 75) ^a		75,348	
1996 Measure B transit program		1,708	92,997
Unrestricted:			
Local share of capital projects	\$	380,597	
Transit capital reserve		152,761	
Debt reduction		102,925	
Operating reserve		93,673	
Sales tax stabilization		35,000	
Inventory and prepaid items		34,625	
Express Lane		3,536	
BART Operating		413,312	
Joint Development		5,953	
Net Deferrals: Net OPEB Asset (GASB75)		16,038	
Net Lease Asset (GASB 87)		1,131	
Net Pension Liability (GASB 68) ^b		(328,155)	
Net Subscription Asset (GASB 96)		13	911,409
Total Net Position			<u>\$ 6,593,893</u>

^aBased on actuarial report.

^bThis is a set aside amount for Net Pension Liability to comply with GASB 68 requirements. This consisted of \$116.0 million and \$212.2 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 requires that VTA management recommend and Board of Directors adopt an operating budget at the fund level and a capital budget on a project

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

Proprietary Funds	Governmental Funds
<ul style="list-style-type: none"> • VTA Transit • BART Operating • Joint Development • Express Lanes 	<ul style="list-style-type: none"> • Congestion Management Program • 2016 Measure B Program • 2000 Measure A Program • Congestion Management and Highway Program • Bay Area Air Quality Management District Program • Vehicle Registration Fees

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

Reserves

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

Reserves	Balance as of June 30, 2024 (in millions)	Remarks
Operating Reserve	\$93.7	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. Detailed information on the Operating Reserve is shown in Table 7 of the Statistical Section.
Sales Tax Stabilization	\$35.0	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	\$102.9	This reserve may be used to reduce long-term liabilities.
Capital Reserves	\$152.8	This reserve was established in FY 2024 with an initial \$100 million transferred from the Debt Reduction Fund to provide funding for approved transit-related capital improvements and replacement of capital assets. This is in support 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., ACE, Highway 17, 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.

MAJOR INITIATIVE

VTA's BART Silicon Valley Project

The VTA's BART Silicon Valley (BSV) Project is a 16-mile extension of the existing BART system to San Jose, Milpitas, and Santa Clara, which is planned to be delivered in two phases. The first phase known as the Silicon Valley Berryessa Extension (SVBX or BSV Phase I), was completed in June 2020. The second phase is known as BSV Phase II and will extend BART service six miles from the Berryessa/North San Jose Station to Downtown San Jose, terminating in Santa Clara, near the Santa Clara Caltrain Station. The scope of this phase 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. Like BSV Phase I, BSV Phase II will be built by VTA, but operated by BART.

In October 2023, VTA released a new baseline schedule and cost estimate of \$12.2 billion, with a late-2036 Revenue Service date. The FTA/Project Management Oversight Contractor (PMOC) proposed

a cost increase of \$509 million to a new total of \$12.8 billion. This was primarily attributable to FTA's recommendation of a higher escalation rate. The FTA/PMOC also recommended inclusion of additional schedule contingency, which extends the Revenue Service date to mid-2037. Subsequently, on March 29, 2024 VTA submitted the Entry into New Starts Engineering (NSE) application to FTA. In June 2024, the FTA announced the federal government's estimated contribution of \$5.1 billion to help complete the project.

AWARDS AND ACKNOWLEDGMENTS

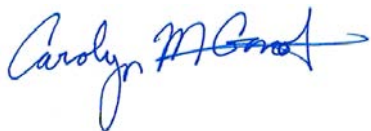
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to VTA for its FY 2023 Annual Comprehensive Financial Report (ACFR). This is the 28th consecutive year that VTA achieved this prestigious award.

In order to receive the award, a government agency must publish an easily readable and efficiently organized Annual Comprehensive 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 Annual Comprehensive 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 ACFR 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. The Copy Center, Creative Services, Office of the Board Secretary, and Marketing departments also made significant contributions to the form, content, and production of the report. The team members demonstrated a commendable degree of personal dedication and determination in producing this document.

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



Carolyn M. Gonot
General Manager/CEO



Greg Richardson
Asst. GM/Chief Financial Officer

2024 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 January 2024 Cindy Chavez, Chairperson Sergio Lopez, Vice Chairperson			
GROUP 1 (San Jose)		GROUP 4 (South County)	
City of San José	Devora "Dev" Davis Pam Foley Rosemary Kamei Matt Mahan* Omar Torres David Cohen, Alternate	City of Gilroy	Marie Blankley
		City of Morgan Hill	Mark Turner, Alternate
GROUP 2 (North West)		GROUP 5 (North East)	
City of Los Altos	Lynette Lee Eng, Alternate	City of Santa Clara	Sudhanshu "Suds" Jain, Alternate
Town of Los Altos Hills		City of Sunnyvale	Omar Din
City of Mountain View		City of Milpitas	Carmen Montano
City of Palo Alto	Patrick "Pat" Burt	GROUP 6 (Santa Clara County)	
GROUP 3 (West Valley)		County of Santa Clara	Cindy Chavez* Otto Lee Vacant , Alternate
City of Campbell	Sergio Lopez	Ex-Officio	
City of Cupertino		Metropolitan Transportation Commission (MTC) Commissioners	Margaret Abe-Koga*
Town of Los Gatos	Rob Rennie, Alternate	representing Santa Clara County,	
City of Monte Sereno		Cities of Santa Clara County,	
City of Saratoga		and City of San Jose	

*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 (G&A) 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 (CMPP) Committee** 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 (SSTPO) Committee** 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

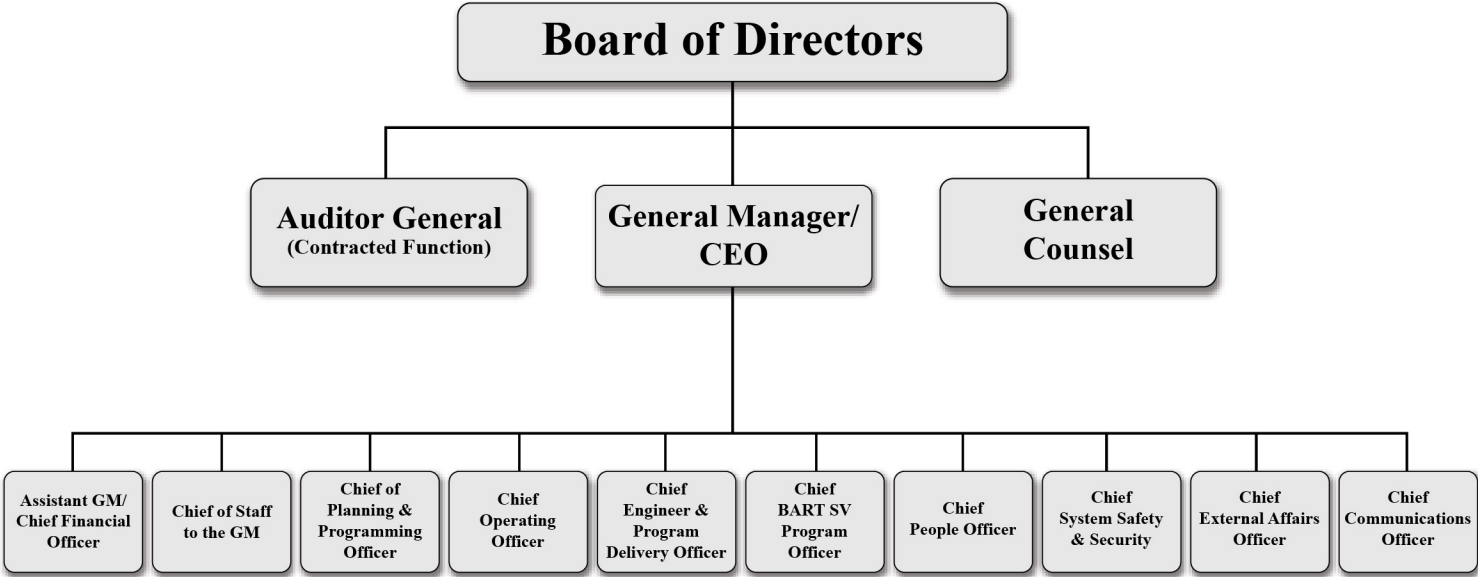
These Policy Advisory Boards (PABs) ensure the local jurisdictions affected by major transportation improvement projects are involved in the planning, design, and construction. Membership for each PAB varies. There are currently four active PABs:

- **Diridon Station Joint Policy Advisory Board**
- **Eastridge to BART Regional Connector Policy Advisory Board**
- **Mobility Partnership**
- **State Route (SR) 85 Corridor Policy Advisory Board**

VTA BOARD OF DIRECTORS' OVERSIGHT COMMITTEE

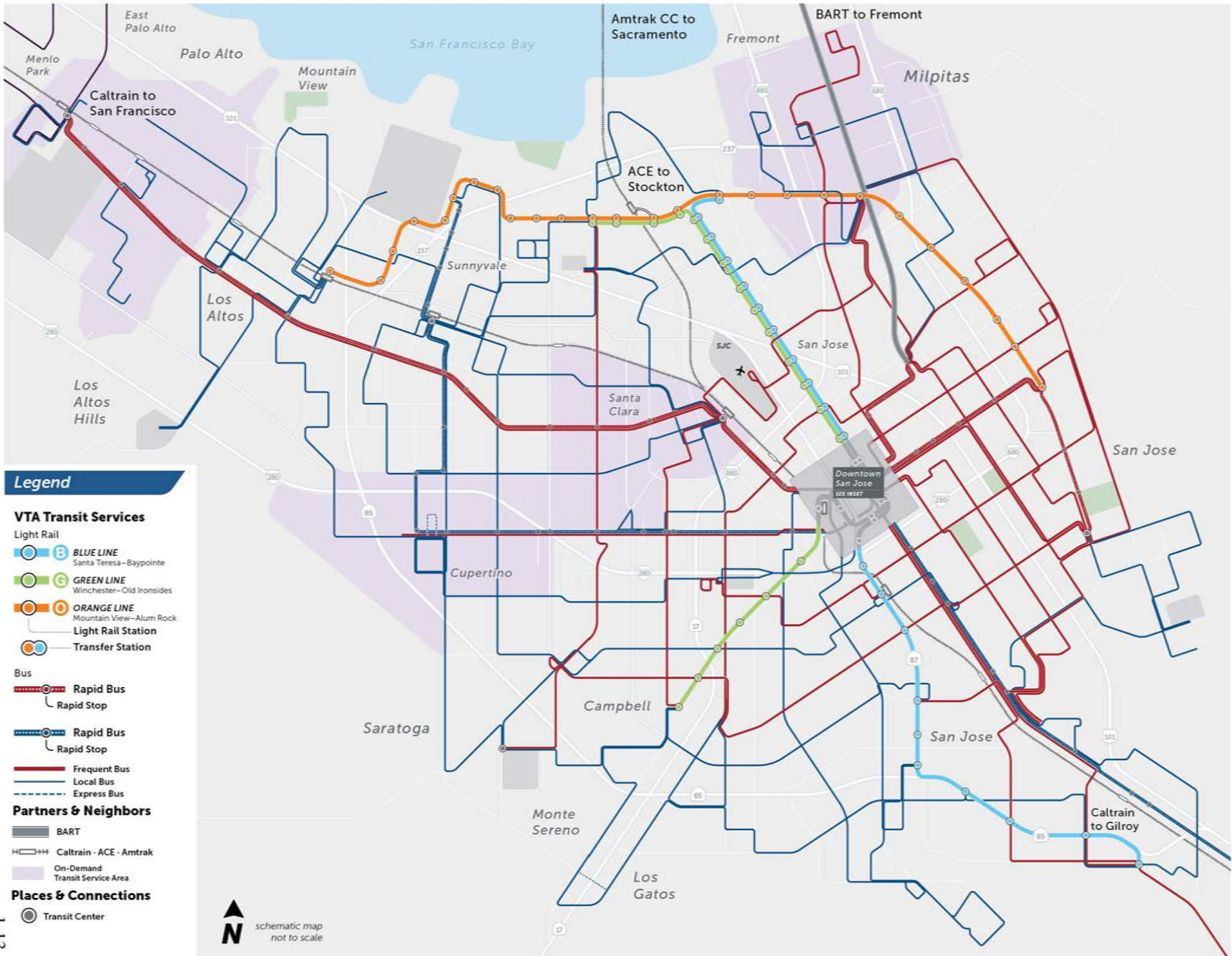
2016 Measure B Citizens' Oversight Committee (2016 MBCOC) - In accordance with the 2016 Measure B ballot, the 2016 MBCOC was established to perform the specific duties defined in the ballot. The 8-member committee is comprised of individuals with relevant expertise and experience necessary to assist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

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY As of June 30, 2024



Principal Officials as of June 30, 2024

General Manager/CEO	Carolyn Gonot
General Counsel	Evelynn Tran
Auditor General (Contracted Function)	Scott Johnson
Assistant GM/Chief Financial Officer	Greg Richardson
Chief of Staff to the GM	Jaye Bailey
Chief Planning & Programming Officer	Deborah Dagang
Chief Operating Officer	Derik Calhoun
Chief Engineering & Program Delivery Officer	Casey Emoto
Chief BART SV Program Officer	Thomas Maguire
Chief People Officer	Sonya Morrison
Chief System Safety & Security	Aston Greene
Chief External Affairs Officer	James Lawson
Chief Communications Officer	Patrice Smith



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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Required Supplementary Information)

BASIC FINANCIAL STATEMENTS:

Government-wide Financial Statements:

- Statement of Net Position
- Statement of Activities

Fund Financial Statements:

Proprietary Funds:

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

Governmental Funds:

- Balance Sheet
- Statement of Revenues, Expenditures and Changes in Fund Balances

Fiduciary Funds:

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

Notes to the Basic Financial Statements

REQUIRED SUPPLEMENTARY INFORMATION (OTHER THAN MD&A):

- Schedule of Changes in Net Pension Liability and Related Ratios – ATU Pension Plan
- Schedule of Employer Contributions – ATU Pension Plan
- Schedule of Changes in Net Pension Liability and Related Ratios – CalPERS Plan
- Schedule of Employer Contributions – CalPERS Plan
- Schedule of Changes in the Plan's Net OPEB Asset and Related Ratios – OPEB Trust
- Schedule of Employer Contributions – OPEB Trust
- Budgetary Comparison Schedule – 2000 Measure A Program Special Revenue Fund
- Budgetary Comparison Schedule – 2016 Measure B Program Special Revenue Fund
- Budgetary Comparison Schedule – Congestion Management Program Special Revenue Fund
- Budgetary Comparison Schedule – Congestion Management & Highway Program Special Revenue Fund
- Budgetary Comparison Schedule – Bay Area Air Quality Management Program Special Revenue Fund
- Budgetary Comparison Schedule – Senate Bill 83 Vehicle Registration Fee Special Revenue Fund
- Note to Required Supplementary Information – Budgetary Basis of Accounting

SUPPLEMENTARY INFORMATION – COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES:

- Budgetary Comparison Schedule - VTA Transit Fund
- Combining Statement of Fiduciary Net Position – Retiree Benefits Trust Fund
- Combining Statement of Changes in Fiduciary Net Position – Retiree Benefits Trust Fund
- Unrestricted Net Position - Enterprise and Governmental Funds

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INDEPENDENT AUDITOR'S REPORT

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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities the governmental activities, each major fund, and the aggregate remaining fund information of Santa Clara Valley Transportation Authority (VTA), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise VTA's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of VTA, as of June 30, 2024, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of VTA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about VTA's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 VTA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about VTA's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules of changes in net pension liability and related ratios, pension schedules of employer contributions, schedule of changes in net other postemployment benefits liability and related ratios, schedule of other postemployment benefits contributions, and the special revenue funds budgetary comparison schedules, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise VTA's basic financial statements. The Budgetary Comparison Schedule – VTA Transit Fund, the Combining Statement of Fiduciary Net Position – Retiree Benefits Trust Funds, the Combining Statement of

Changes in Fiduciary Net Position –Retiree Benefits Trust Funds and the Unrestricted Net Position - Enterprise and Governmental Funds are presented for purposes of additional analysis and are 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 basic financial statements. The 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 GAAS. In our opinion, the Budgetary Comparison Schedule – VTA Transit Fund, the Combining Statement of Fiduciary Net Position – Retiree Benefits Trust Funds, the Combining Statement of Changes in Fiduciary Net Position –Retiree Benefits Trust Funds and the Unrestricted Net Position - Enterprise and Governmental Funds are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2024 on our consideration of VTA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of VTA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering VTA's internal control over financial reporting and compliance.



Menlo Park, California
October 31, 2024

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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 2024. 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, 2024, VTA's net position, business-type and governmental activities, amounted to approximately \$7.1 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, as well as operating activities of the Express Lanes fund.
- All sales tax revenues decreased from the prior year as follows (amounts in thousands):

Sales Tax Revenues	FY 2024	FY 2023	Increase/(Decrease)	
			Amount	%
1976 Sales Tax	\$ 266,942	\$ 275,288	\$ (8,346)	(3.03)%
Bart Operating	65,249	67,161	(1,912)	(2.85)%
2000 Measure A	266,901	275,283	(8,382)	(3.04)%
2016 Measure B	266,618	272,988	(6,370)	(2.33)%

- The four board-designated reserves; i.e., Transit Operating Reserve, Debt Reduction Reserve, Sales Tax Stabilization Reserve, and Capital Reserve were \$93.7 million, \$102.9 million, \$35.0 million, and \$152.8 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 \$328.2 million. Net Pension Liability represents the net amount owed by VTA to employees for benefits provided through a defined benefit pension plan that is attributed to employees' past period of service.
- Federal, state, and local operating grants, under the Enterprise Funds, were \$5.3 million higher than FY 2023. This reflects 2.96% in growth primarily due to a modest increase in State Transit Assistance (STA) funds. The increase in STA revenue is due to continued normalization of travel patterns as pandemic rules were lifted and people were again eager to travel. In addition, FY 2024 is the first year of sale recognition for Low Carbon Fuel Standard (LCFS), credits, which VTA earned on the public use of electric vehicle chargers, light rail and through the BART extension between Warm Springs and Berryessa BART stations.

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. The net position is the difference between assets plus deferred outflows of resources, and liabilities plus deferred inflows of resources. 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, fees and intergovernmental revenues. The VTA business-type activity is transit, which includes bus/light rail operations, joint development, express lanes and BART operating. Although the transit operation's primary function is intended to recover its costs through charges for services (business-type activities), the recovery is not significant. The governmental activities of VTA consist of congestion management and highway programs, which include planning, programming, and construction of highway projects. Governmental activities also include the 2016 Measure B Program which focuses on enhancing transit, highways, expressways and active transportation (bicycles, pedestrians and complete streets); 2000 Measure A Program which focuses on a number of key capital transit projects, including the connection of rapid transit to San Jose, increased bus and light rail service, and providing for related operating expenses; Senate Bill 83 Vehicle Registration Fee (VRF) which was established to administer the vehicle registration fees collected under SB 83; and the Bay Area Air Quality Management District (BAAQMD) fund that accounts for the activities that relate to the Transportation Fund for Clean Air (TFCA) program.

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. 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 six major governmental funds to account for the financial activities of VTA's Congestion Management Program, 2000 Measure A Program, 2016 Measure B Program, Congestion Management and Highway Program, Senate Bill 83 Vehicle Registration Fee and the Bay Area Air Quality Management District.

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

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

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

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

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 2-31 through 2-90 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 Budgetary Comparison Schedules for the Congestion Management Program, 2016 Measure B Program, 2000 Measure A Program, Congestion Management and Highway Program, Vehicle Registration Fees, and Bay Area Air Quality Management Program. Required supplementary information can be found on pages 2-91 through 2-103 of this report.

Other supplementary information, such as the combining statements and other individual schedules, are found immediately following the required supplementary information presenting individual fund statements and schedules for the Enterprise and Fiduciary Funds. Other supplementary information can be found on pages 2-104 through 2-108 of this report.

4. **Government-Wide Financial Analysis.** The Government-Wide change in net position was \$317.1 million. The Business-Type activities' net position increased by \$404.6 million while the Governmental activities' net position decreased by \$87.5 million. The increase in the business-type net position was mainly due to capital grants and capital acquisition transfers. Capital grant receipts were largely from the federal for projects relating to bus procurement, bus stop improvement, electric bus charging stations, and rail replacement and rehabilitation. There were also state grant receipts for the Diridon property and 2016 Measure B grants for the BART Phase 2. The decline in the governmental activities net position was primarily due to increase in 2016 Measure B capital expenditures to fund the BART Phase 2 and Eastridge BART Regional Connector related projects, as well as transfers of BART assets under construction from 2000 Measure A to BART Operating Fund. Although the related investment earnings were positive in the current year from higher interest and better market performance, sales tax revenues experienced a decline. The 1976 sales tax, 2000 Measure A sales tax, 2016 Measure B sales tax, and BART operating sales tax revenues for the fiscal year were \$266.9 million, \$266.9 million, \$266.6 million, and \$65.2 million, respectively. During FY 2024, VTA acquired or built total capital assets of approximately \$574.4 million (see Note 6). 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 2024 and FY 2023
(In thousands)

	Business -Type Activities		Governmental Activities		Total	
	2024	2023	2024	2023	2024	2023
Asset:						
Current and other assets	\$ 1,639,037	\$ 1,577,299	\$ 1,403,017	\$ 1,404,961	\$ 3,042,054	\$ 2,982,260
Capital assets, net	5,646,835	5,271,892	—	—	5,646,835	5,271,892
Total assets	7,285,872	6,849,191	1,403,017	1,404,961	8,688,889	8,254,152
Deferred outflows of resources	98,586	124,374	37,416	29,585	136,002	153,959
Liabilities:						
Current liabilities	187,414	137,635	259,577	138,083	446,991	275,718
Long-term liabilities outstanding	546,195	596,343	697,970	723,560	1,244,165	1,319,903
Total liabilities	733,609	733,978	957,547	861,643	1,691,156	1,595,621
Deferred inflows of resources	56,956	50,297	—	2,496	56,956	52,793
Net position:						
Net investment in capital assets	5,589,487	5,179,068	—	—	5,589,487	5,179,068
Restricted	92,997	107,740	905,487	1,088,855	998,484	1,196,595
Unrestricted	911,409	902,482	(422,601)	(518,448)	488,808	384,034
Total net position	\$ 6,593,893	\$ 6,189,290	\$ 482,886	\$ 570,407	\$ 7,076,779	\$ 6,759,697

The largest portion of VTA's net position (approximately 84.77%) reflects its investment in capital assets (e.g., land, buildings, infrastructure, vehicles, and equipment), less any related outstanding debt used to acquire those assets and retention payable. VTA uses these capital assets to provide services to its customers. Consequently, these assets are not available for future spending. Although VTA's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot reasonably be used to liquidate these liabilities. The restricted net position represents mainly the funds set aside for the 1996 Measure B program, 2016 Measure B program, debt service collateral with the bond trustees, Net OPEB Asset, congestion management program, pollution mitigation and air quality program. The unrestricted categories include funds set aside by Board policies, and for funding of local share of capital projects; BART operating; inventory and prepaid expenses; VTA transit Operating and Transit Capital Reserves; Debt Reduction; Express Lanes and Joint Development Program funds; Sales Tax Stabilization; Net Pension Liability; and Net Lease Asset. The unrestricted net position is generally available for appropriation with Board approval. The details of net position categories are shown as part of the Supplementary Information.

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

provided through a defined benefit pension plan. This liability, net of deferrals, consists of \$116.0 million for CalPERS and \$212.2 million for ATU.

In addition, generally accepted accounting principles require reporting of liability or asset in the financial statements of the governments whose employees are provided with Other Post Employment Benefit (OPEB). As of June 30, 2024 VTA reported a Net OPEB Asset for the excess of contributions to and earnings of the plan in relation to actual OPEB cost. VTA reported Net OPEB Asset which was included in the net position of \$75.3 million as of June 30, 2024.

Net Lease Asset represents the present value of the payments expected to be received or made during the lease term in accordance with GASB 87. As lessor, VTA recognizes a lease receivable and deferred inflow of resources at the commencement of the lease term, except for leases of assets held as investments, and short-term leases. As lessee, VTA recognizes a lease liability and a lease asset at the commencement of the lease term of the lease contracts falling under the guidelines of GASB 87. As of June 30, 2024, lease receivable was \$24.7 million for both VTA Transit and Joint Development, and lease payable was \$1.7 million for the VTA Transit. FY 2024 was the first year VTA implemented GASB 96, which established a net right-to-use subscription asset of \$622 thousand and a subscription liability of 609 thousand.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Condensed Statement of Activities

For the FY 2024 and FY 2023

(In thousands)

	Business-Type Activities		Governmental Activities		Total	
	2024	2023	2024	2023	2024	2023
Expenses:						
Labor, overhead, materials and professional services and other operations	\$ 859,089	\$ 765,828	\$ 8,634	\$ 8,258	\$ 867,723	\$ 774,086
Capital expense, on behalf of, and contribution to other agencies	1,052	1,015	525,798	197,370	526,850	198,385
Altamont Corridor Express and Caltrain subsidies	4,442	1,458	—	—	4,442	1,458
Program payments	—	—	19,526	17,335	19,526	17,335
Other expenses	519	4,277	1,045	1,727	1,564	6,004
Claims and change in future claim estimates	18,455	13,940	—	—	18,455	13,940
Interest expense	2,152	3,553	29,560	30,890	31,712	34,443
Total expenses	885,709	790,071	584,563	255,580	1,470,272	1,045,651
Program revenues:						
Charges for services	70,768	60,605	3,321	3,168	74,089	63,773
Operating grants	183,779	178,501	441,563	155,991	625,342	334,492
Capital grants	93,345	19,853	—	—	93,345	19,853
Total program revenues	347,892	258,959	444,884	159,159	792,776	418,118
Net program revenues (expenses)	(537,817)	(531,112)	(139,679)	(96,421)	(677,496)	(627,533)
General revenues and transfers:						
Sales tax revenue	332,191	342,449	533,519	548,271	865,710	890,720
Investment earnings/(losses)	64,506	22,365	59,428	23,954	123,934	46,319
Other general revenue	3,977	16,436	957	898	4,934	17,334
Total general revenues	400,674	381,250	593,904	573,123	994,578	954,373
Excess or deficiency of revenues over expenses	(137,143)	(149,862)	454,225	476,702	317,082	326,840
Transfers	541,746	330,667	(541,746)	(330,667)	—	—
Change in net position	404,603	180,805	(87,521)	146,035	317,082	326,840
Net position, beginning of year	6,189,290	6,008,485	570,407	424,372	6,759,697	6,432,857
Net position, end of year	\$6,593,893	\$6,189,290	\$ 482,886	\$ 570,407	\$7,076,779	\$6,759,697

Business-Type Activities – The total net position is \$6.6 billion as of June 30, 2024. The increase is attributed to the year's change in net position of 404.6 million. Major elements of changes in net position were as follows:

- The increase in capital grants of \$73.5 million consisted of federal capital assistance for the maintenance and rehabilitation projects of fixed guideway and bus systems to maintain assets in a state of good repair. This includes bus procurement; bus stop improvement, as well as rail and Overhead Catenary System replacement and rehabilitation. There was also capital assistance from the state for the San Jose Diridon Station planning and early right-of-way acquisition.

- Operating grants increased slightly by \$5.3 million which reflects an increase in the State Transit Assistance (STA) of \$1.9 million, due to a more normalized diesel consumption as pandemic rules were lifted and consumers were again eager to travel. FY 2024 was the first year VTA sold Low Carbon Fuel Standard credits, which were generated by utilizing low-carbon electricity for transportation fuel. Transportation Development Act (TDA) revenue decreased by \$1.4 million consistent with the decline in general sales tax revenues. FY 2024 also reflected a continuous reduction in TDA of \$9.6 million for the year to allow for uncertainties that could potentially lead to sales tax attrition of online sales in the state. As of June 30, 2024, total TDA reduction adjustment was \$51.2 million.
- 1976 and BART Operating sales tax revenues decreased by \$10.3 million as consumer and business spending tightened in response to hampered job growth and higher interest rates. The economic uncertainty caused consumers to cut back in their spending and forced them to be more price-conscious.
- Investment Earnings associated with interest income, unrealized gains/losses, and trading gains/losses increased by \$42.1 million. The growth was largely due to sustained interest rate levels as well as mark-to-market gains in contrast with last year's loss from the market downturn.
- The increase in program expenses of \$95.6 million was due to increases in labor, services, materials and supplies. The change in labor cost was mainly from wage increases in accordance with the provisions of various collective bargaining agreements. Services, materials and supplies grew primarily for the costs of parts, security and professional services. Increases in materials and supplies were results of increase in service levels across the network. Preventive maintenance costs increased from aging fleet and component rebuilds. Professional services included consulting and advisory services pertaining to employee coaching and victim support/resiliency. Other program expense related to the BART Operating and Maintenance Fund significantly increased year over year for the BART Subsidy Augmentation due to capital obligations paid by VTA to BART and provision for probable capital costs.

Governmental Activities – As of June 30, 2024, the net position of governmental activities is \$482.9 million. This is a decrease in net position of \$87.5 million. Major components of changes in net position were as follows:

Capital expenditures on behalf of, and contributions to other agencies - There was an increase of \$328.4 million in FY 2024. The bulk of this increase was a result of activities from 2016 Measure B for capital expenditures primarily associated with the BART Phase II project.

Operating grants - Under governmental activities, capital grants are reported as operating grants. These grants operate assets that will be owned by other entities. The increase of \$285.6 million was largely a result of revenue receipts from 2016 Measure B to fund activities of the BART Phase II as this project prepares for construction. 2016 Measure B is a 30-year half cent county-wide sales tax transactions in support of enhancing transit, highways, expressway and active transportation (bicycles, pedestrians and streets).

Sales tax revenues - In FY 2024, the 2000 Measure A and 2016 Measure B sales tax revenues were \$266.9 million and \$266.6 million, respectively, a decrease of an average of 2.7% from prior year. The decline was caused by reluctance in consumer and business spending brought about by economic uncertainty from hampered job growth, as well as higher prices and interest rates. The 2000 Sales Tax Measure collects a half-cent for each taxable sales dollar spent in the county, to fund operations and capital expenses. 2016 Measure B is a half-cent sales tax to fund activities on enhancing transit, highways, expressways, and active transportation (bicycles, pedestrians and complete streets).

Investment Earnings - This primarily includes interest, as well as trading and unrealized gain or loss. FY 2024 reported an increased investment earnings of \$35.5 million due to higher interest and unrealized gain from better market performance of the investments.

Transfers - FY 2024 reported a total transfer-out of \$541.7 million primarily from the capital acquisitions from the 2000 Measure A Program Fund to the VTA Transit Fund and the BART Operating Fund of \$451.6 million, 2000 Measure A and 2016 Measure B operating assistance of \$70.7 million, Measure A Repayment Obligation of \$17.5 million, and capital acquisitions from the Congestion Management and Highway Program to Express Lanes Fund totaling \$1.9 million.

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. Analysis of changes in the Enterprise Funds pertain largely to the activities of VTA Transit, and BART Operating and Maintenance funds.

Comparison of Enterprise Funds Revenues
FY 2024 and FY 2023
(In thousands)

Enterprise Funds Revenue	2024	2023	Change	
			Favorable/(Unfavorable)	
			Amount	Percent
Charges for services	\$ 70,768	\$ 60,605	\$ 10,163	16.77 %
Operating grants	183,779	178,501	5,278	2.96 %
Capital grants	93,345	19,853	73,492	370.18 %
1976 half-cent sales tax	266,942	275,288	(8,346)	(3.03)%
BART Operating Sales Tax	65,249	67,161	(1,912)	(2.85)%
Investment earnings	62,504	21,503	41,001	190.68 %
Other income	3,440	15,863	(12,423)	(78.31)%
Transfers in/(out)	541,746	330,667	211,079	63.83 %
Total	<u>\$ 1,287,773</u>	<u>\$ 969,441</u>	<u>\$ 318,332</u>	32.84 %

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 and tokens), para transit fares, toll fees, advertising income, and joint development rent, were \$70.8 million in FY 2024. Charges for Services increased by \$10.2 million or 16.77% from FY 2023. The change primarily reflected growth in fares from increased ridership, as well as increased toll revenues. Toll revenue increase was a result of higher toll rates from increase in traffic patterns.

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 and state vehicle license fees (AB434 and SB83). In FY 2024, TDA and STA provided the majority of the funding. Total operating grants increased \$5.3 million or 2.96% from FY 2023. This was largely a result of increase in STA grant revenue and ADA set-aside from VTA aligning the revenue recognition with the federal fiscal year. VTA also sold Low Carbon Fuel Standard credits in FY 2024.

The State Transit Assistance (STA) funds are derived from state sales tax on diesel fuel. STA apportionment is 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. The increase in STA revenue of \$1.9 million was slightly higher than the prior year reflecting increases in diesel consumption and driving trends.

The Transportation Development Act (TDA) funds are derived from a quarter-cent sales tax levied by the state on taxable transactions occurring in Santa Clara County. The Metropolitan

Transportation Commission (MTC) retains a portion of these funds for administration and approximately 94% is returned to the source county (i.e., Santa Clara). There was a decrease in Transportation Development Act (TDA) of \$1.4 million which was consistent with the decline in sales tax revenues.

Capital Grants – Capital grants appear under VTA Transit and Joint Development Funds. In the VTA Transit Fund, capital grants include Federal Transit Administration (FTA) capital assistance; State of Good Repair, Regional Measure 3, various State transit-related capital grants, and capital contributions from local agencies. Total capital grants increased by \$73.5 million to \$93.3 million. This is an outcome of more grant eligible activities during the year, primarily associated with bus procurement, bus stop improvement, rail rehabilitation and replacement, as well as acquisition of the San Jose Diridon Station Planning and Early Right-of-Way.

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 2024, total sales tax revenues were \$266.9 million, a \$8.3 million or 3.03% decrease compared to the prior fiscal year’s sales tax revenue. Sales tax receipts year-to-year decreased as state tax collections have been on a downward trajectory since their mid-2022 peak when COVID-19 pandemic consumer spending provided unexpectedly high tax revenue. The tightened consumer spending in FY 2024 was a result of the hampered job growth and consumer spending reluctance from persistently higher prices and interest rates.

BART Operating – In November 2008, county residents passed a 1/8-cent sales tax to fund the operating and maintenance costs of the BART Extension. Collection of the tax, which will be for a period not to exceed 30 years, took effect on July 1, 2012. In FY 2023, total sales tax revenue under the BART Operating Fund was \$65.2 million, a \$1.9 million or 2.85% decrease compared to last year. Similar to the other sales tax revenues, the receipts decreased relative to the prior year as post-COVID consumers and businesses pulled back from spending due to economic uncertainty.

Investment Earnings – The investment earnings are derived from three primary sources: short, mid, and long-term investment portfolios. Investment earnings were primarily recorded under the VTA Transit Fund. Pursuant to VTA’s adopted investment policy and California Government Code, 100% of surplus assets are invested in domestic fixed income investments. Investment income increased by \$41.0 million primarily due to sustained interest rate levels throughout the year, and recognition of mark to market gain from a better investment performance.

Other income – Other income includes revenues from permit fees, property rentals, proceeds from the sale of fixed assets, parking citations, and other non-operating activities. Other income decreased by \$12.4 million in FY 2024 primarily due to a property sale and insurance settlement transactions in the prior year that did not occur again this year.

Transfers-in - FY 2024 reported a total transfer-in of \$541.7 million primarily from the capital acquisitions from the 2000 Measure A Program Fund to the VTA Transit Fund and the BART Operating Fund of \$451.5 million, 2000 Measure A and 2016 Measure B operating assistance of \$70.7 million, Measure A Repayment Obligation of \$17.5 million, and capital acquisitions from the Congestion Management and Highway Program to Express Lanes Fund totaling \$2.0 million.

Comparison of Enterprise Funds Expenses
FY 2024 and FY 2023
(In thousands)

Enterprise Funds Expenses	2024	2023	Change	
			Favorable/(Unfavorable)	
			Amount	Percent
Operations and support services	\$ 874,343	\$ 778,902	\$ (95,441)	(12.25)%
ACE subsidy	4,442	1,458	(2,984)	(204.66)%
Other expenses	3,723	8,845	5,122	57.91 %
Total	<u>\$ 882,508</u>	<u>\$ 789,205</u>	<u>\$ (93,303)</u>	(11.82)%

Operations and Support Services – Operations and Support Services include labor and fringe, materials, support services, insurance, purchased transportation and other overhead costs incurred primarily for bus and light rail operations, services and support programs in VTA Transit, BART Operating, Express Lanes, and Joint Development funds. For FY 2024, operations and support services expense was \$95.4 million or 12.25% higher compared to that of FY 2023. The increase was mainly due to increases in labor, service, and materials.

Change in labor cost included wage increases in accordance with the collective bargaining agreements. Increase in service and materials was brought about by efforts to add service levels across the network. There was an increase in BART Subsidy Augmentation due to capital cost obligations paid by VTA to BART, and provision for probable capital cost charges.

Altamont Corridor Express (ACE) Subsidy - Subsidy to ACE amounted to \$4.4 million in FY 2024. Previous year's contribution to ACE considered an emergency relief offset which was no longer available in the current year.

Internal Service Funds – VTA maintains Internal Service Funds to account for the activities related to Workers' Compensation, General Liability, and Compensated Absences programs. The costs of

these activities are accounted for in these funds and then charged to VTA Transit Fund. These funds are fully funded as of June 30, 2024.

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

Special Revenue Funds – These funds account for the activities of the Congestion Management Program, the 2016 Measure B Program, the 2000 Measure A Program, the Congestion Management and Highway Program, Bay Area Air Quality Management District (BAAQMD) Program and Vehicle Registration Fees (VRF).

The following table shows a fund balance comparison between the current and prior fiscal year:

**Comparison of Special Revenue Funds
FY 2024 and FY 2023**
(In thousands)

Special Revenue Funds	2024	2023	Change	
			Favorable/(Unfavorable)	
			Amount	Percent
Total revenues	\$ 1,038,788	\$ 732,282	\$ 306,506	41.86 %
Total expenditures	(613,217)	(293,513)	(319,704)	(108.92)%
Transfers out	(541,746)	(330,667)	(211,079)	(63.83)%
Refunding bonds issued	559,535	—	559,535	— %
Premium on refunding bonds issued	83,817	—	83,817	— %
Swap termination fee, call in premium and refunded premium	(40,308)	—	(40,308)	— %
Payment to refunded bonds	(611,150)	—	(611,150)	— %
Change in fund balances	(124,281)	108,102	(232,383)	(214.97)%
Fund balances, beginning of year	1,274,804	1,166,702	108,102	9.27 %
Fund balances, end of year	<u>\$ 1,150,523</u>	<u>\$ 1,274,804</u>	<u>\$ (124,281)</u>	(9.75)%

CMP projects were funded from member assessments and various federal, state, and local grants. The 2000 Measure A Program Fund was created to report on the activities pertinent to the Measure A ballot approved in November 2000. The 2016 Measure B Program Fund was created in FY 2017, upon approval of the Santa Clara County voters in November 2016, to record a 30-year half cent county-wide sales tax transactions in support of enhancing transit, highways, expressway and active transportation (bicycles, pedestrians and streets).

For FY 2024, total revenues for Congestion Management and Highway Program were \$56.6 million, which represent the total amount expended on the projects and fully funded by other

governmental agencies. The overall decrease of \$500 thousand was a result of decline in the activities of projects that are nearing full completion such as US101 De La Cruz Blvd/Trimble Rd Interchange Improvement, SV Express Lanes-US 101/85, and US101. Blossom Hill Road Interchange Improvement..

Total revenues under the Special Revenue Fund primarily include sales tax, grants, investment earnings, member assessments, and vehicle registration fees. This was reported at \$1 billion in FY 2024, an increase of \$306.5 million from the preceding year. The growth primarily reflects increases in local grants from 2016 Measure B for the Bart Silicon Valley Extension, as well as positive investment earnings. These increases were offset by a decline in sales tax revenues. FY 2024, total sales tax revenues were \$533.5 million, a \$14.8 million or 2.7% decrease compared to the prior fiscal year's sales tax revenues.

Total expenditures were \$613.2 million an increase of \$319.7 million from FY 2023, which was largely from 2016 Measure B activities on bike/pedestrian, local streets and roads, Caltrain Grade Separation and BART-related 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, 2024, investment in capital assets net of accumulated depreciation, amounts to \$5.6 billion. This investment in capital assets includes Land and Right-of-Way, Buildings, Improvements, Equipment & Furniture, Vehicles, the Caltrain-Gilroy Extension, Light Rail Tracks/Electrification, Leasehold Improvements, and Other Operating Equipment. During FY 2024, VTA acquired and constructed \$574.4 million of capital assets.

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

	2024	2023
Land and Right-of-way	\$ 1,849,613	\$ 1,847,157
Construction in progress	1,783,326	1,248,018
Buildings and improvements	851,670	878,293
Furniture and fixtures	87,827	161,672
Vehicles	338,332	353,343
Caltrain-Gilroy Extension	27,127	28,517
Light Rail Tracks/Electrification	676,594	719,817
Other operating equipment	27,715	30,441
Leasehold improvements	2,354	2,796
Right-to-use assets	1,655	1,838
Subscription assets	622	—
Total	<u>\$ 5,646,835</u>	<u>\$ 5,271,892</u>

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

Long-term debt – At year end, VTA has \$775.4 million bonds outstanding. For FY 2024, new bond issuance, including premium was 643.0 million; the total principal debt payment made was approximately \$662.0 million, and total amortization of the bond premium was \$1.1 million.

Outstanding Debt (In thousands)		
	2024	2023
Business-type Activities:		
Sr. Lien Sales Tax Revenue Bonds (1976 Tax) \$	54,868	\$ 75,623
Secured by Toll Revenues	22,591	23,177
Governmental Activities:		
Sr. Lien Sales Tax Revenue Bonds (2000 Tax)	697,970	696,670
Total	\$ 775,429	\$ 795,470

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) and “AA” rating from Fitch.

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

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

Economic Factors and New Year's Budgets

The VTA Transit Operating Budget was \$603.8 million for FY 2024 and is \$624.5 million for FY 2025. The FY 2025 budget assumes a complete return to full service levels to those provided prior to the pandemic and there was no proposed change in the current fare pricing structure.

The Adopted Budget included funding plans to maintain capital infrastructure, keep assets in a state of good repair, and invest in targeted improvements in support of the safety, security and efficiency of the transit system. It is anticipated that approved projects will align with the stated objectives and other high priority initiatives that have a ridership emphasis on platform improvement, bus stop infrastructure and passenger information monitors as well as facility and technology improvements. Specific projects forming part of the Budget include the farebox upgrade, centralized transit signal priority, non-revenue vehicle replacement, facility modifications, signal improvements and replacements of traction power substations and obsolete bus stop shelters. FY 2024 included the implementation of a Capital Reserve

Fund using \$100 million in seed funding that will be used for approved transit-related capital improvements and replacement of capital assets.

The Adopted FY 2024 and FY 2025 Budget for the 2000 Measure A Capital Program includes additional appropriation for Silicon Valley BART Extension Phase 2 and the Eastridge to BART Regional Connector of the Silicon Valley BART Extension. These projects utilize cash-on-hand and projected cash receipts. The operation and maintenance of the Silicon Valley BART Extension is funded primarily by the 2008 Measure B sales tax. Major capital budget appropriation requested for FY 24 and FY 25 relates to the fencing for the right-of-way along the 10-mile Silicon Valley Berryessa Extension Corridor.

Requests for Information

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



BASIC FINANCIAL STATEMENTS

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SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Statement of Net Position

June 30, 2024

(In thousands)

	Business-Type Activities	Governmental Activities	Total
ASSETS:			
Cash and investments	\$ 1,230,996	\$ 1,134,950	\$ 2,365,946
Receivables, net	20,613	282	20,895
Internal balances	(250)	250	—
Due from other agencies	120,330	240,791	361,121
Inventories	30,504	—	30,504
Prepaid items	7,704	6,610	14,314
Restricted cash and investments	128,959	20,134	149,093
Long-term receivable	89	—	89
Lease receivable	24,744	—	24,744
Net OPEB asset	75,348	—	75,348
Capital assets:			
Capital assets - nondepreciable	3,632,939	—	3,632,939
Capital assets - depreciable, net of accumulated depreciation	2,012,397	—	2,012,397
Intangible right to use assets, net of accumulated amortization	1,499	—	1,499
Total assets	7,285,872	1,403,017	8,688,889
DEFERRED OUTFLOWS OF RESOURCES:			
Refunding amounts	1,970	37,416	39,386
Pension related	64,771	—	64,771
OPEB related	31,845	—	31,845
Total deferred outflows of resources	98,586	37,416	136,002
LIABILITIES:			
Accounts payable and accrued expenses	80,148	209,101	289,249
Deposits	416	—	416
Accrued payroll and related liabilities	9,036	—	9,036
Bond interest and other fees payable	485	7,083	7,568
Unearned revenues	14,984	120	15,104
Other accrued expenses	1,257	—	1,257
Due to other agencies	81,088	43,273	124,361
Noncurrent liabilities:			
Due within one year: Bonds, notes, leases, subscriptions, claims, comp absences	42,186	39,280	81,466
Due in more than one year:			
Bonds, notes, leases, subscriptions, claims, comp absences	128,705	658,690	787,395
Net pension liability	375,304	—	375,304
Total liabilities	733,609	957,547	1,691,156
DEFERRED INFLOWS OF RESOURCES:			
Pension related	17,622	—	17,622
OPEB related	15,807	—	15,807
Lease asset related	23,527	—	23,527
Total deferred inflows of resources	56,956	—	56,956
NET POSITION:			
Net investment in capital assets	5,589,487	—	5,589,487
Restricted:			
1996 Measure B transit program	1,708	—	1,708
Net OPEB Asset	75,348	—	75,348
2016 Measure B transit program	—	842,259	842,259
Air quality program	—	5,258	5,258
Pollution mitigation	—	35,127	35,127
Debt service	3,557	19,594	23,151
237 project fund with cash with fiscal agent	12,384	—	12,384
Congestion management program	—	3,249	3,249
Unrestricted	911,409	(422,601)	488,808
Total net position	\$ 6,593,893	\$ 482,886	\$ 7,076,779

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Statement of Activities

For the year ended June 30, 2024

(In thousands)

Functions/Programs	Program Revenues				Net (Expense) Revenues and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants	Capital Grants	Business-Type Activities	Governmental Activities	Total
Business-Type Activities							
Transit related:							
Labor, overhead, materials and professional services and other operations	\$ 859,089	\$ 69,114	\$ 183,779	\$ 93,345	\$ (512,851)	\$ —	\$ (512,851)
Capital expenses on behalf of, and contribution to other agencies	1,052	—	—	—	(1,052)	—	(1,052)
Altamont Corridor Express subsidy	4,442	1,654	—	—	(2,788)	—	(2,788)
Other expenses	519	—	—	—	(519)	—	(519)
Claims and change in future claim estimates	18,455	—	—	—	(18,455)	—	(18,455)
Interest expense	2,152	—	—	—	(2,152)	—	(2,152)
Total business-type activities	885,709	70,768	183,779	93,345	(537,817)	—	(537,817)
Governmental activities:							
Congestion Management related:							
Labor, overhead, materials and professional services and other operations	8,634	—	—	—	—	(8,634)	(8,634)
Capital expenses on behalf of, and contribution to other agencies	525,798	—	441,563	—	—	(84,235)	(84,235)
Program payments	19,526	3,321	—	—	—	(16,205)	(16,205)
Other expenses	1,045	—	—	—	—	(1,045)	(1,045)
Interest expense	29,560	—	—	—	—	(29,560)	(29,560)
Total governmental activities	584,563	3,321	441,563	—	—	(139,679)	(139,679)
Total primary government	<u>\$ 1,470,272</u>	<u>\$ 74,089</u>	<u>\$ 625,342</u>	<u>\$ 93,345</u>	<u>(537,817)</u>	<u>(139,679)</u>	<u>(677,496)</u>
General revenues:							
Sales tax revenue					332,191	533,519	865,710
Investment earnings					64,506	59,428	123,934
Other general revenues					3,977	957	4,934
Transfers					541,746	(541,746)	—
Total general revenues and transfers					942,420	52,158	994,578
Change in Net Position					404,603	(87,521)	317,082
Net Position, beginning of the year					6,189,290	570,407	6,759,697
Net Position, end of year					<u>\$ 6,593,893</u>	<u>\$ 482,886</u>	<u>\$ 7,076,779</u>

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Statement of Fund Net Position

Proprietary Funds

June 30, 2024

(In thousands)

	Business-Type Activities					
	VTA Transit	BART Operating	Express Lanes	Joint Development	Total Enterprise	Internal Service Fund
ASSETS:						
Current assets:						
Cash and cash equivalents	\$ 20,854	\$ 938	\$ 5,388	\$ 52	\$ 27,232	\$ 25,324
Investments	775,753	287,393	19,520	29,884	1,112,550	65,890
Receivables, net	17,886	2,718	—	9	20,613	—
Lease receivable	3,057	—	—	108	3,165	—
Due from other funds	2,750	—	—	—	2,750	—
Due from other agencies	105,100	11,360	3,788	82	120,330	—
Inventories	30,504	—	—	—	30,504	—
Prepaid items	4,032	3,672	—	—	7,704	—
Restricted cash and cash equivalents with fiscal agent	1,733	113,018	14,208	—	128,959	—
Total current assets	<u>961,669</u>	<u>419,099</u>	<u>42,904</u>	<u>30,135</u>	<u>1,453,807</u>	<u>91,214</u>
Noncurrent assets:						
Long-term receivable	89	—	—	—	89	—
Lease receivable	21,190	—	—	389	21,579	—
Net OPEB asset	75,348	—	—	—	75,348	—
Capital assets - non-depreciable:						
Land and right of way	1,123,008	723,685	—	2,920	1,849,613	—
Construction in progress	265,999	1,511,421	3,359	2,547	1,783,326	—
Capital assets - depreciable/amortizable:						
Intangible right-to-use assets	2,206	—	—	—	2,206	—
Subscription assets	778	—	—	—	778	—
Caltrain - Gilroy extension	53,790	—	—	—	53,790	—
Buildings and improvements	691,128	518,135	1,881	—	1,211,144	—
Furniture and fixtures	163,766	343,252	14,689	—	521,707	—
Vehicles	625,708	172,482	—	—	798,190	—
Light-rail tracks and electrification	578,843	607,579	—	—	1,186,422	—
Leasehold improvements	9,851	—	—	—	9,851	—
Others	84,131	51	2,022	—	86,204	—
Less accumulated depreciation	(1,400,459)	(448,570)	(6,660)	—	(1,855,689)	—
Less accumulated amortization	(707)	—	—	—	(707)	—
Net capital assets	<u>2,198,042</u>	<u>3,428,035</u>	<u>15,291</u>	<u>5,467</u>	<u>5,646,835</u>	<u>—</u>
Total noncurrent assets	<u>2,294,669</u>	<u>3,428,035</u>	<u>15,291</u>	<u>5,856</u>	<u>5,743,851</u>	<u>—</u>
Total assets	<u>3,256,338</u>	<u>3,847,134</u>	<u>58,195</u>	<u>35,991</u>	<u>7,197,658</u>	<u>91,214</u>
DEFERRED OUTFLOWS OF RESOURCES:						
Refunding amounts	1,970	—	—	—	1,970	—
Pension related	64,771	—	—	—	64,771	—
OPEB related	31,845	—	—	—	31,845	—
Total deferred outflows of resources	<u>98,586</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>98,586</u>	<u>—</u>

(continued on next page)

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Statement of Fund Net Position *(continued)*

Proprietary Funds

June 30, 2024

(In thousands)

	Business-Type Activities					
	VTA Transit	BART Operating	Express Lanes	Joint Development	Total Enterprise	Internal Service Fund
LIABILITIES:						
Current liabilities:						
Current portion of long-term debt	18,535	—	90	—	18,625	—
Accounts payable and accrued expenses	74,586	2,787	2,272	371	80,016	132
Lease payable	171	—	—	—	171	—
Subscription payable	143	—	—	—	143	—
Deposits	301	—	—	115	416	—
Accrued payroll and related liabilities	9,036	—	—	—	9,036	—
Bond interest and other fees payable	188	—	297	—	485	—
Unearned revenues	11,771	—	—	3,213	14,984	—
Other accrued expenses	1,257	—	—	—	1,257	—
Due to other funds	—	3,000	—	—	3,000	—
Due to other agencies	81,088	—	—	—	81,088	—
Claims liability	—	—	—	—	—	8,792
Compensated absences	—	—	—	—	—	14,455
Total current liabilities	197,076	5,787	2,659	3,699	209,221	23,379
Noncurrent liabilities:						
Claims liability	—	—	—	—	—	37,899
Compensated absences	—	—	—	—	—	29,936
Long-term debt	36,333	—	22,501	—	58,834	—
Lease payable	1,570	—	—	—	1,570	—
Subscription payable	466	—	—	—	466	—
Net pension liability	375,304	—	—	—	375,304	—
Total noncurrent liabilities	413,673	—	22,501	—	436,174	67,835
Total liabilities	610,749	5,787	25,160	3,699	645,395	91,214
DEFERRED INFLOWS OF RESOURCES:						
Pension Related	17,622	—	—	—	17,622	—
OPEB Related	15,807	—	—	—	15,807	—
Lease asset related	22,957	—	—	570	23,527	—
Total deferred inflows of resources	56,386	—	—	570	56,956	—
NET POSITION:						
Net Investment in Capital Assets	2,140,694	3,428,035	15,291	5,467	5,589,487	—
Restricted:						
1996 Measure B projects	1,708	—	—	—	1,708	—
Net OPEB Asset (GASB 75)	75,348	—	—	—	75,348	—
Debt service	1,733	—	1,824	—	3,557	—
237 project fund with cash with fiscal agent	—	—	12,384	—	12,384	—
Unrestricted	468,306	413,312	3,536	26,255	911,409	—
Total net position	\$2,687,789	\$3,841,347	\$ 33,035	\$ 31,722	\$6,593,893	\$ —

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

Net Position of Enterprise Funds	\$6,593,893
Net Position of Internal Service Funds, which benefits Business-Type Activities	—
Net Position of Business-Type Activities (Page 2-20)	<u>\$6,593,893</u>

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the year ended June 30, 2024
(In thousands)

	Business-Type Activities					
	VTA Transit	BART Operating	Express Lanes	Joint Development	Total Enterprise	Internal Service Fund
OPERATING REVENUES:						
Fares - Transit	\$ 28,439	\$ —	\$ —	\$ —	\$ 28,439	\$ —
Fares - Paratransit	1,363	—	—	—	1,363	—
Fares - Bart	—	9,700	—	—	9,700	—
Toll revenues collected	—	—	24,597	—	24,597	—
Advertising and others	4,780	—	—	—	4,780	—
Charges for services	1,040	—	—	849	1,889	19,858
Total operating revenues	35,622	9,700	24,597	849	70,768	19,858
OPERATING EXPENSES:						
Labor cost	415,025	1,160	607	62	416,854	—
Materials and supplies	46,404	6	—	—	46,410	—
Services	65,671	115,673	6,194	4,483	192,021	—
Utilities	13,337	22	92	—	13,451	—
Casualty and liability	9,726	927	—	—	10,653	—
Purchased transportation	29,023	—	—	—	29,023	—
Leases and rentals	1,591	—	—	—	1,591	—
Miscellaneous	2,799	—	17	—	2,816	4,604
Depreciation expense	83,222	111,723	4,022	—	198,967	—
Amortization expense	340	—	—	—	340	—
Costs allocated to capital and other programs	(37,783)	—	—	—	(37,783)	—
Claims and change in future claims estimates	—	—	—	—	—	18,455
Total operating expense	629,355	229,511	10,932	4,545	874,343	23,059
Operating income/(loss)	(593,733)	(219,811)	13,665	(3,696)	(803,575)	(3,201)
NON-OPERATING REVENUES (EXPENSES):						
Sales tax revenue	266,942	65,249	—	—	332,191	—
Federal operating assistance and other grants	5,410	—	—	—	5,410	—
State and local operating assistance grants	178,369	—	—	—	178,369	—
Capital expense on behalf of, and contribution to other agencies	(1,052)	—	—	—	(1,052)	—
Altamont Corridor Express subsidy	(4,442)	—	—	—	(4,442)	—
Investment earnings/(losses)	39,487	19,859	1,591	1,567	62,504	2,002
Interest expense	(962)	—	(1,190)	—	(2,152)	—
Other income	3,440	—	—	—	3,440	537
Other expenses	(515)	(4)	—	—	(519)	—
Total non-operating revenues (expenses)	486,677	85,104	401	1,567	573,749	2,539
Income (loss) before capital contributions and transfers	(107,056)	(134,707)	14,066	(2,129)	(229,826)	(662)
Capital grants and contributions	92,598	—	—	747	93,345	—
Transfers in	88,293	451,497	1,956	—	541,746	—
Change in net position	73,835	316,790	16,022	(1,382)	405,265	(662)
Net position, beginning of year	2,613,954	3,524,557	17,013	33,104	6,188,628	662
Net position, end of year	\$2,687,789	\$ 3,841,347	\$ 33,035	\$ 31,722	\$ 6,593,893	\$ —

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	\$405,265
Change in net position of the Internal Service Fund, which benefits Business-Type Activities	(662)
Change in net position of Business-type Activities (Page 2-21)	<u>\$404,603</u>

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Statement of Cash Flows
Proprietary Funds

For the year ended June 30, 2024

(In thousands)

	Business-Type Activities					
	VTA Transit	BART Operating	Express Lanes	Joint Development	Total Enterprise	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES:						
Cash received from transit fares	\$ 23,918	\$ 9,700	\$ —	\$ —	\$ 33,618	\$ —
Cash received from Paratransit fares	1,363	—	—	—	1,363	—
Cash received from Tolls	—	—	21,696	—	21,696	—
Cash received from advertising	4,957	—	—	—	4,957	—
Cash paid for labor costs	(399,075)	(1,160)	(607)	(62)	(400,904)	—
Cash paid to suppliers	(60,630)	(111,765)	(5,944)	(4,641)	(182,980)	—
Cash paid for purchased transportation	(29,023)	—	—	—	(29,023)	—
Cash received from contributions	—	—	—	—	—	19,858
Payments made to beneficiaries	—	—	—	—	—	(17,143)
Payments made to third party contractors	—	—	—	—	—	(4,604)
Other receipts/(payments)	11,178	—	—	1,534	12,712	6,283
Net cash provided by/(used in) operating activities	(447,312)	(103,225)	15,145	(3,169)	(538,561)	4,394
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Operating grants received	184,098	—	—	—	184,098	—
Sales tax received	269,930	65,944	—	—	335,874	—
Altamont Corridor Express subsidy	(4,442)	—	—	—	(4,442)	—
Capital contributions to other agencies	(1,052)	—	—	—	(1,052)	—
Transfers in	88,191	—	—	—	88,191	—
Net cash provided by/(used in) non-capital financing activities	536,725	65,944	—	—	602,669	—
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Payment of long-term debt	(21,580)	—	(5)	—	(21,585)	—
Advance (to)/from other governments	6,056	—	—	—	6,056	—
Interest and other fees paid on long-term debt	(1,036)	—	(1,190)	—	(2,226)	—
Acquisition and construction of capital assets	(48,388)	(399,614)	(1,956)	—	(449,958)	—
Capital contribution from other entities	63,040	—	—	747	63,787	—
Capital acquisition from other funds	—	399,397	1,956	—	401,353	—
Net cash provided by/(used in) capital and related financing activities	(1,908)	(217)	(1,195)	747	(2,573)	—
CASH FLOWS FROM INVESTING ACTIVITIES:						
Proceeds from sale of investments	720,575	208,464	17,321	36,352	982,712	75,472
Purchase of investments	(819,534)	(218,941)	(31,399)	(36,749)	(1,106,623)	(78,467)
Interest income received	31,072	16,505	1,352	1,270	50,199	1,726
Net cash provided by/(used in) investment activities	(67,887)	6,028	(12,726)	873	(73,712)	(1,269)
Net increase/(decrease) in cash and cash equivalents	19,618	(31,470)	1,224	(1,549)	(12,177)	3,125
Cash and cash equivalents, beginning of year	2,969	145,426	18,372	1,601	168,368	22,199
Cash and cash equivalents, end of year	<u>\$ 22,587</u>	<u>\$ 113,956</u>	<u>\$ 19,596</u>	<u>\$ 52</u>	<u>\$ 156,191</u>	<u>\$ 25,324</u>

See Accompanying Notes to Basic Financial Statements

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Statement of Cash Flows
Proprietary Funds (continued)
For the year ended June 30, 2024
(In thousands)

	Business-Type Activities					
	VTA Transit	BART Operating	Express Lanes	Joint Development	Total Enterprise	Internal Service Fund
RECONCILIATION OF OPERATING INCOME/(LOSS) TO NET CASH PROVIDED BY/ (USED IN) OPERATING ACTIVITIES						
Operating income/(loss)	\$ (593,733)	\$ (219,811)	\$ 13,665	\$ (3,696)	\$ (803,575)	\$ (3,201)
Adjustments to reconcile operating income/(loss) to net cash provided by/(used in) operating activities:						
Depreciation	83,562	111,723	4,022	—	199,307	—
Changes in operating assets and liabilities:						
Other current assets	2,528	(205)	—	396	2,719	—
Receivables	6,875	—	(2,901)	272	4,246	6,283
Inventories	(1,365)	—	—	—	(1,365)	—
Accounts payable	44,538	2,072	359	(158)	46,811	(144)
Other accrued liabilities	(1,154)	2,996	—	—	1,842	1,456
Deposits from others	9	—	—	(7)	2	—
Unearned revenue	(4,521)	—	—	24	(4,497)	—
Pension and OPEB related	15,949	—	—	—	15,949	—
Net cash provided by/(used in) operating activities	<u>\$ (447,312)</u>	<u>\$ (103,225)</u>	<u>\$ 15,145</u>	<u>\$ (3,169)</u>	<u>\$ (538,561)</u>	<u>\$ 4,394</u>
Reconciliation of cash and cash equivalents to the Statement of Fund Net Position:						
Unrestricted:						
Cash and cash equivalents	\$ 20,854	\$ 938	\$ 5,388	\$ 52	\$ 27,232	\$ 25,324
Restricted:						
Cash and cash equivalents with fiscal agent	1,733	113,018	14,208	—	128,959	—
	<u>\$ 22,587</u>	<u>\$ 113,956</u>	<u>\$ 19,596</u>	<u>\$ 52</u>	<u>\$ 156,191</u>	<u>\$ 25,324</u>
NONCASH ACTIVITIES:						
Increase/(Decrease) in fair value of investments	\$ 12,435	\$ 5,636	\$ 308	\$ 473	\$ 18,852	\$ 436
Noncash capital contributions	30,056	—	—	—	30,056	—
GASB 96 subscription asset related	156	—	—	—	156	—
GASB 87 leased asset related	(2,700)	—	—	(126)	(2,826)	—
Total non-cash activities	<u>\$ 39,947</u>	<u>\$ 5,636</u>	<u>\$ 308</u>	<u>\$ 347</u>	<u>\$ 46,238</u>	<u>\$ 436</u>

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Balance Sheet
Governmental Funds

June 30, 2024

(In thousands)

	Special Revenue Funds						
	2000 Measure A Program	2016 Measure B Program	Congestion Management Program	Congestion Management & Highway Program	BAAQMD Program	SB83 VRF	Total Governmental Funds
ASSETS:							
Cash and cash equivalents	\$ 480	\$ 9	\$ 2,017	\$ 13,077	\$ 1,593	\$ 7,051	\$ 24,227
Investments	187,775	894,624	—	—	2,503	25,821	1,110,723
Accounts receivables	116	—	—	166	—	—	282
Due from other funds	576	—	—	—	—	—	576
Due from other agencies	172,743	46,866	1,459	15,914	1,209	2,600	240,791
Prepaid items	6,610	—	—	—	—	—	6,610
Restricted cash with fiscal agent	19,594	—	—	540	—	—	20,134
Total assets	<u>\$ 387,894</u>	<u>\$ 941,499</u>	<u>\$ 3,476</u>	<u>\$ 29,697</u>	<u>\$ 5,305</u>	<u>\$ 35,472</u>	<u>\$ 1,403,343</u>
LIABILITIES:							
Accounts payable	\$ 99,550	\$ 99,240	\$ 100	\$ 9,819	\$ 47	\$ 345	\$ 209,101
Unearned revenue	97	—	23	—	—	—	120
Due to other funds	—	—	—	326	—	—	326
Due to other agencies	23,617	—	104	19,552	—	—	43,273
Total liabilities	<u>123,264</u>	<u>99,240</u>	<u>227</u>	<u>29,697</u>	<u>47</u>	<u>345</u>	<u>252,820</u>
FUND BALANCES:							
Non-spendable	6,610	—	—	—	—	—	6,610
Restricted	258,020	842,259	3,249	—	5,258	35,127	1,143,913
Total fund balances	<u>264,630</u>	<u>842,259</u>	<u>3,249</u>	<u>—</u>	<u>5,258</u>	<u>35,127</u>	<u>1,150,523</u>
Total liabilities and fund balances	<u>\$ 387,894</u>	<u>\$ 941,499</u>	<u>\$ 3,476</u>	<u>\$ 29,697</u>	<u>\$ 5,305</u>	<u>\$ 35,472</u>	<u>\$ 1,403,343</u>

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

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

Total governmental fund balance	\$ 1,150,523
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	(697,970)
Deferred outflows of resources related to refunding costs	37,416
Interest payable on bonds outstanding is not due and payable in the current period, and therefore, is not reported in the funds	(7,083)
Net position of government activities (page 2-20)	<u>\$ 482,886</u>

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds

For the year ended June 30, 2024

(In thousands)

	Special Revenue Funds						Total Governmental Funds
	2000 Measure A Program	2016 Measure B Program	Congestion Management Program	Congestion Management & Highway Program	BAAQMD Program	SB83 VRF	
REVENUES:							
Sales tax revenue	\$ 266,901	\$ 266,618	\$ —	\$ —	\$ —	\$ —	\$ 533,519
Assessment to member agencies	—	—	3,152	—	—	—	3,152
Administrative fees	—	—	169	—	—	—	169
Federal grant revenues	7,663	—	2,632	374	—	—	10,669
State and local grants	355,419	—	112	56,235	2,501	15,841	430,108
Federal subsidy for Build America Bonds	786	—	—	—	—	—	786
Investment earnings	8,209	49,460	57	—	166	1,536	59,428
Other revenues	522	—	435	—	—	—	957
Total revenues	639,500	316,078	6,557	56,609	2,667	17,377	1,038,788
EXPENDITURES:							
Congestion Management - Current							
Labor and overhead costs	—	1,204	5,823	—	—	—	7,027
Professional services	—	965	490	—	—	137	1,592
Materials and services	—	—	15	—	—	—	15
Capital expenditures on behalf of, and contributions to other agencies	21,271	449,739	135	54,653	—	—	525,798
Program payments	—	—	—	—	1,015	18,511	19,526
Other expenditures	1,016	29	—	—	—	—	1,045
Debt Service:							
Principal	29,480	—	—	—	—	—	29,480
Interest	27,325	—	—	—	—	—	27,325
Issuance cost	1,409	—	—	—	—	—	1,409
Total expenditures	80,501	451,937	6,463	54,653	1,015	18,648	613,217
Excess (deficiency) of revenues over expenditures	558,999	(135,859)	94	1,956	1,652	(1,271)	425,571
OTHER FINANCING SOURCES & USES:							
Transfers out	(524,500)	(15,290)	—	(1,956)	—	—	(541,746)
Refunding bonds issued	559,535	—	—	—	—	—	559,535
Premium on refunding bonds issued	83,817	—	—	—	—	—	83,817
Swap termination fee, call in premium and refunded premium	(40,308)	—	—	—	—	—	(40,308)
Payment to refunded bonds	(611,150)	—	—	—	—	—	(611,150)
Net change in fund balances	26,393	(151,149)	94	—	1,652	(1,271)	(124,281)
Fund balances, beginning of year	238,237	993,408	3,155	—	3,606	36,398	1,274,804
Fund balances, end of year	\$ 264,630	\$ 842,259	\$ 3,249	\$ —	\$ 5,258	\$ 35,127	\$ 1,150,523

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 2-21) are different because:

Net change in fund balances - total governmental funds	\$ (124,281)
Repayment of debt service is an expenditure in the governmental funds, but reduces the long-term liabilities	29,480
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	1,422
Amortization of gain on refunding debt	69
Amortization of loss on refunding debt	(3,161)
Change in accrued interest payable	8,950
Change in net position of governmental activities (page 2-21)	<u>\$ (87,521)</u>

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2024

(In thousands)

	ATU Pension, ATU Medical & OPEB Trust Funds
ASSETS:	
Cash and investments:	
Cash and cash equivalents	\$ 5,608
Corporate bonds	62,475
Municipal bonds	1,673
U.S. government agency bonds	65,696
U.S. treasury	19,352
Money market funds	5,144
Equity based	687,567
Real asset funds	56,252
Alternative investments	261,175
Receivables	1,438
Prepaid items	14
Due from other agencies	10
Total assets	<u>1,166,404</u>
LIABILITIES:	
Accounts payable	2,930
Unearned revenues	19
Total liabilities	<u>2,949</u>
NET POSITION:	
<i>Restricted for:</i>	
ATU pension benefits	709,811
Retiree medical benefits	401,101
ATU retiree spousal medical benefits	30,979
ATU retiree dental and vision benefits	21,564
Total net position	<u><u>\$ 1,163,455</u></u>

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Statement of Changes in Fiduciary Net Position
Fiduciary Funds

For the year ended June 30, 2024

(In thousands)

	ATU Pension, ATU Medical & OPEB Trust Funds
ADDITIONS:	
Employee contributions	\$ 8,781
Employer contributions	35,389
Total contributions	<u>44,170</u>
Investment earnings	
Investment income	32,588
Net change in the fair value of investments	109,553
Investment expense	<u>(11,901)</u>
Net investment earnings/(losses)	<u>130,240</u>
Total additions	<u>174,410</u>
DEDUCTIONS:	
Benefit payments	71,870
Administrative expenses	<u>490</u>
Total deductions	<u>72,360</u>
Change in net position	102,050
Net position, beginning of year	<u>1,061,405</u>
Net position, end of year	<u><u>\$ 1,163,455</u></u>

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NOTES TO THE BASIC FINANCIAL STATEMENTS

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NOTE 1 – THE FINANCIAL REPORTING ENTITY

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation

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

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

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

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

- The VTA Transit Fund accounts for the operations of VTA. The primary sources of funding for transit operations are the one-half cent sales tax, farebox collections, other federal/state TDA grants, as well as operating assistance from 2000 Measure A and 2016 Measure B.
- The BART Operating Fund is used to account for the 1/8-cent sales tax approved in an election by voters of County of Santa Clara requiring that sales tax revenues be expended on operations, maintenance, improvement and future capital needs of the 16.1-mile VTA's BART Silicon Valley Extension.
- The Express Lanes Fund is used to account for operations of the 237/880 and US101/SR 85 Express Lanes. The primary source of funding for the operations is toll revenues. The fund reports a long-term liability relating to a loan agreement primarily for funding construction costs of the Express Lanes project.
- The Joint Development Fund is used to set aside the proceeds generated from VTA's Joint Development Program, whose mission is to maximize the economic value of the agency's real estate assets through site-appropriate development. The aggregated funds may be appropriated for the continued operation and development of VTA through formal action by the VTA Board of Directors.

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

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

- The 2000 Measure A Special Revenue Fund is used to account for the 2000 Measure A Transit Improvement Program funded through a one-half cent sales tax as approved in an election by voters of County of Santa Clara requiring that sales tax revenues be expended on projects included in the scope of 2000 Measure A.
- The 2016 Measure B Special Revenue Fund is used to account for the 2016 Measure B Program funded through a one-half cent sales tax approved in an election by voters of County of Santa Clara requiring that sales tax revenues be expended on enhancing transit, highways, expressways and active transportation (bicycles, pedestrians and complete streets).
- The 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 (CMHP) Capital Projects Fund is used to account for the acquisition of capital assets and construction of highway projects administered on behalf of State and other local governments.
- Bay Area Air Quality Management District (BAAQMD) accounts for the activities that relate to the Transportation Fund for Clean Air (TFCA) program, for purposes of regulating emissions from stationary and mobile services.
- 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. The purpose is to fund congestion and pollution mitigation projects and programs.

The Fiduciary Funds are used to account for assets held by VTA as a trustee. These assets cannot be used to support VTA's programs. VTA's Trust Funds include retiree funds namely ATU Pension Plan, Other Post-Employment Benefits Trust (OPEB), ATU Spousal Medical, and Retiree Dental/Vision Plan.

(b) *Basis of Accounting and Measurement Focus*

The government-wide, proprietary funds, and fiduciary trust funds financial statements are reported using the *accrual basis* of accounting and the *economic resources measurement focus*. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions in which VTA gives (or receives) value without directly receiving (or giving) equal value in exchange include sales tax and grants. Revenues from sales tax are recognized when the underlying transactions take place. Revenues from grants are recognized in the fiscal year in which all eligibility requirements have been satisfied. Fiduciary trust funds are also reported using accrual basis of accounting and the economic resources measurement focus.

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

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

(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. Only investments with maturities of three months or less at the time of purchase are classified as cash equivalents. Restricted and unrestricted cash, and cash equivalents and cash and investments with fiscal agents are considered to be cash and cash equivalents for purposes of the accompanying statement of cash flows. Access to cash and investments with fiscal agents is similar to that of a demand deposit account and, therefore, investments are considered to be cash equivalents.

(d) *Inventories*

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

(e) *Restricted Assets*

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

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

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

(g) Capital Assets

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

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

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

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

(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 \$10 million in self-insurance for general liability and completely self-insures workers' compensation claims. Estimated losses on claims other than workers' compensation claims are charged to expense in the period the loss is determinable. Estimated losses for workers' compensation claims are charged to expense as a percentage of labor in each accounting period. The costs incurred for workers' compensation and general liability

(including estimates for claims incurred but not yet reported) are reported in the Internal Service Fund based on an actuarial determination of the present value of estimated future cash payments (see Notes 15 and 16).

(j) *Net Position*

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

- Net Investment in Capital Assets - This category groups all capital assets, including infrastructure and intangibles, into one component of net position. Accumulated depreciation/amortization 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, 2024, on pages 2-22 and 2-23, reports that enterprise fund net investment in capital assets (net of related debt) is \$5.6 billion.
- Restricted Net Position - This category consists of debt service and related swap, amounts restricted for 1996 Measure B projects, Net OPEB Asset, 2016 Measure B program, Congestion Management Program (CMP), swap collateral, debt service, Bay Area Air Quality Management District and Vehicle Registration Fees. When both restricted and unrestricted net positions are available, unrestricted resources are used only after the restricted resources are depleted.
- Unrestricted Net Position - The remaining unrestricted net position, although not legally restricted, has been earmarked for future capital and operating needs, as well as for other purposes in accordance with Board directives.

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

(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 \$37.8 million as costs allocated to capital and other programs. This amount represents primarily a credit for direct and indirect labor, associated fringe benefits, and other costs that were capitalized as construction in progress.

(l) *Estimates*

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

(m) *Fund Balance - Governmental Funds*

The fund balances are classified as restricted or non-spendable. Restricted fund balance 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. Non-spendable consists of assets that are inherently

(n) *Fund Balance Spending Order Policy*

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

(o) *Leases*

Lessor – VTA recognizes a lease receivable and a deferred inflow of resources at the commencement of the lease term, except for short-term leases. The lease receivable is measured at the present value of lease payments expected to be received during the lease term. The deferred inflow of resources is measured at the value of the lease receivable plus any payments received at or before the commencement of the lease term that relate to future periods.

Lessee – VTA recognizes a lease liability and a lease asset at the commencement of the lease term, unless the lease is a short-term lease, or it transfers ownership of the underlying asset. The lease liability is measured at the present value of payments expected to be made during the lease term (excluding any lease incentives received). The lease asset is measured at the amount of the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term.

(p) New Accounting Pronouncements

GASB Statement No. 100, *Accounting Changes and Error Corrections* – an amendment of GASB Statement No. 62. The objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent and comparable information for making decisions or assessing accountability. GASB 100 will be effective fiscal year ending June 30, 2024. The statement did not have a significant impact on VTA's financial statements.

GASB Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of the financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. GASB 101 will be effective fiscal year ending June 30, 2025. VTA is evaluating the impact of this statement to the financial statements.

GASB Statement No. 102, *Certain Risk Disclosures* - requires governments to disclose essential information about risks related to vulnerabilities due to certain concentrations or constraints. The Statement defines a concentration as a lack of diversity related to an aspect of a significant inflow or outflow of resources. The Statement defines a constraint as a limitation imposed on a government by an external party or by formal action of the government's highest level of decision-making authority. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. VTA does not expect this standard to have a significant impact to the financial statements.

GASB Statement No. 103, *Financial Reporting Model Improvements* - In April 2024 GASB issued Statement No. 103. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. VTA does not expect this standard to have a significant impact to the financial statements.

NOTE 3 - CASH AND INVESTMENTS

Total cash and investments as of June 30, 2024, are reported in the accompanying basic financial statements as follows (in thousands):

	Enterprise Funds	Internal Service Fund	Governmental Funds	Retiree Benefits Trust Funds	Total
Cash and Cash Equivalents	\$ 27,232	\$ 25,324	\$ 24,227	\$ 5,608	\$ 82,391
Restricted Cash and Cash Equivalents with Fiscal Agents	128,959	—	20,134	—	149,093
Total cash equivalents	156,191	25,324	44,361	5,608	231,484
Investments	1,112,550	65,890	1,110,723	1,159,334	3,448,497
Total Cash and Investments	\$ 1,268,741	\$ 91,214	\$ 1,155,084	\$ 1,164,942	\$ 3,679,981

Cash and Cash Equivalents

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

Investments policies

VTA's investments fall into two categories, i.e. investments related to: (1) operations pool, and (2) retiree benefits pool. The first includes investments reported by all VTA funds except for the ATU Pension, Spousal Medical/Retiree Dental, and Other Post Employment Benefit (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 Spousal Medical/Retiree Dental, and the Retirees' OPEB.

Investment within the operations pool

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

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

VTA's investment policy covering the operations pool conforms to state statutes and provides written investment guidance regarding the types of investments that may be made and the amounts which may be invested in any one financial institution or any one long-term instrument. VTA's permissible investments include U.S. treasury obligations, obligations of federal agencies and U.S. government sponsored enterprises, state of California obligations, local agency obligations, bankers'

acceptances with 180 days or less in maturity and no more than 40% of the total operations pool, commercial papers with a rating of A-1/P-1 or higher with 270 days or less in maturity and no more than 25% of the total operations pool, repurchase and reverse repurchase agreements with one year or less in maturity and no more than 20% of the total operations pool, medium-term corporate notes, not exceeding 30% of the total operations pool, collateralized savings/money market accounts not exceeding 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). When the year ended, however, VTA has no deposits with LAIF. VTA will continue to use LAIF as a mechanism to respond to liquidity needs. 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, 2024, was 217 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 \$2.5 billion investment in the operations pool is in compliance with the maximum maturity provision of VTA's Investment Policy.

The following schedule indicates the maturity of investments at June 30, 2024 (in thousands):

	Maturity				
	Less than 1 year	1-5 Years	6-10 Years	Over 10 Years	Total
OPERATIONS POOL					
Corporate Bonds	\$ 135,175	\$ 828,279	\$ —	\$ —	\$ 963,454
Municipal Bonds	51,122	29,170	—	—	80,292
Commercial Papers/CD	108,863	—	—	—	108,863
US Government Agency Bonds	61,638	196,877	—	—	258,515
US Treasury	162,465	708,980	—	—	871,445
Money Market Funds	6,594	—	—	—	6,594
Subtotal	<u>\$ 525,857</u>	<u>\$ 1,763,306</u>	<u>\$ —</u>	<u>\$ —</u>	<u>2,289,163</u>
Cash with Fiscal Agents					149,093
Cash Deposits					76,783
Total cash and investments in the operations pool					<u>2,515,039</u>

	Maturity				
	Less than 1 year	1-5 Years	6-10 Years	Over 10 Years	Total
RETIREE BENEFITS POOL					
Corporate Bonds - Pension	\$ 1,019	\$ 10,202	\$ 12,039	\$ 14,137	\$ 37,397
Corporate Bonds - OPEB	870	6,678	8,650	8,880	25,078
Municipal Bonds - Pension	—	—	410	585	995
Municipal Bonds - OPEB	—	—	387	291	678
US Government Agency Bonds - Pension Plan	2	26	959	39,233	40,220
US Government Agency Bonds - OPEB Plan	—	21	347	25,108	25,476
US Treasury - Pension	—	—	—	12,211	12,211
US Treasury - OPEB	—	—	—	7,141	7,141
Money Market Funds - Pension	3,313	—	—	—	3,313
Money Market Funds - OPEB	1,831	—	—	—	1,831
Subtotal	<u>\$ 7,035</u>	<u>\$ 16,927</u>	<u>\$ 22,792</u>	<u>\$ 107,586</u>	<u>154,340</u>
Equity Based					687,567
Real Assets Funds					56,252
Alternative Investments					261,175
Cash Deposits					5,608
Total cash and investments in the retiree benefits pool					<u>1,164,942</u>
Total cash and investments					<u>\$ 3,679,981</u>

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

Certain investments, such as obligations that are backed by the full faith and credit of the United States government are not subject to credit ratings criteria in VTA's Investment Policy. Those with credit exposure as rated by Standard and Poor's and Moody's Investors Service are included below (in thousands):

	Rating as of June 30, 2024		
	Operations Pool	Retiree Benefits Pool	Total
Corporate bonds			
A	\$ 401,835	\$ 4,832	\$ 406,667
AA	119,233	5,816	125,049
AAA	347,201	241	347,442
B	—	1,080	1,080
BB	—	4,465	4,465
BBB	90,962	46,041	137,003
AA+u	4,223	—	4,223
Municipal bonds			
A	15,473	635	16,108
A1	2,320	—	2,320
AA	48,080	1,038	49,118
Aa1	4,985	—	4,985
Aa2	3,821	—	3,821
Aa3	4,464	—	4,464
AAA	1,149	—	1,149
Certificates of Deposit			
A1	62,274	—	62,274
Commercial Paper			
A1	46,589	—	46,589
US Government Agencies			
AA	128,261	65,696	193,957
AA+u	110,404	—	110,404
AAA	19,850	—	19,850
US Treasury Notes			
AA+	—	19,352	19,352
AA+u	159,405	—	159,405
AAA	712,040	—	712,040
Unrated cash and investments			
Cash with Fiscal Agents	149,093	5,608	154,701
Real Assets Funds	—	56,252	56,252
Equity Based	—	687,567	687,567
Alternative Investments	—	261,175	261,175
Money Market Funds	6,594	5,144	11,738
Deposits with financial institutions	76,783	—	76,783
TOTAL	\$ 2,515,039	\$ 1,164,942	\$ 3,679,981

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, 2024, 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, 2024, the retiree benefits pool held investments in the UBS Trumbull Real Estate Fund, Dodge & Cox, Principal Group and BlackRock 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, 2024:

Operations Pool	Fair Value Hierarchy			Total
	Level 1	Level 2	Level 3	
Corporate Bonds	\$ —	\$ 963,454	\$ —	\$ 963,454
Municipal Bonds	—	80,292	—	80,292
US Government Agency Bonds	—	258,515	—	258,515
US Treasury	871,445	—	—	871,445
Certificates of Deposit	—	62,274	—	62,274
Subtotal	<u>\$871,445</u>	<u>\$ 1,364,535</u>	<u>\$ —</u>	<u>2,235,980</u>
Not subject to the fair value hierarchy				
Money Market Funds				6,594
Cash with Fiscal Agents				149,093
Commercial Papers				46,589
Cash Deposits				76,783
Subtotal				<u>279,059</u>
Cash and investments in the operations pool				<u>2,515,039</u>

Retiree Benefits Pool	Fair Value Hierarchy			Total
	Level 1	Level 2	Level 3	
Corporate Bonds - Pension Plan	\$ —	\$ 37,397	\$ —	\$ 37,397
Corporate Bonds - OPEB Plan	—	25,078	—	25,078
Municipal Bonds - Pension Plan	—	995	—	995
Municipal Bonds - OPEB Plan	—	678	—	678
US Government Agency Bonds - Pension Plan	—	40,220	—	40,220
US Government Agency Bonds - OPEB Plan	—	25,476	—	25,476
US Treasury - Pension Plan	12,211	—	—	12,211
US Treasury - OPEB Plan	7,141	—	—	7,141
Equity Based	—	687,567	—	687,567
Subtotal	<u>\$ 19,352</u>	<u>\$ 817,411</u>	<u>\$ —</u>	<u>836,763</u>
Net Asset Value				
Real Assets Funds				56,252
Alternative Investments				261,175
Subtotal				<u>317,427</u>
Not subject to the fair value hierarchy				
Money Market Funds - Pension				3,313
Money Market Funds - OPEB				1,831
Cash Deposits				5,608
Subtotal				<u>10,752</u>
Cash and investments in the retiree benefits pool				<u>1,164,942</u>
Total cash and investments				<u>\$3,679,981</u>

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). For investments classified within Level 2 of the fair value hierarchy, the VTA's custodians generally use a multidimensional relational model. Inputs to their pricing models are based on observable market inputs in active markets. The inputs to the pricing models are typically benchmark yields, reported trades, broker-dealer quotes, issuer spreads and benchmark securities, among others. VTA does not have any investments that are measured using level 3 input, which is the lowest priority when pricing inputs are unobservable. 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 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 fair value of all securities owned by a fund, minus its total liabilities, divided by the number of shares issued and outstanding. The fair value of the retiree benefits pool's investments in real asset funds and alternative investment funds is based on net asset values provided by the fund managers (partnerships). Such value generally represents the retiree benefits pool's proportionate share of the net assets of these partnerships. The partnership financial statements are audited annually, and the net asset value is adjusted by additional contributions to and distributions from the partnerships, the retiree benefit pool's share of net earnings and losses, and unrealized gains and losses resulting from changes in fair value, as determined by these partnerships. These investments may be redeemed once per quarter with 90-day notification. Because of the inherent uncertainty in the valuation of these types of investments, the fair value reported on the financial statements may differ from the values that would have been used if a ready market for such securities existed.

Foreign Currency Risk

This is the risk that changes in the exchange rates will adversely affect the fair value of underlying investments. The following table provides information as of June 30, 2024, concerning the fair value of investments that are subject to foreign currency risk that are only reported in the retiree benefits pool:

Currency Name	Global Equity ('000)
United Arab Emirates Dirham	\$ 466
Australian Dollar	11,004
Brazilian Real	1,792
Swiss Franc	14,064
Chilean Peso	210
Chinese Yuan Renminbi Offshore	6
Chinese Yuan Renminbi Onshore	1,419
Columbia Peso	39
Czech Koruna	54
Danish Krone	5,796
Egyptian Pound	40
Euro	49,798
British Pound Sterling	22,534
Hong Kong Dollar	10,049
Hungarian Forint	96
Indonesian Rupiah	678
Israeli new Shekel	485
Indian Rupee	8,802
Japanese Yen	33,483
South Korean Won	5,214
Kuwaiti Dinar	335
Mexican Peso	883
Malaysian Ringgit	665
Norwegian Krone	912
New Zealand Dollar	280
Philippine Peso	237
Polish Zloty	439
Qatari Riyal	326
Saudi Riyal	1,667
Swedish Krona	4,722
Singapore Dollar	1,677
Thai Baht	657
Turkish New Lira	442
Taiwan Dollar	8,515
South African Rand	1,273
Total	\$ 189,059

NOTE 4 – INTERFUND TRANSACTIONS

The composition of interfund balances as of June 30, 2024, is as follows (in thousands):

	Due from other funds	Due to other funds
Enterprise Funds		
VTA Transit	\$ 2,750 ^{1,2,3}	\$ —
BART Operating	—	3,000 ²
Subtotal	<u>2,750</u>	<u>3,000</u>
Governmental Funds		
2000 Measure A Program	576 ³	—
Congestion Management & Highway Program	—	326 ¹
Subtotal	<u>576</u>	<u>326</u>
Total	<u>\$ 3,326</u>	<u>\$ 3,326</u>

¹ Represents expenses paid at year-end by VTA Transit fund on behalf of Congestion Management & Highway Program, but were not reimbursed until the following period.

² Represents expenses paid at year-end by VTA Transit fund on behalf of BART Operating, but were not reimbursed until the following period.

³ Represents true-up of Q4 sales tax regarding operating assistance for 2000 Measure A program.

A summary of the transfers in/out for the year ended June 30, 2024, is as follows:

Transfer from	Transfer to	Purpose	Amount (in thousands)
2000 Measure A Fund	VTA Transit Fund	Fund capital acquisitions	\$ 102
		Operating Assistance	55,382
		Meas A Repayment Obligation	17,519
2016 Measure B Fund	VTA Transit Fund	Operating Assistance	<u>15,290</u>
		Subtotal	88,293
Congestion Management & Highway Program	Express Lanes	Fund capital acquisitions	1,956
2000 Measure A Fund	BART Operating Fund	Fund capital acquisitions	<u>451,497</u>
		Total	<u>\$ 541,746</u>

The transfer to VTA Transit includes \$102 thousand of fund capital acquisitions from 2000 Measure A (consisting of facility modifications for bus rapid transit and capital improvement to the light rail corridor), \$17.5 million of Measure A Repayment Obligation, \$55.4 million of operating assistance from 2000 Measure A, and \$15.3 million of operating assistance from 2016 Measure B Program. Express Lanes received \$2.0 million capital acquisitions from Congestion Management and Highway Program. The \$451.5 million transfer to BART Operations consists of capital acquisition from 2000 Measure A (including Silicon Valley Berryessa Extension Phase II development costs, utility relocations costs at the Eastridge to BART Regional Connector and BART vehicle procurement projects).

NOTE 5 – DUE FROM AND DUE TO OTHER AGENCIES

Due from other agencies as of June 30, 2024 consisted largely of sales tax receivables of \$151.9 million (\$58.2 million under enterprise funds, and \$93.7 million under governmental funds) and State Transit Assistance of \$13.1 million. A summary is provided as follows (in thousands):

Due from Other Agencies	Enterprise Funds	Fiduciary Funds	Governmental Funds
Federal Government	\$ 42,982	\$ —	\$ 6,317
State Government	75,803	—	103,664
Cities and other local agencies	1,545	10	130,810
Total	\$ 120,330	\$ 10	\$ 240,791

Due to other agencies as of June 30, 2024 consisted of advances for capital projects received from the entities as provided below (in thousands):

Due to Other Agencies	Enterprise Funds	Governmental Funds
State	\$ 27,184	\$ 21,724
CDTFA CA TDA	50,400	—
Local & Other cities	3,504	21,549
Total	\$ 81,088	\$ 43,273

NOTE 6 – CAPITAL ASSETS

Capital asset changes for VTA's business-type activities for the year ended June 30, 2024, were as follows (in thousands):

	July 1, 2023	Additions	Retirements	Transfers	June 30, 2024
Capital assets, not being depreciated					
Land and right-of-way	\$ 1,847,157	\$ —	\$ —	\$ 2,456	\$ 1,849,613
Construction in progress	1,248,018	573,531	(168)	(38,055)	1,783,326
Total capital assets, not being depreciated	3,095,175	573,531	(168)	(35,599)	3,632,939
Capital assets, being depreciated					
Caltrain - Gilroy extension	53,790	—	—	—	53,790
Buildings and improvements	1,209,238	—	—	1,906	1,211,144
Furniture and fixtures	530,769	108	(19,839)	10,669	521,707
Vehicles	803,224	—	(25,185)	20,151	798,190
Light rail tracks and electrification	1,185,153	—	—	1,269	1,186,422
Leasehold improvement	9,851	—	—	—	9,851
Others	84,600	—	—	1,604	86,204
Total capital assets, being depreciated	3,876,625	108	(45,024)	35,599	3,867,308
Accumulated Depreciation					
Caltrain - Gilroy extension	(25,273)	(1,390)	—	—	(26,663)
Buildings and improvements	(330,945)	(28,529)	—	—	(359,474)
Furniture and fixtures	(369,097)	(84,623)	19,840	—	(433,880)
Vehicles	(449,881)	(35,161)	25,184	—	(459,858)
Light rail tracks and electrification	(465,336)	(44,492)	—	—	(509,828)
Leasehold improvement	(7,055)	(442)	—	—	(7,497)
Other	(54,159)	(4,330)	—	—	(58,489)
Total accumulated depreciation	(1,701,746)	(198,967)	45,024	—	(1,855,689)
Total capital assets, being depreciated, net	2,174,879	(198,859)	—	35,599	2,011,619
Intangible assets, being amortized					
Right-to-use assets - Ground leases	2,206	—	—	—	2,206
Subscription assets	—	778	—	—	778
Total Intangible assets, being amortized	2,206	778	—	—	2,984
Accumulated Amortization					
Right-to-use assets - Ground leases	(368)	(183)	—	—	(551)
Subscription assets	—	(156)	—	—	(156)
Total accumulated amortization	(368)	(339)	—	—	(707)
Total Intangible assets, being amortized, net	1,838	439	—	—	2,277
Total capital assets and intangible assets, net	\$ 5,271,892	\$ 375,111	\$ (168)	\$ —	\$ 5,646,835

Construction in Progress (CIP) includes capitalized costs and right-of-way acquisitions associated with the following projects as of June 30, 2024, (in thousands):

Silicon Valley Rapid Transit	\$ 1,471,849
Light Rail Program	94,504
Bus Program	16,827
Operating Facilities & Equipment	36,554
Revenue Vehicles & Equipment	40,548
Information Systems Technology	22,145
Light Rail - Way, Power & Signal	61,130
Silicon Valley Express	3,359
Non-Revenue Vehicle	3,418
Passenger Facilities	5,150
Joint Development	4,004
Vasona Corridor Projects	20
Diridon Property	23,818
Total	<u><u>\$ 1,783,326</u></u>

NOTE 7 - LONG-TERM DEBT & LIABILITIES

Long-term debt service as of June 30, 2024, consisted of the following (in thousands):

Business-Type Activities:

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

2017 Series B Refunding (\$12,620 plus unamortized premium of \$3,213)	\$ 15,833
2018 Series A Refunding (\$32,580 plus unamortized premium of \$6,455)	39,035

Secured by Toll Revenues:

Silicon Valley Express Lanes State Route 237 Loan	22,591
Subtotal	<u>77,459</u>
Less: Current portion of long-term debt	<u>(18,625)</u>
Long term debt, excluding current portion	<u><u>\$ 58,834</u></u>

Governmental Activities:

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

2015 Series A-B Refunding (\$8,465 plus unamortized premium of \$2,377)	\$ 10,842
2020 Series A Measure A Refunding	69,675
2023 Series A Measure A Refunding (\$533,985 plus unamortized premium of \$83,468)	617,453
Subtotal	<u>697,970</u>
Less: Current portion of long-term debt	<u>(39,280)</u>
Long term debt, excluding current portion	<u><u>\$ 658,690</u></u>

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

- 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 2011 Series A bonds were fully paid from escrow in 2021. The refunding was done in order to take advantage of the lower interest cost of the refunding bonds. The refunding bonds were issued at an all-in true interest cost of 1.98%. The 2017 Series B Bonds were issued as a traditional fixed rate bond in a negotiated sale.
- In September 2018, \$103.22 million of VTA 2018 Series A Sales Tax Revenue Refunding Bonds were issued to current refund \$114.92 million principal amount of the VTA 2008 Series A, B and C Bonds (the “2008 Bonds”) maturing on June 1, 2026. As part of the refunding, VTA terminated the three fixed payor interest rate swaps associated with the 2008 Bonds. Unlike a traditional refunding for debt service savings, the purpose of the 2018 Bonds was to simplify VTA’s debt portfolio, and to eliminate future uncertainty related to variable rate 2008 Bonds and the related interest rate swaps. The refunding bonds were issued at an all-in true interest cost of 3.14%. The 2018 Series A Bonds were issued as a traditional fixed rate bond in a negotiated sale.

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

- In September 2017, VTA entered into a loan agreement with Western Alliance Bank to provide up to a \$24 million loan to fund construction costs of the SR237 Express Lanes Phase 2 project, pay capitalized interest, and fund issuance costs of the loan. The loan is a draw down type loan, with advances permitted through September 30, 2019. During the advances period a variable interest rate is calculated based on 1-month LIBOR plus a spread. Beginning October 1, 2019, the loan is subject to an annual interest rate of 5.15% and will be amortized over the remaining 17 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

- In February 2015, \$89.98 million of 2015 Measure A Series A and B Bonds 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%.

- In September 2020, \$69.7 million of 2020 Measure A Series A Bonds were issued to advance refund the 2027 through 2036 maturities of the 2015 Measure A Series A bonds. The select maturities for the 2015 bonds with a par amount of \$57.2 million will be refunded in April 2025 from 2020 bond proceeds deposited in an escrow account. The refunding was done in order to take advantage of the lower interest cost of the refunding bonds. The unamortized balance was reported as deferred outflow of resources. The refunding bonds were issued at a true interest cost of 1.822%.
- In August 2023, \$559.5 million of 2023 Measure A Series A Refunding Bonds were issued to advance refund the 2008 Series A-D Measure A Sales Tax Revenue Refunding Bonds (the “2008 Series Bonds”) having a final maturity on April 1, 2036 as well as the 2010 Series A Taxable Build America Bonds (the “2010 Series A Bonds maturing on April 1, 2032”), (aggregately the “Prior Bonds”). As part of the refunding, VTA terminated the four associated fixed payor interest rate swaps associated with the 2008 Measure A Bonds. Unlike a traditional refunding for debt service savings, the purpose of the 2023 Bonds was to simplify VTA’s debt portfolio, and to eliminate future uncertainty related to variable rate 2008 Measure A Bonds and the related interest rate swaps, as well as to eliminate future uncertainty related to the Build America Bond subsidies that were subject to Congress’s decision on reauthorizing the subsidy payments. In connection with the refunding of the 2010 Bonds, VTA paid a make whole redemption premium based on its Extraordinary Optional Redemption. The refunding bonds were issued at an all-in true interest cost of 3.52%. The 2023 Series A Bonds were issued as a traditional fixed rate bond in a negotiated sale.

VTA was able to take advantage of unusual market conditions that resulted in a favorable ratio between tax-exempt and taxable rates, creating the opportunity to address the risks posed by the Prior Bonds while achieving a net present value savings of 12.1 million.

(d) *Interest Rate Swaps*

In August 2023, the VTA fully refunded the 2008 Series A, B, C & D Bonds and terminated the four fixed payor interest rate swaps associated with them.

(e) *Long-Term Debt Obligation Summary*

The table below presents all long-term debt. Interest Rates on all outstanding fixed-rate obligations range from 0.79% - 5.15%. Projected principal and interest obligations as of June 30, 2024, are as follows (in thousands):

Business-Type Activities:

	Principal	Interest	Total
Year ending June 30:			
2025	\$ 18,625	\$ 3,343	\$ 21,968
2026	19,510	2,408	21,918
2027	4,990	1,445	6,435
2028	5,265	1,190	6,455
2029	1,620	937	2,557
2030-2034	9,445	3,290	12,735
2035-2038	8,336	695	9,031
	67,791	\$ 13,308	\$ 81,099
Unamortized bond premium	9,668		
Total debt	77,459		
Less current portion	(18,625)		
Long-term portion of debt	\$ 58,834		

Governmental Activities:

	Principal	Interest	Total
Year ending June 30:			
2025	\$ 39,280	\$ 27,851	\$ 67,131
2026	41,205	25,913	67,118
2027	43,160	23,936	67,096
2028	45,090	21,985	67,075
2029	47,125	19,925	67,050
2030-2034	269,975	64,868	334,843
2035-2036	126,290	7,432	133,722
	612,125	\$ 191,910	\$ 804,035
Unamortized bond premium	85,845		
Total debt	697,970		
Less current portion	(39,280)		
Long-term portion of debt	\$ 658,690		

(f) Restrictions and Limitations

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

(g) Long Term Liabilities

Business-type Activities:

The amount of pledged revenue recognized during fiscal year 2024 available to fund principal and interest requirements for the debt secured by 1976 Half-Cent Sales Tax was \$266.9 million

and debt service was \$18.7 million. As a result, the debt service coverage ratio was 14.3 in FY 2024. The Express Lane debt of \$22.59 million is secured by toll revenues.

Changes in long-term liability of VTA's Business-Type Activities are as follows:

(Dollars in thousands)	July 1, 2023	Additions	Reductions	June 30, 2024	Amounts Due Within One Year
Sales Tax Revenue Bonds					
Secured by 1976 1/2 Cent Sales Tax					
2017 Series B	\$ 15,140	\$ —	\$ 2,520	\$ 12,620	\$ 2,625
2018 Series A	47,770	—	15,190	32,580	15,910
Silicon Valley Express Lanes State Route 237 Loan	23,177	—	586	22,591	90
Plus (less) premium/discounts	12,713	—	3,045	9,668	—
Outstanding Debt, Net	98,800	—	21,341	77,459	18,625
Claims Liability:					
General Liability	17,979	5,321	4,622	18,678	4,360
Worker's Compensation	30,495	9,237	11,720	28,012	4,432
Compensated Absences	41,690	7,276	4,575	44,391	14,455
Total Long-Term Liabilities	\$ 188,964	\$ 21,834	\$ 42,258	\$ 168,540	\$ 41,872

Governmental Activities:

The amount of pledged revenue recognized during fiscal year 2024 available to fund principal and interest requirements for the debt secured by 2000 Measure A Half-Cent Sales Tax was \$266.9 million and debt service was \$70.8 million. As a result, the debt service coverage ratio was 3.8 in FY 2024.

Changes in long-term liability of VTA's Governmental Activities are as follows:

(Dollars in thousands)	July 1, 2023	Additions	Reductions	June 30, 2024	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	375,275	—	375,275	—	—
2015 Series A-B	12,395	—	3,930	8,465	4,130
2020 Series A	69,675	—	—	69,675	1,065
2023 Series A	—	559,535	25,550	533,985	34,085
Plus (less) premium/discounts	3,450	83,468	1,073	85,845	—
Total Long-Term Liabilities	\$ 696,670	\$ 643,003	\$ 641,703	\$ 697,970	\$ 39,280

VTA's Transit Fund reported a deferred amount on refunding in the amount of \$0.2 million related to the 2017 bonds and \$1.7 million related to the 2018 bond as 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 \$0.4 million and \$1.9 million to the 2020 bond as deferred outflows of resources as well as \$2.3 million to the 2023 bonds as deferred inflows of resources.

NOTE 8 – SALES TAX REVENUES

(a) 1976 and 2000 Sales Tax Measures

Sales tax revenue represents sales tax receipts from the California Department of Tax and Fee Administration, which under voter-approved 1976 and 2000 Sales Tax Measures, collects a half-cent for each taxable sales dollar spent in the County of Santa Clara. These amounts are available to fund both operations and capital expenses except that portion which is to be used to repay long-term debt as described in Note 7. The 1976 and 2000 Measure A sales tax revenue amounted to \$266.9 million individually in FY 2024.

(b) 2008 Measure B

In November 2008, county residents passed a 1/8-cent sales tax to fund the operating and maintenance costs of the BART Extension. BART Operating Sales Tax revenue recognized during FY 2024 is \$65.2 million.

(c) 2016 Measure B

In November 2016, county residents passed a 1/2-cent sales tax to fund activities on enhancing transit, highways, expressways and active transportation (bicycles, pedestrians and complete streets). FY 2024 recognized \$266.6 million sales tax revenue.

NOTE 9 – VTA PROGRAMS FUNDED THROUGH LOCAL SALES TAX MEASURES

(a) 2000 Measure A Program

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

The VTA's BART Silicon Valley (BSV) Project is a 16-mile extension of the existing BART system to San Jose, Milpitas, and Santa Clara, which is planned to be delivered in two phases. The first phase known as the Silicon Valley Berryessa Extension (SVBX or BSV Phase I), was completed in June 2020. The second phase is known as BSV Phase II and will extend BART service six miles from the Berryessa/North San Jose Station to Downtown San Jose,

terminating in Santa Clara, near the Santa Clara Caltrain Station. The scope of this phase 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. Like BSV Phase I, BSV Phase II will be built by VTA, but operated by BART. This project which is anticipated to open in 2037, has a new estimated total cost of \$12.745 million, and will be funded by 2000 Measure A and 2016 Measure B sales taxes, along with federal, state, and regional funds.

Measure A funds are also used to extend VTAs light rail to East Valley, specifically from Alum Rock station to Eastridge Transit Center. Phase I included pedestrian and bus improvements along Capitol Expressway from Capitol Avenue to Quimby Road (completed in early 2013) and reconstruction of the Eastridge Transit Center (completed in early 2015). Phase II (Eastridge to BART Regional Connector) will extend light rail to the Eastridge Transit Center. Other potential grants are actively being pursued.

(b) 2008 Measure B

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

(c) 2016 Measure B

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

NOTE 10 – FEDERAL, STATE, AND LOCAL ASSISTANCE

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

(a) *Federal Grants*

Federal grants are approved principally by the Federal Transit Administration (FTA) and the Federal Highway Administration (FHWA). Federal grants for the year ended June 30, 2024, are summarized as follows (in thousands):

	Enterprise Funds	Special Revenue Funds
Operating Grants:		
FTA Section 9 (49 USC 5307)	\$ 5,270	\$ —
Section 5311	113	—
Mobility	27	—
Federal Technical Studies	—	2,632
Pass-through Operating Grants	—	374
Total Operating Grants	<u>5,410</u>	<u>3,006</u>
Capital Grants:		
FTA New Starts FFGA	—	7,646
FTA Section 5307	34,107	17
FTA Section 5309	30	—
FTA Section 5337	27,710	—
FTA Section 5312	50	—
FTA Section 5339	656	—
FTA Section 2005b	331	—
Pass-through Capital Grants	461	—
Total Capital Grants	<u>63,345</u>	<u>7,663</u>
Total operating & capital grants	<u>\$ 68,755</u>	<u>\$ 10,669</u>

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

FTA Section 5307 capital grants make federal resources available to urbanized areas and to Governors for transit capital and operating assistance in urbanized areas and for transportation-

related planning. FTA Section 5309 is a discretionary capital grant program. This provides funding for major transit capital improvements, including heavy rail, commuter rail, light rail, streetcars, and bus rapid transit. The State of Good Repairs Grants under FTA Section 5337 provides capital assistance for maintenance, replacement, and rehabilitation projects of high-intensity fixed guideway and bus systems to help transit agencies maintain assets in a state of good repair.

Federal Section 5337 is a component of the State of Good Repair Program (49 USC 5337) which provides capital assistance for maintenance replacement, and rehabilitation projects of high-intensity fixed guideway and motorbus systems to help transit agencies maintain assets in a state of good repair in urbanized areas. This fund is also used for the development and implementation of the Transit Asset Management plans.

(b) State and Local Grants and Assistance

State and local grants for the year ended June 30, 2024, are summarized as follows (in thousands):

	Enterprise Funds	Special Revenue Funds
Operating grants:		
Transportation Development Act	\$ 126,413	\$ —
State Transit Assistance	45,273	—
Apprenticeship Program	591	—
State Operating Assistance Grants	4,691	112
AB 434	393	—
Congestion Management & Highway Program-State Grants	—	11,456
Energy Credit	1,009	—
SB83	—	15,841
BAAQMD	—	2,501
Congestion Management & Highway Program-2000 Measure A Swap Program	—	221
Other Local Grants:		
2016 Measure B	—	33,613
Santa Clara County (Fund Swap Program)	—	6,379
Various cities, counties and others	—	4,566
Total operating grants	178,369	74,689
Capital grants:		
Proposition 1B Fund	—	3,700
Metropolitan Transportation Commission	919	—
SB1	696	—
California Energy Commission	190	224
Low Carbon Transit Operations Program	2,110	3,294
Regional Measure 3	23,819	—
Transit and Intercity Rail Capital Program	—	16
2016 Measure B	1,355	347,395
Various cities, counties and others	911	790
Total Capital Grants	30,000	355,419
Total State and Local Grants and Assistance	\$ 208,369	\$ 430,108

The Transportation Development Act (TDA) funds represent VTA's share of the 0.25% sales tax collected in the County. The revenue for FY 2024 includes recognition of a liability due to a possible attrition of sales tax from online sales of a major business. This is pending resolution from the state claim that tax distributions to the County of Santa Clara were made in error.

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.

State Operating Assistance reflects Senate Bill 129 funding for worker support and facility improvements. Total State and Local Grants under the special revenue funds were \$430.1 million. Other revenues include the Congestion Management and Highway Program (CMHP) that primarily consists of funding from the Road Repair and Accountability Act of 2017, or Senate Bill 1 (SB1), and Senate Bill 3 (SB3). SB1 provided sources of funding for transportation purposes, including for the state highway system and local street and road system. SB83 provided funding for repair and new construction projects on state highways and freeways, as well as local streets and roads.

Energy credits were Low Carbon Fuel Standard (LCFS) credits sold to eligible bidders. These credits were generated by utilizing low-carbon electricity for transportation fuel. VTA earns LCFS credits on the public use of Electric Vehicle chargers, light rail and through the BART extension between Warm Springs and Berryessa BART Stations.

2016 Measure B enhances transit, highways, expressways and active transportation projects (bicycles, pedestrians and complete streets). Significant spending increases in FY2024 were primarily for the Bart Phase II Extension to Santa Clara. Other notable activities included improvements at US 101 Dela Cruz Boulevard/Trimble Road, US 101/State Road 25, and I-280/Wolfe Road.

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.

State of Good Repair funds were passed through the Metropolitan Transportation Commission (MTC). This grant funds transit infrastructure repair and service improvements. This fund is made available to eligible transit maintenance, rehabilitation and capital projects. The Low Carbon Transit Operations Program from State of California is an operating and capital

assistance for transit agencies to reduce Greenhouse Gas emissions and improve mobility, with a priority on serving disadvantaged communities. This is funding the Eastridge to BART Regional Connector project and the eBus charging Station Expansion project.

Sponsored by the Bay Area Toll Authority, Regional Measure 3 was authorized by SB 595 and identified a plan to build major roadway and public transit improvements via an increase in tolls on the region's seven state-owned toll. This funding was used on the San Jose Diridon Station planning and right-of-way acquisition project.

Various cities, counties, and other agencies mainly include funding received from the City of San Jose, City of Sunnyvale, City of Cupertino, City of Milpitas, Santa Clara Valley Water District, and the County of Santa Clara. Contributions provided funding 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

Employee members attaining age 55 and completing 15 years of eligibility service, or attaining age 65 and completing 10 years of eligibility service, or attaining age 65 and completing 5 years of eligibility service, provided the Board of Pensions approves such an election, are entitled to full annual pension benefits. The Plan also permits Occupational or Total and Permanent Disability Pension benefits if an employee becomes disabled after 10 or more years of eligibility service and elects to retire as a result of said disability. An employee member who terminates his/her employment or is terminated by VTA or the Union and has completed at least one period of 10 or more years of eligibility service and has not qualified for a service or disability pension under the plan may be eligible for a deferred vested retirement upon attaining 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. Employees contribute 3.40% effective 9/09/2019.

PEPRA (New) Employees

Plan benefit provisions and all other requirements are established by VTA's board but are subject to the California Public Employees' Pension Reform Act of 2013 (PEPRA). Plan

amendments were approved by the VTA Board at its October 6, 2016 meeting. Employees hired on or after January 1, 2016 contribute at least 50%, rounded to the nearest quarter of one percent, of the normal cost rate for the Plan for all active Plan Members, as determined by the Plan's actuary. Employees contribute 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, 2024, is as follows:

Membership Status	
Retirees and beneficiaries currently receiving benefits	1,726
Terminated vested members not yet receiving benefits	102
Active Members	1,597
Total	3,425

(b) Basis of Accounting

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

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

(c) Contribution Requirements

For FY 2024, the actuarially-determined contribution was \$30.42 million. As the Plan elected to use June 30, 2024 as its measurement date, employer contributions for FY 2024 will have an impact on the changes in the Plan's Net Position as of the end of the reporting year. The contribution requirements are based on actuarially determined amount and approved by the Board. The aggregate is the estimated sum necessary to finance the cost of the benefits earned by employees during the year with an additional amount to finance the unfunded accrued liability.

(d) Changes in Net Pension Liability

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

	Increase/(Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (c) = (a) - (b)
Balance at June 30, 2023	\$ 893,993	\$ 648,362	\$ 245,631
Changes:			
Service cost	21,610	—	21,610
Interest (includes interest on service cost)	58,800	—	58,800
Changes of benefits	—	—	—
Differences between expected and actual experience	5,390	—	5,390
Changes of assumptions	(4,765)	—	(4,765)
Contributions - Employer	—	30,426	(30,426)
Contributions - Member	—	6,844	(6,844)
Net investment income	—	79,498	(79,498)
Benefit Payments, including Refunds of Employee Contributions	(54,912)	(54,912)	—
Administrative expense	—	(407)	407
Net changes	26,123	61,449	(35,326)
Balance at June 30, 2024	\$ 920,116	\$ 709,811	\$ 210,305

(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 49%. A one percent increase in the discount rate decreases the Net Pension Liability by 42%.

	Discount rate -1% 5.75%	Discount rate 6.75%	Discount rate + 1% 7.75%
	(in thousands)		
Net Pension Liability	\$313,853	\$210,305	\$122,891

(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, 2023, and projected forward to the beginning of the measurement year of June 30, 2023. The TPL at the end of the measurement year, June 30, 2024, is measured as of a valuation date of January 1, 2024, and projected forward to June 30, 2024.

A summary of key assumptions is as follows:

Actuarial cost method:	Entry Age Normal Cost Method
Inflation:	2.50%
Salary increases:	2.75% plus merit component
COLA increases:	0.00%
Investment rate of return:	6.75%
Mortality:	Sex distinct RP-2014 Adjusted to 2006 Health Employee and Annuitant Blue Collar mortality tables with generational improvements using Scale MP-2021

(g) Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The discount rate was determined based on an assumption that the Plan members will continue to contribute to the Plan according to the established contribution rates, and that the VTA will continue to contribute to the Plan based on an actuarially determined contribution as detailed in the January 1, 2024 actuarial valuation report. The actuarially determined contribution reflects a payment equal to the employer's share of the annual Normal Cost, the expected Administrative Expenses, and an amount necessary to amortize the Unfunded Actuarial Liability in level dollar payments over closed layers, with a 20-year period for each layer.

Adherence to the actuarial funding policy described below will result in the pension plan's projected Fiduciary Net Position being greater than or equal to the benefit payments projected for each future period. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

The discount rate used to measure the Total Pension Liability at the beginning of the measurement year of June 30, 2023, however, was based on a cash flow projection. The projected benefit payments were discounted at the long-term expected return on assets of 6.75% to the extent the Fiduciary Net Position is available to make the payments and the municipal bond rate of 3.65%, based on the Bond Buyer 20-Bond GO Index as of June 29, 2023, to the extent they are not available. The single equivalent rate used to determine the Total Pension Liability as of June 30, 2023 was 6.70%.

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

Asset Class	Target Allocation	Expected Real Rate of Return¹
Domestic Equity	30%	3.9%
International Equity	13%	3.6%
Emerging Markets Equity	5%	6.3%
Private Equity	4%	7.3%
Diversified Real Assets	5%	3.8%
Private Credit	9%	6.1%
Domestic Fixed Income	14%	2.3%
Treasuries	3%	1.7%
Absolute Return FoF	6%	3.8%
Real Estate	10%	3.9%
Cash	1%	0.9%
	<u>100%</u>	

¹30-Year Inflation Assumption = 2.6%

(h) Plan's Fiduciary Net Position

This refers to the fair value of assets. As of June 30, 2024, the plan's fiduciary net position amounts to \$709.8 million.

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

For the measurement period ending June 30, 2024, VTA incurred pension expense of \$37 million and as of June 30, 2024, VTA's deferred outflows of resources and deferred inflows of resources related to the ATU pension are as follows (in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 11,838	\$ 1,037
Changes in assumptions	3,026	5,247
Net difference between projected and actual earnings on pension plan investments	—	10,437
Total	<u>\$ 14,864</u>	<u>\$ 16,721</u>

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

Fiscal Year	Deferred Outflows/ (Inflows) of Resources
2025	\$ (5,818)
2026	15,852
2027	(4,959)
2028	(6,932)
2029	—
Thereafter	—
	<u>\$ (1,857)</u>

(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	\$ 14,864	\$ 49,907	\$ 64,771
Deferred Inflows of Resources	16,721	901	17,622
Net Pension Liability	210,305	164,999	375,304
Pension Expense	36,557	28,242	64,799

NOTE 12 – PUBLIC EMPLOYEES’ RETIREMENT PLAN

(a) Plan Description and Benefits Provided

The California Public Employees' Retirement System (CalPERS), is a multiple-employer defined pension and health benefits agency that provides retirement and health benefits to the public employees in California including VTA. As a pooled investment vehicle, the agency 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.

CalPERS benefits accruals are determined on years of credited service, equal to one year of full time employment. Members can retire at age 50 for Classic Members or age 52 for New Members with statutorily reduced benefits, provided they have vested with a minimum of five years of total service. After vesting, all members are eligible for non-duty disability benefits. Upon a member's death, beneficiaries are entitled to either the Basic Death Benefit or the 1957 Survivor Benefit. These benefits and eligibility criteria are defined by state statute and VTA

resolutions, with VTA contracting CalPERS to manage them. The standard retirement benefit is 2% of final compensation for each credited service year.

VTA membership in the Plan as of June 30, 2022, the most recent actuarial valuation, is as follows:

Retirees and beneficiaries receiving benefits	840
Terminated and vested members not yet receiving benefits	371
Active members	619
Total	<u>1,830</u>

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

(b) Basis of Accounting

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

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

(c) Contribution Requirements

Active members in VTA's CalPERS Plan pay a portion or all (depending on hire date) of the employee contribution to the CalPERS Plan. Classic employees hired prior to January 2012 pay 6% toward the required employee share and VTA pays the remaining portion of the employee contribution. Classic employees hired in or after the first full pay period in January 2012 pay the employee contribution of 7%. New employees designated as PEPRA (Public Employees' Pension Reform Act) contribute 8% effective 7/1/2023 as determined by CalPERS.

The employer's contribution rate from July 1, 2023, through June 30, 2024, was 10.57%. 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 2024, VTA contributed \$20.72 million, which is equal to the actuarially-determined contributions. The required contribution for FY 2024 was based on the

actuarial valuation report as of June 30, 2021 using the entry age normal cost method with the contributions determined as a percent of pay. VTA's annual pension contribution of \$20.72 million in FY 2024 was deferred as VTA opted for June 30, 2023, to be its measurement date.

(d) Net Pension Liability

The net pension liability was measured using an actuarial valuation as of June 30, 2022 rolled forward to June 30, 2023 using standard update procedures. The following table shows the changes in net pension liability recognized in the current fiscal year over the measurement period (in thousands).

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (c) = (a) - (b)
Balance at June 30, 2023	\$ 572,972	\$ 413,130	\$ 159,842
Changes:			
Service cost	12,530	—	12,530
Interest on the Total Pension Liability	39,223	—	39,223
Changes of benefit terms	571	—	571
Differences between Expected and Actual Experience	2,905	—	2,905
Plan to Plan Resource Movement	—	(3)	3
Contributions from the Employer	—	19,530	(19,530)
Contributions from Employees	—	5,308	(5,308)
Net investment income	—	25,541	(25,541)
Benefit Payments, including Refunds of Employee Contributions	(28,529)	(28,529)	—
Administrative Expense	—	(304)	304
Net changes	26,700	21,543	5,157
Balance at June 30, 2024	<u>\$ 599,672</u>	<u>\$ 434,673</u>	<u>\$ 164,999</u>

(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 6.90%, 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 (5.90%) or 1 percentage-point higher (7.90%) than the current rate (in thousands):

	Discount Rate -1% 5.90%	Current Discount Rate 6.90%	Discount Rate +1% 7.90%
Net Pension Liability	\$241,914	\$164,999	\$101,084

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

For the measurement period ended June 30, 2023, the total pension liability was determined by rolling forward the June 30, 2022 total pension liability. Total pension liability was based on the following actuarial methods and assumptions:

Valuation date	June 30, 2022
Actuarial cost method	Entry Age Normal Cost Method
Actuarial Assumptions	
Discount rate	6.90%
Inflation	2.30%
Salary increases	Varies by entry age and service
Payroll growth	2.75%
Investment rate of return	7% Net of Pension Plan Investment and Administrative Expenses; includes inflation
Post retirement benefit increase	Contract COLA up to 2.5% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.5% thereafter
Mortality	The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015.

(g) Discount Rate

The discount rate used to measure the total pension liability was 6.90%. CalPERS concluded, based on the results of the stress test, that the current 6.90% discount rate is adequate, and the use of the municipal bond rate calculation is not necessary.

In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns of asset classes are estimated and, combined with risk estimates, are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities are informed by the long-term projected portfolio return.

The following table reflects long-term expected real rate of return by asset class.

Asset Class	Assumed Asset Allocation	Real Return ¹
Global Equity Cap-Weighted	30.00 %	4.54 %
Global Equity Non-Cap-weighted	12.00 %	3.84 %
Private Equity	13.00 %	7.28 %
Treasury	5.00 %	0.27 %
Mortgage-backed Securities	5.00 %	0.50 %
Investment Grade Corporates	10.00 %	1.56 %
High Yield	5.00 %	2.27 %
Emerging Market Debt	5.00 %	2.48 %
Private Debt	5.00 %	3.57 %
Real Assets	15.00 %	3.21 %
Leverage	(5.00)%	0.59 %

¹An expected inflation of 2.3% used for this period
Source: 2021-22 Asset Liability Management Study

(h) Pension Plan's Fiduciary Net Position

The plan's fiduciary net position as of June 30, 2023 is \$434.7 million. Detailed information about each plan's fiduciary net position is available in separately issued CalPERS financial reports.

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

For the year ended June 30, 2024, VTA incurred a pension expense of \$28.2 million for the Plan. As of June 30, 2024, 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
Differences between Expected and Actual Experiences	\$ 2,144	\$ 901
Changes of Assumptions	7,258	—
Net Difference between Projected and Actual Earnings on Pension Plan Investments	19,786	—
Contribution subsequent to measurement date	20,719	—
Total	\$ 49,907	\$ 901

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 subsequent fiscal year. 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
2025	\$ 8,756
2026	5,049
2027	13,919
2028	563
	\$ 28,287

(j) Summary of Pension-related accounts

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

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

(a) Plan Description and Benefits Provided

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

Employees who retire directly from VTA are eligible for retiree health benefits if they meet certain requirements related to age and service. For ATU retirees, VTA provides an ATU Retiree Health Care Program (the ATU Program), a post-employment benefit, in accordance with the agreement between VTA and the ATU, to all Classic ATU represented employees who retire from VTA on or after attaining the age of 55 with at least 15 years of eligibility service, or age 65 with 10 years of eligibility service, or upon Board of Pensions' approval age 65 with 5 years of eligibility service, or if an employee becomes disabled and has completed at least 10 years of eligibility service and to all New ATU represented employees who retire from VTA under PEPRA and its mandated provisions. ATU retirees can select from retiree health plans offered under the CalPERS program. For ATU retirees living in California: VTA contributes up to \$100 per month above the Kaiser Region 1 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 Region 1 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 \$157 per month in 2024.

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 Region 1 Employee Only rate. Non-ATU retirees pay any premium in excess of the CalPERS Kaiser Region 1 Employee Only rate.

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

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

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

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

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

As of June 30, 2024, 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 currently receiving benefits	1,244	619	1,863
Retirees not yet receiving benefits	88	80	168
Active (Vested)	1,593	708	2,301

(b) Basis of Accounting

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

Contributions are recognized as revenue when due, pursuant to formal commitments, as well as statutory or contractual requirements. Benefits (distributions to participants) and refunds of

prior contributions are recognized when due and payable in accordance with the terms of the Plan.

(c) Contribution Requirements

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

As of June 30, 2024, the Plan's net position of \$401.1 million was available to cover costs of the ATU and Non-ATU Programs. The \$5.0 million contribution in FY 24 is entirely a cash contribution.

(d) Changes in Net OPEB Asset

The Net OPEB Asset was \$75.3 million as of June 30, 2024. The following table shows the changes in Net OPEB Asset recognized over the measurement period (in thousands).

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Asset (c) = (a) - (b)
Balance at June 30, 2023	\$ 282,937	\$ 368,356	\$ (85,419)
Changes:			
Service cost	9,140	—	9,140
Interest (includes interest on service cost)	17,785	—	17,785
Changes of assumptions	27,306	—	27,306
Difference between Expected and Actual Experience	3,614	—	3,614
Contributions -Employer	—	4,963	(4,963)
Benefit Payments	(15,029)	(15,029)	—
Non-Benefit Related Admin Expenses from Plan Trusts	—	(83)	83
Net Investment Income	—	42,894	(42,894)
Net changes	42,816	32,745	10,071
Balance at June 30, 2024	\$ 325,753	\$ 401,101	\$ (75,348)

(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 6.25% as well as what the Net OPEB Asset would be if it were calculated using a discount rate that is one percentage point lower (5.25%) or one percentage point higher (7.25%), in thousands.

	Current		
	1% Decrease 5.25%	Discount Rate 6.25%	1% Increase 7.25%
Net OPEB Asset	\$ 35,348	\$ 75,348	\$ 108,745

(f) Health Care Trend rates

The following presents the Net OPEB Asset as calculated using the current blended trend rates of 8.5% for Non-Medicare; 7.5% for Medicare (Non-Kaiser); and 6.25% for Medicare (Kaiser).

	1% Decrease	Current Trend Rate	1% Increase
Net OPEB Asset	\$ 112,833	\$ 75,348	\$ 29,569

(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	January 1, 2022
Actuarial cost method	Entry Age Normal Cost Method
Actuarial assumptions: Discount rate	6.25%
Inflation	2.5%
Mortality	Rates for ATU participants are adopted from the study of experience over the five years ending in December 31, 2021. In particular, rates of mortality for ATU members and their spouses are based on a Scale MP-2021 generational projection of the respective RP-2014 Blue Collar tables, adjusted back to 2006. Rates for Administrative participants are from the CalPERS study of non-industrial Miscellaneous employer experience over the twenty years ending June 30, 2019.
Trend Rates	Non-Medicare (HMO) - 6.50% for 2023, decreasing to an ultimate rate of 3.75% in 2076 Non-Medicare (PPO) - 5.65% for 2023, decreasing to an ultimate rate of 3.75% in 2076 Medicare - 4.60% for 2023, decreasing to an ultimate rate of 3.75% in 2076

(h) Discount Rate

The discount rate used to measure the Total OPEB Liability was 6.25%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be equal to the actuarially determined contributions for the applicable fiscal years. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Asset Class	Target Allocation	Expected Real Rate of Return
Domestic Equity	28%	4.29%
Non-US Developed Equity	12%	4.49%
Emerging Markets Equity	5%	5.25%
Private Real Estate	10%	3.91%
Diversified Real Assets	7%	4.03%
Domestic Fixed Income	17%	0.78%
Private Credit	12%	4.38%
Absolute Return	8%	2.79%
Cash	1%	(0.50)%
	<u>100%</u>	

(i) ***Plan's Fiduciary Net Position***

This refers to the fair value of assets. As of June 30, 2024, the Plan's Fiduciary Net Position amounts to \$401.1 million. Detailed information about the OPEB Plan's fiduciary position is available in a separate financial report on VTA's website.

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

For the year ended June 30, 2024, the Plan incurred OPEB expense of \$6.3 million and VTA's deferred outflows of resources and deferred inflows of resources related to the OPEB as of June 30, 2024 are as follows (in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in assumptions	\$ 28,834	\$ 12
Difference between expected and actual experience	3,011	11,639
Difference between expected and actual investment earnings	—	4,156
Total	<u>\$ 31,845</u>	<u>\$ 15,807</u>

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

Fiscal Year	Deferred Outflows/ (Inflows) of Resources
2025	\$ (339)
2026	10,578
2027	(481)
2028	1,126
2029	5,154
	<u>\$ 16,038</u>

NOTE 14 – ATU SPOUSAL MEDICAL AND VISION/DENTAL FUND

VTA administers the ATU Spousal Medical and Retiree Vision and Dental Fund. Both are considered to be employee-funded defined contribution plans. As of June 30, 2024, VTA had net position of approximately \$31.0 million for the ATU Spousal Medical Fund and \$21.6 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, 2024, there were 529 participating spouses who were eligible for benefits from the Spousal Medical Fund. FY 2024 contributions and net investment earnings for the fiscal year were approximately \$1.6 million and \$4.6 million respectively, while benefit payments made by the Fund were approximately \$1.6 million.

The Retiree Vision and Dental Fund is a vision and dental benefit for eligible pensioners. Effective 1999 and pursuant to a collective bargaining agreement, ATU represented employees are required to contribute \$0.10 per hour. As of June 30, 2024, there were 1,221 eligible participants. Contributions and net investment earnings for the fiscal year were approximately \$388 thousand and \$3.2 million respectively, while benefit payments made by the Fund were approximately \$349 thousand.

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

NOTE 15 – INTERNAL SERVICE FUND

As of June 30, 2024, 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	\$ 28,012	\$ 18,678	\$ 44,391	\$ 91,081
Liabilities	28,012	18,678	44,391	91,081
Net Position	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

Workers' Compensation and General Liability

VTA contracts with third-party administrators to process claims for both workers' compensation and general liability programs. VTA's annual contribution to general liability program is based upon quarterly internal reviews of frequency and severity claims experience. Workers' compensation contributions occur each pay period. Internally, the workers' compensation reserves are reviewed

quarterly to ensure it is appropriate given the claims history. In addition, both reserves are evaluated and reconciled based on year-end actuarial valuations.

Actuarial Information

An actuarial analysis as of June 30, 2024 disclosed that the present values of estimated outstanding losses, at 2% average discount rate using a 60% confidence level, are \$28.0 million and \$18.7 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, 2023, and June 30, 2024, are as follows (in thousands):

	Workers' Compensation	General Liability
Unpaid claims at June 30, 2022	\$ 28,144	\$ 18,891
Provision for claims and claims adjustment expense	7,337	3,287
Changes in estimates for provision for future claims	5,608	8,201
Payment for claims and other adjustments	(10,594)	(12,400)
Unpaid claims at June 30, 2023	30,495	17,979
Provision for claims and claims adjustment expense	7,935	3,502
Changes in estimates for provision for future claims	1,302	1,819
Payment for claims and other adjustments	(11,720)	(4,622)
Unpaid claims at June 30, 2024	<u>\$ 28,012</u>	<u>\$ 18,678</u>

Compensated Absences

This represents the amount charged each month to accrue the estimated increase in unused vacation and sick leave. This account is adjusted annually to reflect the year-end value of unused vacation and sick leave. Compensated absences are limited to leaves that are attributable to services already rendered and are not contingent on a specific event that is outside the control of the employer and employee. At June 30, 2024, the outstanding balance of compensated absences liability is \$44.4 million.

NOTE 16 – CLAIMS, COMMITMENTS, AND CONTINGENCIES

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

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

- (a) Third party bodily injury including death, personal injury and property damage liability claims up to \$10 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 \$250,000 to \$750,000 for rail cars and equipment, buses, and real property.

For General Liability, VTA is self-insured for \$10 million per occurrence. Excess Liability insurance is purchased from several insurers through VTA's insurance broker up to \$90 million per occurrence and in the aggregate. The program consists of a \$10 million, self-insured layer, a \$15 million primary layer and an excess layer of \$75 million.

VTA purchases Public Officials Liability & Employment Practices Liability Insurance with an annual aggregate of \$4 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 \$750,000.

The following is a summary of VTA's self-retention and excess coverages from commercial carriers:

Type of Coverage	Self-Retention	Excess Coverage
Workers' Compensation	Self-Insured	None
General Liability	\$10,000,000	\$90,000,000
Property, Boiler & Machinery	250,000	160,000,000
Terrorism	10,000	160,000,000
Flood	5,000	500,000
Light Rail Vehicles	750,000	100,000,000
Light Rail Spare Parts	25,000	Stated Value
Buses	500,000	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/Employment Practices	2,500,000	4,000,000
Crime	25,000	5,000,000
Premises Pollution Liability	100,000	5,000,000
Storage Tank Liability	25,000	2,000,000
Cyber Risk	250,000	2,000,000
Blanket Railroad Protective Liability	—	5,000,000

NOTE 17 – LITIGATION

Lopez/Pacheco v. SCVTA

Two pedestrians struck by a speeding car resulted in one death and one extremely serious brain injury. Plaintiff attorneys have sued only the City of San Jose on a dangerous condition claim, but the speeding car driver's attorneys have cross-complained against VTA because she claims the VTA bus "crowded her" and helped to cause the accident. Police took a video recorded statement of the speeding driver at the scene. Claimed medical bills for Mr. Lopez exceed \$1M. City of San Jose plans a motion for summary judgment. Discovery has been on hold pending the criminal case. A trial setting conference is scheduled for September 17, 2024. However, the conference likely will be continued as the Adkins criminal case is set for trial on November 25, 2024.

Ferkel, Michelle, et al. v. SCVTA

This is a wrongful death action filed by the parents and estate of the decedent, a single female yoga instructor in her 30's, who was struck by a light rail vehicle and died shortly thereafter. Plaintiffs have not made a demand but Plaintiff's counsel suggested that she views this as a multi-million dollar case.

Martinez, Carina and Ortiz, Jessica v. SCVTA

A coach operator ran into city pole. Four passengers were aboard the coach, including Martinez and her 13-year-old Ortiz. The coach operator has been terminated. The matter is set for an order to show cause for failure to serve on September 26, 2024, at which time it will likely be set for a case management conference.

Pentamsetty, Ajay v. SCVTA

Plaintiff was struck by light rail vehicle as he was riding his bicycle through crosswalk on a red light. Plaintiff incurred over \$1M in medical expenses and lost wages and sustained permanent dexterity/mobility changes in left hand. Early mediation was unsuccessful.

Rodriguez v. SCVTA

Twelve individual Plaintiffs allege that VTA failed to accommodate their requests for religious exemptions to the vaccine policy. Plaintiffs were among many employees who sought religious accommodation in the form of an exemption to the vaccine policy. VTA engaged the services of an independent consulting company to carefully evaluate each request for religious accommodation on a case-by-case basis in a highly-fact driven manner. It conducted an inquiry into each request for religious

accommodation, including Plaintiffs' requests. Based on the information and documents Plaintiffs provided, VTA determined that Plaintiffs did not meet the criteria for a religious accommodation and thus denied their request for exemption from the policy. Discovery will cut off soon and outside counsel will file a dispositive motion, with a decision anticipated by mid-September. Jury trial is set for December 9, 2024.

Claims arising from May 26, 2021 Shooting Incident

On May 26, 2021, a mass shooting occurred at the VTA's Guadalupe facility. The shooter was also a VTA employee. Nine employees were killed that day, and their families filed government tort claims against VTA. VTA resolved eight of the nine claims. The remaining claim is currently in litigation with no trial date set (*Lane v. Universal Protection Service, LP*). Additional complaints were received from other employees who were impacted by the shooting (*Bertolet v. Universal Protection Service, LP* and *Gil v. Universal Protection Service, LP*). Discovery is ongoing.

NOTE 18 – JOINT VENTURES

(a) Peninsula Corridor Joint Powers Board

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

In November 2020, voters in San Francisco, Santa Clara and San Mateo counties approved Measure RR, a 30-year one-eighth cents sales tax to provide a dedicated funding source for Caltrain. In FY 2024, VTA did not contribute to the operating and capital costs of the Caltrain commuter rail service administered by PCJPB.

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 (SJRRRC) 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, SJRRRC, 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, 2024, VTA contributed approximately \$4.4 million for operating costs.

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

(c) *Capitol Corridor Intercity Rail Service*

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

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

NOTE 19 – LEASE/LEASEBACK

In 2003 VTA entered into two lease/leaseback transactions with Fifth Third Leasing Company. The leases involved a total of 20 light rail vehicles. The light rail vehicles were leased using statutory trusts (the "Trusts") formed on behalf of the parties to the transactions. In each case, pursuant to a head-lease agreement, VTA leased rail vehicles to an investor and in turn received a prepayment of the future head-lease rents that would be due through the purchase option date. Pursuant to a sublease, the investor then leased the rail vehicles to the VTA. Sufficient monies from prepayment of the head-lease rents were invested in highly rated securities to fund all sublease rents through the date of purchase option, as well as fund the purchase option payments. Remaining monies were used

to pay transaction costs, with the balance then going to VTA as an upfront cash benefit. Highly rated insurance companies were used to provide guaranties for certain aspects of the transactions. Subsequent to the closing of the leases, the Internal Revenue Service disallowed the tax benefits the investors were anticipating. Additionally, as a result of the 2008 financial crisis the credit ratings of the insurance providers were dramatically lowered below thresholds required in the lease documents, resulting in the possibility of a default. To eliminate the potential default, VTA entered into an amendment with Fifth Third Leasing Company that waived the insurance provider rating requirements. The two leases with Fifth Third Leasing Company have a purchase option date of January 1, 2034.

NOTE 20 - LEASES

Lessor Activities

VTA has accrued a receivable for five ground leases, as well as bus and light rail wrap advertising. The remaining receivable and deferred inflows of resources related to these leases were \$24.7 million and \$23.5 million respectively, as of June 30, 2024. Interest revenue of \$756 thousand principal receipts of \$3.1 million on these leases, were recognized during the year. Final receipt is expected in FY 2074.

Below is a schedule of the changes in the lease receivable for the FY 2024 (in thousands):

Lessor leases (in thousands):	Leases Receivable	Leases Amortization	Totals	Due within 1 Year
Ground Lease - Almaden Lake	\$ 11,656	\$ 265	\$ 11,391	\$ 94
Ground Lease - Eden Housing	6,621	154	6,467	49
Ground Lease - T-Mobile	1,240	462	778	166
Bus/Light Rail lease for wrap advertising	12,307	6,695	5,611	2,748
VTA Transit Fund	<u>31,824</u>	<u>7,576</u>	<u>24,247</u>	<u>3,057</u>
Ground Lease - Dish Tower	296	60	236	51
Ground Lease - Dish Northyard	327	66	261	\$ 57
Joint Development Fund	<u>623</u>	<u>126</u>	<u>497</u>	<u>108</u>
Total lease receivable	<u>\$ 32,447</u>	<u>\$ 7,702</u>	<u>24,744</u>	<u>\$ 3,165</u>
Less current portion			(3,165)	
Long-term receivable, net			<u>\$ 21,579</u>	

VTA's Schedule of future receipts included in the measurement of the leases receivable is as follows (in thousands):

Fiscal Year Ending June 30,	Principal	Interest	Total
2025	\$ 3,165	\$ 774	\$ 3,939
2026	3,302	693	3,995
2027	460	640	1,100
2028	482	624	1,106
2029-2033	959	2,960	3,919
2034-2038	1,050	2,790	3,840
2039-2043	1,251	2,588	3,839
2044-2048	1,490	2,350	3,840
2049-2053	1,777	2,063	3,840
2054-2058	2,117	1,722	3,839
2059-2063	2,524	1,316	3,840
2064-2068	3,007	832	3,839
2066-2073	2,913	270	3,183
2074	247	4	251
	<u>\$ 24,744</u>	<u>\$ 19,626</u>	<u>\$ 44,370</u>

Lessee Activities

VTA has accrued liability for the sublease of Palo Alto VTA Transit Center (Depot portion of the El Camino Park Lease). The remaining liability and right to use the asset, net of amortization, for this lease was \$1.6 million separately as of June 30, 2024. Interest expense of \$58.9 thousand and principal payment of \$224.5 thousand on this lease, were recognized during the year.

Below is a schedule of the changes in the right to use assets with the accumulated amortization, and Lease liabilities, for the FY 2024 (in thousands):

	Right-to-use Asset	Lease Payable
Beginning balance, June 30, 2023, net of amortization	\$ 1,839	\$ 1,907
Depreciation	184	—
Payment of lease liability	—	166
Ending balance, June 30, 2024	<u>\$ 1,655</u>	<u>\$ 1,741</u>

VTA's schedule of future payments included in the measurement of the lease liability is as follows (in thousands):

Fiscal Year Ending June 30,	Principal	Interest	Total
2025	\$ 171	\$ 54	\$ 225
2026	176	49	225
2027	181	43	224
2028	187	38	225
2029	193	32	225
2030-2033	833	64	897
	<u>\$ 1,741</u>	<u>\$ 280</u>	<u>\$ 2,021</u>

NOTE 21 - SUBSCRIPTION-BASED INFORMATION TECHNOLOGY

VTA has an accrued liability for the use of Oracle database and related technical support services. The liability for this lease was \$622 thousand as of June 30, 2024. Below is a schedule of the changes in the right to use subscription assets with the accumulated amortization and subscriptions liability for FY 2024 (in thousands):

	Subscriptions Asset	Subscriptions Payable
Beginning balance, June 30, 2023	\$ —	\$ —
Establishment of asset and liability	778	778
Depreciation	156	—
Payment of Subscriptions Liability	—	168
Ending balance, June 30, 2024	<u>\$ 622</u>	<u>\$ 609</u>

VTA's schedule of future payments included in the measurement of the subscription liability is as follows (in thousands):

Fiscal Year Ending June 30	Principal Received	Interest	Total
2025	\$ 143	\$ 25	\$ 168
2026	149	19	168
2027	155	13	168
2028	162	7	168
	<u>\$ 609</u>	<u>\$ 64</u>	<u>\$ 674</u>

NOTE 22 - SUBSEQUENT EVENT**FEDERAL GOVERNMENT'S ANNOUNCEMENT OF ITS \$5.1 BILLION CONTRIBUTION TO COMPLETE BART PHASE II PROJECT**

The project, to open in 2037, includes building a 6-mile BART line from the Berryessa Transit Center in North San Jose through downtown and west to Santa Clara, adding four stations along the way. In August 2024, it was announced that the federal government will contribute \$5.1 billion to help complete the South Bay BART extension. This is the second largest transit-related grant from the Federal Transit Administration in history, and the largest amount of federal money ever given to a West Coast transportation project.

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REQUIRED SUPPLEMENTARY INFORMATION
(Other than MD&A)

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SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

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

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability										
Service cost	\$ 21,610	\$ 20,168	\$ 19,528	\$ 17,118	\$ 18,275	\$ 17,818	\$ 16,953	\$ 16,024	\$ 14,788	\$ 13,468
Interest (includes interest on service cost)	58,800	56,331	54,663	53,888	52,368	51,921	47,850	46,152	45,110	43,069
Changes of benefits	—	5,061	—	—	—	—	—	—	—	—
Difference between expected and actual experience	5,390	10,984	2,339	(5,186)	2,349	(17,900)	12,285	6,440	7,748	4,517
Changes in Assumptions	(4,765)	(1,805)	(879)	15,130	7,307	—	21,918	13,105	14,577	—
Benefit payments, including refunds of member contributions	(54,912)	(54,279)	(50,386)	(48,506)	(47,023)	(44,311)	(41,566)	(38,454)	(35,588)	(33,418)
Net Change in Total Pension Liability	26,123	36,460	25,265	32,444	33,276	7,528	57,440	43,267	46,635	27,636
Total Pension Liability - Beginning	893,993	857,533	832,268	799,824	766,548	759,020	701,580	658,313	611,678	584,042
Total Pension Liability - Ending	920,116	893,993	857,533	832,268	799,824	766,548	759,020	701,580	658,313	611,678
Plan Fiduciary Net Position										
Contributions - Employer	30,426	32,632	29,114	28,770	30,552	32,282	28,524	27,385	25,751	25,590
Contributions - Member	6,844	6,145	5,674	5,222	4,850	3,343	2,725	1,070	—	—
Net Investment Income	79,498	41,908	(55,302)	157,392	(12,424)	23,408	40,605	60,472	2,245	16,094
Benefit payments, including refunds of member contributions	(54,912)	(54,279)	(50,386)	(48,506)	(47,023)	(44,311)	(41,566)	(38,454)	(35,588)	(33,418)
Administrative Expense	(407)	(431)	(416)	(420)	(375)	(409)	(403)	(324)	(281)	(301)
Net Change in Plan Fiduciary Net Position	61,449	25,975	(71,316)	142,458	(24,420)	14,313	29,885	50,149	(7,873)	7,965
Plan Fiduciary Net Position - Beginning	648,362	622,387	693,703	551,245	575,665	561,352	531,467	481,318	489,191	481,226
Plan Fiduciary Net Position - Ending	709,811	648,362	622,387	693,703	551,245	575,665	561,352	531,467	481,318	489,191
Net Pension Liability - Ending	\$ 210,305	\$ 245,631	\$ 235,146	\$ 138,565	\$ 248,579	\$ 190,883	\$ 197,668	\$ 170,113	\$ 176,995	\$ 122,487
Measurement Date	6/30/2024	6/30/2023	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	77.14%	72.52%	72.58%	83.35%	68.92%	75.10%	73.96%	75.75%	73.11%	79.98%
Covered Payroll	\$ 160,019	\$ 149,576	\$ 143,982	\$ 130,271	\$ 137,584	\$ 133,749	\$ 139,288	\$ 131,544	\$ 126,796	\$ 115,914
Net Pension Liability as a percentage of covered payroll	131.43%	164.22%	163.32%	106.37%	180.67%	142.72%	141.91%	129.32%	139.59%	105.67%
Annual money-weight rate of return, net of investment expense	9.31%	6.01%	(11.79)%	26.46%	2.53%	4.75%	4.77%	12.80%	1.34%	3.69%

The actuarial report for all years did not include COLA assumption.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Required Supplementary Information
Schedule of Employer Contributions
Amalgamated Transit Union Pension Plan
(In thousands)

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially-determined Contribution	\$ 30,426	\$ 32,632	\$ 29,114	\$ 28,770	\$ 30,552	\$ 32,282	\$ 28,524	\$ 27,385	\$ 25,720	\$ 25,549
Contributions in Relation to the Actuarially-determined Contribution	30,426	32,632	29,114	28,770	30,552	32,282	28,524	27,385	25,751	25,590
Contributions Deficiency/ (Excess)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (31)</u>	<u>\$ (41)</u>
Covered Payroll	\$ 160,019	\$ 149,576	\$ 143,982	\$ 130,271	\$ 137,584	\$ 133,749	\$ 139,288	\$ 131,544	\$ 126,796	\$ 115,914
Contributions as a Percentage of Covered Payroll	19.01%	21.81%	20.22%	22.08%	22.21%	24.14%	20.48%	20.82%	20.31%	22.08%

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Required Supplementary Information

Schedule of Changes in Net Pension Liability and Related Ratios

California Public Employees' Retirement System (CalPERS)

(In thousands)

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability										
Service cost	\$ 12,530	\$ 12,470	\$ 11,314	\$ 11,441	\$ 11,662	\$ 11,641	\$ 11,137	\$ 9,488	\$ 9,551	\$ 9,055
Interest	39,223	37,451	36,192	34,592	32,961	30,936	29,286	27,998	26,479	24,724
Changes of Benefit Terms	571	—	—	—	—	—	—	—	—	—
Changes in Assumptions	—	16,935	—	—	—	(3,287)	24,077	—	(6,447)	—
Difference between Expected and Actual Experience	2,905	(2,102)	797	217	5,563	3,653	(2,259)	(1,007)	2,488	—
Benefit payments, including refunds of employee contributions	(28,529)	(26,963)	(25,705)	(23,048)	(20,821)	(18,843)	(17,083)	(15,940)	(14,341)	(12,834)
Net Change in Total Pension Liability	26,700	37,791	22,598	23,202	29,365	24,100	45,158	20,539	17,730	20,945
Total Pension Liability - Beginning	572,972	535,181	512,581	489,379	460,014	435,914	390,756	370,217	352,487	331,542
Total Pension Liability - Ending	599,672	572,972	535,181	512,581	489,379	460,014	435,914	390,756	370,217	352,487
Plan Fiduciary Net Position										
Contributions - Employer	19,530	16,753	17,813	15,179	13,486	11,976	11,865	10,248	8,684	8,845
Contributions - Employee	5,308	4,271	5,721	4,972	5,089	4,899	4,875	4,259	4,075	4,482
Net Investment Income	25,541	(34,029)	83,986	17,927	22,290	26,775	31,689	1,430	6,042	41,263
Benefit payments, including refunds of employee contributions	(28,529)	(26,963)	(25,705)	(23,048)	(20,821)	(18,843)	(17,083)	(15,940)	(14,341)	(12,834)
Plan to Plan Resource Movement	(3)	—	—	—	—	78	37	(40)	—	—
Administrative Expense	(304)	(282)	(372)	(504)	(241)	(490)	(418)	(173)	656	—
Other Miscellaneous Income/(Expense)	—	—	—	—	1	(930)	—	—	—	—
Net Change in Fiduciary Net Position	21,543	(40,250)	81,443	14,526	19,804	23,465	30,965	(216)	5,116	41,756
Plan Fiduciary Net Position - Beginning	413,130	453,380	371,935	357,409	337,605	314,140	283,175	283,391	278,275	236,519
Plan Fiduciary Net Position - Ending	434,673	413,130	453,380	371,935	357,409	337,605	314,140	283,175	283,391	278,275
Plan Net Pension Liability - Ending	<u>\$ 164,999</u>	<u>\$ 159,842</u>	<u>\$ 81,801</u>	<u>\$ 140,646</u>	<u>\$ 131,970</u>	<u>\$ 122,409</u>	<u>\$ 121,774</u>	<u>\$ 107,581</u>	<u>\$ 86,826</u>	<u>\$ 74,212</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.49%	72.10%	84.72%	72.56%	73.03%	73.39%	72.06%	72.47%	76.55%	78.95%
Covered Payroll	\$ 71,890	\$ 71,173	\$ 70,101	\$ 70,407	\$ 70,673	\$ 70,158	\$ 65,842	\$ 61,209	\$ 60,375	\$ 54,294
Plan Net Pension Liability as a Percentage of Covered Payroll	229.51%	224.58%	116.69%	199.76%	186.73%	174.48%	184.95%	175.76%	143.81%	136.69%
Measurement Date	6/30/2023	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014

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

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually Required Contribution	\$ 19,530	\$ 16,753	\$ 17,827	\$ 16,710	\$ 15,208	\$ 13,572	\$ 12,208	\$ 11,516	\$ 10,567	\$ 8,965
Contributions in Relation to the Contractually Required	19,530	16,753	17,827	16,710	15,208	13,572	12,208	11,516	10,567	8,965
Contributions Deficiency/(Excess)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Covered Payroll (not based on measurement date)	\$ 71,890	\$ 71,173	\$ 71,542	\$ 71,385	\$ 70,084	\$ 73,461	\$ 71,140	\$ 68,156	\$ 61,209	\$ 60,375
Contributions as a Percentage of Covered Payroll	27.17%	23.53%	24.92%	23.41%	21.70%	18.48%	17.16%	16.90%	17.26%	14.85%

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

	2024	2023	2022	2021	2020	2019	2018	2017
Total OPEB Liability								
Service cost	\$ 9,140	\$ 8,895	\$ 6,589	\$ 6,300	\$ 6,141	\$ 6,190	\$ 5,697	\$ 5,888
Interest cost	17,785	17,072	18,320	18,298	17,810	17,190	16,695	15,872
Benefit payments	(15,029)	(14,577)	(18,860)	(14,194)	(13,771)	(13,142)	(12,539)	(13,055)
Effect of Change in Actuarial Assumptions/Methods	27,306	—	6,217	7,004	(12)	6,523	(1,057)	—
Difference between Expected and Actual Experience	3,614	—	(14,980)	(8,435)	(3,064)	(7,876)	(1,670)	—
Effect of Plan Amendments	—	—	—	—	—	306	—	—
Net change in Total OPEB Liability	42,816	11,390	(2,714)	8,973	7,104	9,191	7,126	8,705
Total OPEB Liability - Beginning	282,937	271,547	274,261	265,288	258,184	248,993	241,867	233,162
Total OPEB Liability - Ending (a)	325,753	282,937	271,547	274,261	265,288	258,184	248,993	241,867
Plan Fiduciary Net Position								
Contributions to Plan Trusts	4,963	6,398	6,311	5,717	5,799	9,086	—	4,047
Benefit Payments from Plan Trusts	(15,029)	(14,577)	(18,860)	(14,194)	(13,771)	(13,142)	(12,539)	(13,054)
Administrative Expenses from Plan Trusts	(83)	(20)	(181)	(94)	(91)	(93)	(109)	(25)
Expected Investment Return	42,894	23,001	(31,098)	22,868	22,861	21,931	20,550	18,976
Investment Experience (Loss)/Gain	—	—	—	52,119	(14,457)	(2,528)	7,575	14,350
Net Change in Fiduciary Net Position	32,745	14,802	(43,828)	66,416	341	15,254	15,477	24,294
Plan Fiduciary Net Position - Beginning	368,356	353,554	397,382	330,966	330,625	315,371	299,894	275,600
Plan Fiduciary Net Position - Ending (b)	401,101	368,356	353,554	397,382	330,966	330,625	315,371	299,894
Net OPEB Asset - Ending (a) - (b)	<u>\$ (75,348)</u>	<u>\$ (85,419)</u>	<u>\$ (82,007)</u>	<u>\$ (123,121)</u>	<u>\$ (65,678)</u>	<u>\$ (72,441)</u>	<u>\$ (66,378)</u>	<u>\$ (58,027)</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability = (b) / (a)	123.13%	130.19%	130.20%	144.89%	124.76%	128.06%	126.66%	123.99%
Covered Payroll¹	\$ 260,964	\$ 237,306	\$233,952	\$ 187,551	\$186,300	\$181,761	\$ 185,861	\$ 176,709
Net OPEB Asset as a Percentage of Covered Payroll	(28.87)%	(36.00)%	(35.05)%	(65.65)%	(35.25)%	(39.85)%	(35.71)%	(32.84)%
Measurement Date	6/30/2024	6/30/2023	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017
Annual money-weight rate of return, net of investment expense	11.78%	6.57%	(7.87)%	19.50%	1.03%	6.44%	9.83%	12.51%

Information not available prior to 2017.

¹Covered payroll for FYs 2024, 2023 and 2022 included payroll subjected to medicare tax withholding (generated from SAP). Prior years were based on actuarial reports.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Required Supplementary Information

Schedule of Employer Contributions

Retirees' Other Post Employment Benefits (OPEB) Plan

(In thousands)

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially-determined Contribution	\$ (3,094)	\$ (1,948)	\$ (5,483)	\$ (5,657)	\$ (5,035)	\$ 3,410	\$ (2,113)	\$ 4,574	\$ 4,785	\$ 12,093
Contributions in Relation to the Actuarially-determined Contribution	4,963	6,398	6,311	5,717	5,799	9,086	—	4,047	4,785	12,093
Contributions Deficiency/(Excess)	<u>\$ (8,057)</u>	<u>\$ (8,346)</u>	<u>\$ (11,794)</u>	<u>\$ (11,374)</u>	<u>\$ (10,834)</u>	<u>\$ (5,676)</u>	<u>\$ (2,113)</u>	<u>\$ 527</u>	<u>\$ —</u>	<u>\$ —</u>
Covered Payroll ¹	\$ 260,964	\$ 237,306	\$ 233,952	\$ 187,551	\$ 186,300	\$ 181,761	\$ 185,861	\$ 176,709	\$ 168,869	\$ 167,124
Contributions as a Percentage of Covered Payroll	1.90%	2.70%	2.70%	3.05%	3.11%	5.00%	—%	2.29%	2.83%	7.24%

¹ Covered payroll for FYs 2024, 2023 and 2022 included payroll subjected to medicare tax withholding (generated from SAP). Prior years were based on actuarial reports.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Required Supplementary Information

Budgetary Comparison Schedule

2000 Measure A Program Special Revenue Fund

For the year ended June 30, 2024

(In thousands)

	Original Operating Budget	Final Operating Budget	Actual	Variance Final to Actual Positive/ (Negative)
Revenues:				
Sales tax receipts	\$ 279,938	\$ 279,938	\$ 266,901	\$ (13,037)
Investment earnings	3,575	3,575	5,962	2,387
Federal subsidy for Build America Bonds	7,112	7,112	786	(6,326)
Other income	626	626	523	(103)
Total revenues	<u>291,251</u>	<u>291,251</u>	<u>274,172</u>	<u>(17,079)</u>
Non-project expenditures:				
Operating assistance to VTA Transit	58,087	58,087	55,382	2,705
Professional, special and other services	503	503	317	186
Miscellaneous	29	29	27	2
Repayment of debt service to VTA Transit	17,515	17,515	17,519	(4)
Principal payment, bond interest and other bond charges	71,122	71,122	67,869	3,253
Total non-project expenditures:	<u>147,256</u>	<u>147,256</u>	<u>141,114</u>	<u>6,142</u>
Change in fund balance	<u>\$ 143,995</u>	<u>\$ 143,995</u>	<u>133,058</u>	<u>\$ (10,937)</u>
 GAAP reconciliation and unbudgeted items:				
Federal, state and local grant revenues			363,082	
Contribution to other agencies			(21,271)	
Unrealized gain/(loss) on investments			2,047	
Amortization of premium/discounts on investment			200	
Bond interest reclassified from project expenditures			(28,563)	
Interest not requiring use of financial resources			30,111	
Other expenditures			(1,016)	
Transfers out			(451,255)	
Total GAAP reconciliation and unbudgeted items			<u>(106,665)</u>	
Change in fund balance, on a GAAP basis			26,393	
Fund balance, beginning of year			<u>238,237</u>	
Fund balance, end of year			<u>\$ 264,630</u>	

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, 2024

(In thousands)

	Original Budget	Final Budget	Actual	Variance Final to Actual Positive/ (Negative)
Revenues:				
Sales Tax Revenues	\$ 279,938	\$ 279,938	\$ 266,618	\$ (13,320)
Investment earnings (losses)	16,250	16,250	49,460	33,210
Total Revenues	<u>296,188</u>	<u>296,188</u>	<u>316,078</u>	<u>19,890</u>
Expenditures:				
Labor and overhead costs	—	1,560	1,204	356
Professional services	—	1,087	965	122
Data Processing	—	4	—	4
Miscellaneous	—	—	29	(29)
Total Expenditures	<u>—</u>	<u>2,651</u>	<u>2,198</u>	<u>453</u>
Change in fund balance, on a budgetary basis	<u>\$ 296,188</u>	<u>\$ 293,537</u>	<u>313,880</u>	<u>\$ 20,343</u>
Expenditures not budgeted:				
Contributions to other agencies			(449,739)	
Transfers out			(15,290)	
Change in fund balance, on a GAAP basis			(151,149)	
Fund Balance, Beginning of Year			<u>993,408</u>	
Fund Balance, End of Year			<u>\$ 842,259</u>	

See Note accompanying this schedule

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Required Supplementary Information

Budgetary Comparison Schedule

Congestion Management Program Special Revenue Fund

For the year ended June 30, 2024

(In thousands)

	Original Budget	Final Budget	Actual	Variance Final to Actual Positive/ (Negative)
Revenues:				
Assessments to member agencies	\$ 3,152	\$ 3,152	\$ 3,152	\$ —
Federal grant revenues	2,500	2,500	2,632	132
Administrative fees	—	—	169	169
State and local operating assistance grants	253	253	112	(141)
Other revenues	300	300	435	135
Investment earnings	50	50	57	7
Total Revenues	<u>6,255</u>	<u>6,255</u>	<u>6,557</u>	<u>302</u>
Expenditures:				
MTA labor and overhead costs	5,530	5,841	5,823	18
Services and other:				
Professional services	788	788	490	298
Other services	124	124	15	109
Contribution to Other Agencies	745	434	135	299
Total Expenditures	<u>7,187</u>	<u>7,187</u>	<u>6,463</u>	<u>724</u>
Change in fund balance	<u>\$ (932)</u>	<u>\$ (932)</u>	<u>94</u>	<u>\$ 1,026</u>
Fund Balance, Beginning of Year			<u>3,155</u>	
Fund Balance, End of Year			<u><u>\$ 3,249</u></u>	

See Note accompanying this schedule

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Required Supplementary Information
Budgetary Comparison Schedule
Congestion Management & Highway Program Special Revenue Fund
For the year ended June 30, 2024
(In thousands)

	Original Budget	Final Budget	Actual	Variance Final to Actual Positive/ (Negative)
Revenues:				
Federal, state, and local grants	\$ 56,572	\$ 56,572	\$ 56,609	\$ 37
Expenditures:				
Capital expenditures on behalf of other agencies, and transfers out	56,572	56,572	56,609	(37)
Change in fund balance, on a budgetary basis	<u>\$ —</u>	<u>\$ —</u>	<u>—</u>	<u>\$ —</u>
Fund Balance, Beginning of Year			<u>—</u>	
Fund Balance, End of Year			<u>\$ —</u>	

See Note accompanying this schedule

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Required Supplementary Information

Budgetary Comparison Schedule

Bay Area Air Quality Management Program Special Revenue Fund

For the year ended June 30, 2024

(In thousands)

	Original Budget	Final Budget	Actual	Variance Final to Actual Positive/ (Negative)
Revenues:				
State and local operating assistance grants	\$ 2,501	\$ 2,501	\$ 2,501	\$ —
Investment earnings (losses)	166	166	166	—
Total Revenues	<u>2,667</u>	<u>2,667</u>	<u>2,667</u>	<u>—</u>
Expenditures:				
Program payments	1,015	1,015	1,015	—
Change in fund balance, on a budgetary basis	<u>\$ 1,652</u>	<u>\$ 1,652</u>	<u>1,652</u>	<u>\$ —</u>
Fund Balance, Beginning of Year			<u>3,606</u>	
Fund Balance, End of Year			<u>\$ 5,258</u>	

See Note accompanying this schedule

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Required Supplementary Information

Budgetary Comparison Schedule

Senate Bill 83 Vehicle Registration Fee Special Revenue Fund

For the year ended June 30, 2024

(In thousands)

	Original Budget	Final Budget	Actual	Variance Final to Actual Positive/ (Negative)
Revenues:				
Federal, state, and local grants	\$ 15,841	\$ 15,841	\$ 15,841	\$ —
Investment earnings	1,536	1,536	1,536	—
Total Revenues	<u>17,377</u>	<u>17,377</u>	<u>17,377</u>	<u>—</u>
Expenditures:				
Program payments	18,511	18,511	18,511	—
Professional services	136	136	137	(1)
Total Expenditures	<u>18,647</u>	<u>18,647</u>	<u>18,648</u>	<u>(1)</u>
Change in fund balance, on a budgetary basis	<u>\$ (1,270)</u>	<u>\$ (1,270)</u>	<u>(1,271)</u>	<u>\$ (1)</u>
Fund Balance, Beginning of Year			36,398	
Fund Balance, End of Year			<u>\$ 35,127</u>	

See Note accompanying this schedule

Note 1 - Budgetary Basis of Accounting

State law requires the adoption of an annual budget, which must be approved by the VTA's Board of Directors. VTA's Board adopts a biennial budget for its Congestion Management Program, 2016 Measure B Program, 2000 Measure A Program, and Congestion Management and Highway Program Special Revenue Funds. The Bay Area Air Quality Management and Vehicle Registration Fees programs received pass-through grants in which VTA has merely administrative involvement. The budget for the Special Revenue Funds is prepared on a modified accrual basis but excludes unrealized gains and losses on investments, certain capital federal and state revenues, expenditures, and transfers.

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

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SUPPLEMENTARY INFORMATION
(Individual and Combining Fund Information)

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SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Budgetary Comparison Schedule - Enterprise Fund

VTA Transit Fund

For the year ended June 30, 2024

(In thousands)

	FY 2024			Variance
	Adopted	Final		Final to Actual
	Budget	Budget	Actual	Positive /
				(Negative)
REVENUES				
Fares - Transit	\$ 25,518	\$ 25,518	\$ 28,439	\$ 2,921
Fares - Paratransit	1,405	1,405	1,363	(42)
1976 1/2 Cent Sales Tax	279,938	279,938	266,942	(12,996)
Transportation Development Act funds	124,770	124,770	126,413	1,643
2000 Measure A Sales Tax Operating Assistance	58,087	58,087	55,382	(2,705)
2016 Measure B -Transit Operations	15,503	15,503	15,290	(213)
STA	45,725	45,725	45,273	(452)
Federal Operating Grants	5,739	5,739	5,410	(329)
State Operating Grants	150	150	5,674	5,524
Investment Earnings	22,211	22,211	22,699	488
Advertising Income	3,125	3,125	3,125	—
Other Income	21,632	21,632	24,581	2,949
Total revenues	603,804	603,804	600,591	(3,213)
OPERATING EXPENSES				
Labor Costs	406,767	409,627	400,015	9,612
Materials & Supplies	29,232	29,120	27,166	1,954
Security	24,182	24,182	23,683	499
Professional & Special Services	15,230	17,657	14,165	3,492
Other Services	17,233	17,209	17,325	(116)
Fuel	13,169	13,169	14,479	(1,310)
Traction Power	6,721	6,721	6,381	340
Tires	1,900	1,900	1,878	22
Utilities	4,399	4,399	4,783	(384)
Insurance	10,382	10,382	9,726	656
Data Processing	9,712	9,712	8,133	1,579
Office Expense	323	319	433	(114)
Communications	2,152	2,152	2,173	(21)
Employee Related Expense	2,320	2,121	1,635	486
Leases & Rents	1,660	1,660	1,754	(94)
Miscellaneous	952	952	972	(20)
Reimbursements	(43,479)	(43,479)	(43,026)	(453)
Total operating expenses	502,856	507,804	491,675	16,129

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Budgetary Comparison Schedule - Enterprise Fund (*continued*)

VTA Transit Fund

For the year ended June 30, 2024

(In thousands)

	FY 2024 Adopted Budget	Final Budget	Actual	Variance Final to Actual Positive / (Negative)
OTHER EXPENSES				
Paratransit	28,987	28,987	26,890	2,097
Altamont Corridor Express	6,865	6,865	6,522	343
Highway 17 Express	414	414	411	3
Monterey-San Jose Express Service	77	77	50	27
Contribution to Other Agencies	809	717	695	22
Debt Service	20,796	20,796	20,789	7
Transfer to capital reserve	40,000	40,000	40,000	—
Contingencies	3,000	775	—	775
Total other expenses	100,948	98,631	95,357	3,274
Total operating and other expenses	603,804	606,435	587,032	19,403
Change in net position, on a budgetary basis	\$ —	\$ (2,631)	13,559	\$ 16,190

Reconciliation of net income on a budgetary basis to net income on a GAAP Basis:

Capital Contributions	92,598
Project Expenditures	(5,244)
Capital Contributions to Other Agencies	(410)
Bond Principal Payment	17,710
Net of amortization of investment premium and (discount)	880
Net of amortization of bond premium and (deferred loss)	2,117
Unrealized gain on investment	12,435
Debt Reduction Fund Interest Earnings	3,473
Other non-budgetary revenues/(expenses)	(5,060)
Pension-related (GASB 68) & OPEB-related (GASB 75) expenses	(35,730)
OPEB-related (GASB 87) lease income	64
Subscription-based IT arrangements (GASB 96) expenses	(156)
PERS employer contribution deferred	20,719
Transfer to capital reserve	40,000
Transfers in (net of transfers out)	102
Depreciation	(83,222)
Net change in net position, on a GAAP Basis	\$ 73,835

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

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Combining Statement of Fiduciary Net Position

Retiree Benefits Trust Funds

June 30, 2024

(In thousands)

	ATU Pension Trust	OPEB Trust	ATU Medical Trusts			Total
			Spousal Medical	Vision/ Dental	Total Medical Trusts	
ASSETS						
Cash and cash equivalents	\$ 3,159	\$ 2,059	\$ 230	\$ 160	\$ 390	\$ 5,608
Investments	707,598	399,554	30,766	21,416	52,182	1,159,334
Receivables	867	571	—	—	—	1,438
Due from other agencies	—	10	—	—	—	10
Other assets	14	—	—	—	—	14
Total assets	<u>711,638</u>	<u>402,194</u>	<u>30,996</u>	<u>21,576</u>	<u>52,572</u>	<u>1,166,404</u>
LIABILITIES						
Accounts payable	1,808	1,093	17	12	29	2,930
Unearned revenues	19	—	—	—	—	19
Total liabilities	<u>1,827</u>	<u>1,093</u>	<u>17</u>	<u>12</u>	<u>29</u>	<u>2,949</u>
NET POSITION						
<i>Restricted for:</i>						
Pension benefits	709,811	—	—	—	—	709,811
Other post-employment benefits	—	401,101	—	—	—	401,101
Spousal medical benefits	—	—	30,979	—	30,979	30,979
Retiree dental and vision benefits	—	—	—	21,564	21,564	21,564
TOTAL NET POSITION	<u>\$ 709,811</u>	<u>\$ 401,101</u>	<u>\$ 30,979</u>	<u>\$ 21,564</u>	<u>\$ 52,543</u>	<u>\$1,163,455</u>

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Combining Statement of Changes in Fiduciary Net Position

Retiree Benefits Trust Funds

For the year ended June 30, 2024

(In thousands)

	ATU Medical Trusts					Total
	ATU Pension Trust	OPEB Trust	Spousal Medical	Vision/ Dental	Total Medical Trusts	
ADDITIONS						
Employee contributions	\$ 6,843	\$ —	\$ 1,550	\$ 388	\$ 1,938	\$ 8,781
Employer contributions	30,426	4,963	—	—	—	35,389
Total contributions	37,269	4,963	1,550	388	1,938	44,170
Investment earnings/(loss):						
Investment income	20,521	11,374	409	284	693	32,588
Net change in the fair value of investments	66,580	35,803	4,235	2,935	7,170	109,553
Investment expense	(7,603)	(4,281)	(10)	(7)	(17)	(11,901)
Net investment earnings/(loss)	79,498	42,896	4,634	3,212	7,846	130,240
Total additions	116,767	47,859	6,184	3,600	9,784	174,410
DEDUCTIONS						
Benefit payments	54,912	15,029	1,580	349	1,929	71,870
Administrative expenses	407	83	—	—	—	490
Total deductions	55,319	15,112	1,580	349	1,929	72,360
Change in net position	61,448	32,747	4,604	3,251	7,855	102,050
Net position, beginning of year	648,363	368,354	26,375	18,313	44,688	1,061,405
Net position, end of year	<u>\$ 709,811</u>	<u>\$ 401,101</u>	<u>\$ 30,979</u>	<u>\$ 21,564</u>	<u>\$ 52,543</u>	<u>\$ 1,163,455</u>

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Unrestricted Net Position

For the year ended June 30, 2024

(In thousands)

	Enterprise Funds				
	VTA Transit Fund	BART Operating Fund	Express Lanes Fund	Joint Development Fund	Total Enterprise Funds
Local share of capital projects	\$ 360,222	\$ —	\$ —	\$ 20,375	\$ 380,597
Debt reduction	102,925	—	—	—	102,925
Transit capital reserve	152,761	—	—	—	152,761
Express Lane	—	—	3,536	—	3,536
BART Operating	—	413,312	—	—	413,312
Joint Development	—	—	—	5,953	5,953
Sales tax stabilization	35,000	—	—	—	35,000
Operating reserve	93,673	—	—	—	93,673
Inventory and prepaid items	34,625	—	—	—	34,625
Net Deferrals: Net OPEB Asset (GASB75)	16,038	—	—	—	16,038
Net Pension Liability (GASB 68)*	(328,155)	—	—	—	(328,155)
Net Lease Asset (GASB 87)	1,204	—	—	(73)	1,131
Net Subscription Asset (GASB 96)	13	—	—	—	13
Total	<u>\$ 468,306</u>	<u>\$ 413,312</u>	<u>\$ 3,536</u>	<u>\$ 26,255</u>	<u>\$ 911,409</u>

*Net of related pension and OPEB deferrals

	Governmental Fund
	2000 Measure A Program
Governmental funds, June 30, 2024 (page 2-27)	\$ 264,630
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	(697,970)
Deferred outflows of resources	37,416
Restricted for Debt Service	(19,594)
Interest Payable on bonds outstanding is not due and payable in the current period, and therefore, is not reported in the funds	(7,083)
Total Net Position, Governmental Activities , June 30, 2024 (page 2-20)	<u>\$ (422,601)</u>

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STATISTICAL SECTION

FINANCIAL TRENDS:

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

- Table 1 - Changes in Net Position
- Table 2 - Net Position by Component
- Table 3 - Fund Balances and Changes in Fund Balances, Governmental Funds
- Table 4 - Current Ratio
- Table 5 - Operating Revenues and Operating Expenses
- Table 6 - Non-operating Assistance
- Table 7 - Targeted Operating Reserves

REVENUE CAPACITY:

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

- Table 8 - Revenue Base and Revenue Rates
- Table 9 - Sales Tax Rates
- Table 10 - Principal Sales Tax Payers in Santa Clara County by Segments

DEBT CAPACITY:

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

- Table 11 - Total Outstanding Debt by Type
- Table 12 - Ratios of Outstanding Debt
- Table 13 - Direct and Overlapping Debt and Debt Limitation
- Table 14 - Pledged Revenue Coverage - 1976 Half-Cent Sales Tax Revenue Bonds
- Table 15 - Pledged Revenue Coverage - 2000 Measure A Half-Cent Sales Tax Revenue Bonds
- Table 16 - Projected Pledged Revenue Coverage

DEMOGRAPHIC AND ECONOMIC INFORMATION:

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

- Table 17 - Population Trends
- Table 18 - Income and Unemployment Rates
- Table 19 - Wage and Salary Employment by Industry (Annual Average)
- Table 20 - Silicon Valley Major Employers

OPERATING INFORMATION:

- Table 21 - Operating Indicators
- Table 22 - Farebox Recovery Ratio
- Table 23 - Revenue Miles
- Table 24 - Passenger Miles
- Table 25 - Selected Statistical Data
- Table 26 - System Data
- Table 27 - Employee Headcount
- Table 28 - Capital Assets

Source: Unless otherwise indicated, the source of information presented in the Statistical Section is VTA's current or prior years' ACFR.

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Table 1
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Financial Trend - Changes in Net Position
Ten Years Ended June 30, 2024
(In thousands)

	2015	2016	2017 ¹	2018	2019	2020	2021	2022	2023	2024
EXPENSES										
<i>Business-type activities:</i>										
Transit										
Operations and Operating Projects	\$ 407,618	\$ 431,212	\$ 471,655	\$ 495,785	\$ 487,725	\$ 528,001	\$ 638,943	\$ 708,316	\$ 765,828	\$ 859,089
Caltrain Subsidy	8,390	8,414	8,390	8,967	10,790	10,800	10,800	9,120	— ²	—
Capital Expenses on behalf of, and contribution to other agencies	61,445	53,094	6,497	7,344	23,809	189,358	5,850	3,178	1,015	1,052
Altamont Corridor Express Subsidy	3,097	3,166	3,270	3,383	3,502	3,634	3,893	3,337	1,458	4,442
Interest Expense	15,204	11,330	7,326	6,972	13,060	6,464	5,972	5,206	3,553	2,152
Other Expenses	5,734	4,177	576	657	5,446	1,444	618	681	4,277	519
Benefit Payments	8,881	12,999	12,654	17,437	15,359	15,096	19,067	15,594	13,940	18,455
Total Business-Type Activities Expenses	510,369	524,392	510,368	540,545	559,691	754,797	685,143	745,432	790,071	885,709
<i>Governmental activities:</i>										
Congestion Management										
Operations and operating projects	8,071	8,228	8,868	8,159	8,122	6,533	7,923	8,165	8,258	8,634
Interest Expense	—	—	7,928	8,068	7,833	10,730	26,528	35,158	30,890	29,560
Program Payments	—	—	—	—	—	—	17,767	20,181	17,335	19,526
Other Expenses	—	—	2,352	1,452	1,155	2,277	1,453	600	1,727	1,045
Capital expenditures on behalf of, and contribution to other agencies	20,295	11,399	89,556	68,188	53,663	169,105	149,836	185,990	197,370	525,798
Total governmental activities expenses	28,366	19,627	108,704	85,867	70,773	188,645	203,507	250,094	255,580	584,563
Total primary government expenses	538,735	544,019	619,072	626,412	630,464	943,442	888,650	995,526	1,045,651	1,470,272
PROGRAM REVENUES										
<i>Business-type activities:</i>										
Charges for services	43,054	42,316	40,194	42,434	44,720	37,897	22,253	40,221	60,605	70,768
Operating grants	134,796	126,988 ⁴	115,191	130,919	160,967	214,022	221,874	316,428	178,501	183,779
Capital grants	277,421	271,057	38,713	58,259	53,855	29,212	20,133	10,643	19,853	93,345
Total business-type activities program revenues	455,271	440,361	194,098	231,612	259,542	281,131	264,260	367,292	258,959	347,892
<i>Governmental activities:</i>										
Charges for services	2,526	2,529	2,549	2,664	2,814	3,044	3,007	3,082	3,168	3,321
Operating grants	2,096	16,585 ⁵	172,844	107,957	112,348	131,088	120,538	111,751	155,991	441,563
Capital grants	22,964	—	—	—	—	—	—	—	—	—
Total governmental activities program revenues	27,586	19,114	175,393	110,621	115,162	134,132	123,545	114,833	159,159	444,884
Total primary government revenues	482,857	459,475	369,491	342,233	374,704	415,263	387,805	482,125	418,118	792,776
NET PROGRAM (EXPENSES)/REVENUES										
Business-type activities	(55,098)	(84,031)	(316,270)	(308,933)	(300,149)	(473,666)	(420,883)	(378,140)	(531,112)	(537,817)
Governmental activities	(780)	(513)	66,689	24,754	44,389	(54,513)	(79,962)	(135,261)	(96,421)	(139,679)
Total primary government net program (expenses)/revenues	(55,878)	(84,544)	(249,581)	(284,179)	(255,760)	(528,179)	(500,845)	(513,401)	(627,533)	(677,496)

Table 1
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Financial Trend - Changes in Net Position (continued)
Ten Years Ended June 30, 2024
(In thousands)

	2015	2016	2017 ¹	2018	2019	2020	2021	2022	2023	2024
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION										
<i>Business-type activities:</i>										
Sales tax revenue	446,374	460,316	259,029	257,380	295,873	260,596	274,498	321,768	342,449	332,191
Investment income	9,420	19,102	2,055	3,222	27,033	29,294	5,197	(22,637)	22,365	64,506
Proceeds from sale of land	16,732	—	—	—	—	—	—	—	—	—
Federal subsidy for Build America Bonds ⁴	8,715	—	—	—	—	—	—	—	—	—
Other income	4,261	3,335	5,233	3,317	7,237	5,494	2,874	3,198	16,436	3,977
Transfers	—	—	286,989	250,769	297,919	297,934	239,152	275,291	330,667	541,746
<i>Total business-type activities</i>	<u>485,502</u>	<u>482,753</u>	<u>553,306</u>	<u>514,688</u>	<u>628,062</u>	<u>593,318</u>	<u>521,721</u>	<u>577,620</u>	<u>711,917</u>	<u>942,420</u>
<i>Governmental activities:</i>										
Sales tax revenue	—	—	208,672	207,870	474,538	419,209	440,862	516,470	548,271	533,519
Investment income	9	16	2,411	2,813	24,782	39,482	3,601	(27,136)	23,954	59,428
Other income	250	155	531	760	628	1,086	681	789	898	957
Transfers	—	—	(340,682)	(250,769)	(297,919)	(297,934)	(239,152)	(275,291)	(330,667)	(541,746)
Extraordinary item ⁶	—	—	—	—	256,090	—	—	—	—	—
<i>Total governmental activities</i>	<u>259</u>	<u>171</u>	<u>(129,068)</u>	<u>(39,326)</u>	<u>458,119</u>	<u>161,843</u>	<u>205,992</u>	<u>214,832</u>	<u>242,456</u>	<u>52,158</u>
TOTAL PRIMARY GOVERNMENT	<u>485,761</u>	<u>482,924</u>	<u>424,238</u>	<u>475,362</u>	<u>1,086,181</u>	<u>755,161</u>	<u>727,713</u>	<u>792,452</u>	<u>954,373</u>	<u>994,578</u>
CHANGE IN NET POSITION										
Business-type activities	430,404	398,722	290,729	205,755	327,913	119,652	100,838	199,480	180,805	404,603
Governmental activities	(521)	(342)	(62,379)	(14,572)	502,508	107,330	126,030	79,571	146,035	(87,521)
Total primary government	<u>\$ 429,883</u>	<u>\$ 398,380</u>	<u>\$ 228,350</u>	<u>\$ 191,183</u>	<u>\$ 830,421</u>	<u>\$ 226,982</u>	<u>\$ 226,868</u>	<u>\$ 279,051</u>	<u>\$ 326,840</u>	<u>\$ 317,082</u>

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

²VTa did not contribute to the Caltrain commuter rail service due to the passage of Measure RR that provided a dedicated funding source for Caltrain.

³In FY2020, the contributions to other agencies and capital projects for the benefit of other agencies were pooled into one account.

⁴Starting with FY 2016, BABs subsidy was reported under Program Revenues-Operating Grants.

⁵Capital Grants under governmental activities were reported under Operating Grants starting with FY 2016. These grants operate assets that will be owned by other entities.

⁶Represents collections of 2016 Measure B Sales Tax prior to FY 2019.

Table 2
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Financial Trends - Net Position by Component
Ten Years Ended June 30, 2024
(In thousands)

	2015 ¹	2016	2017 ²	2018 ³	2019	2020	2021	2022	2023	2024
BUSINESS-TYPE ACTIVITIES										
Net Investment in Capital Assets	\$2,950,181	\$3,394,540	\$4,616,263	\$4,839,251	\$5,058,104	\$5,059,705	\$5,078,709	\$5,097,498	\$5,179,068	\$5,589,487
Restricted	822,834	789,000	11,572	9,910	6,003	9,286	10,388	10,030	107,740 ⁴	92,997
Unrestricted	197,852	186,049	384,850	411,441	524,408	639,176	719,908	900,957	902,482	911,409
Total Business-Type Activities	<u>3,970,867</u>	<u>4,369,589</u>	<u>5,012,685</u>	<u>5,260,602</u>	<u>5,588,515</u>	<u>5,708,167</u>	<u>5,809,005</u>	<u>6,008,485</u>	<u>6,189,290</u>	<u>6,593,893</u>
Net Position										
GOVERNMENTAL ACTIVITIES										
Restricted	1,499	1,157	72,868	56,746	597,807	790,771	914,620	983,898	1,088,855	905,487
Unrestricted	—	—	(486,458)	(484,907)	(523,460)	(609,094)	(569,819)	(559,526)	(518,448)	(422,601)
Total Governmental-Type Activities	<u>1,499</u>	<u>1,157</u>	<u>(413,590)</u>	<u>(428,161)</u>	<u>74,347</u>	<u>181,677</u>	<u>344,801</u>	<u>424,372</u>	<u>570,407</u>	<u>482,886</u>
Fund Balance										
PRIMARY GOVERNMENT										
Net Investment in Capital Assets	2,950,181	3,394,540	4,616,263	4,839,251	5,058,104	5,059,705	5,078,709	5,097,498	5,179,068	5,589,487
Restricted	824,333	790,157	84,440	66,656	603,810	800,057	925,008	993,928	1,196,595	998,484
Unrestricted	197,852	186,049	(101,608)	(73,466)	948	30,082	150,089	341,431	384,034	488,808
Total Primary Governmental	<u>\$3,972,366</u>	<u>\$4,370,746</u>	<u>\$4,599,095</u>	<u>\$4,832,441</u>	<u>\$5,662,862</u>	<u>\$5,889,844</u>	<u>\$6,153,806</u>	<u>6,432,857</u>	<u>6,759,697</u>	<u>\$7,076,779</u>
Net Position										
Restatement due to GASB84										
implemented in FY2021						37,094				
Restated Total Primary						<u>\$5,926,938</u>				
Governmental Net Position										

¹FY 2015 was restated by \$189.0 million due to implementation of GASB68.

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

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

⁴Net OPEB Asset of \$92.8 million was categorized under Restricted starting FY 2023.

⁵FY 2021 was restated due to implementation of GASB 84. This required the transfer of BAAQ and VRF funds from Agency to Governmental as assets derived from pass-through grants for which the government has administrative or direct financial involvement should be reported with the governmental or business-type activities.

Table 3
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Financial Trends – Fund Balances and Changes in Fund Balances, Governmental Funds
Ten Years Ended June 30, 2024
(Modified Accrual Basis of Accounting)

	(In thousands)									
	2015	2016	2017 ¹	2018	2019	2020	2021	2022	2023	2024
REVENUES										
Member Agency Assessment Revenue	\$ 2,407	\$ 2,407	\$ 2,407	\$ 2,528	\$ 2,654	\$ 2,880	\$ 2,843	\$ 2,942	\$ 3,046	\$ 3,152
Federal Technical Studies Operating Assistance Grants	1,371	1,887	1,219	2,178	2,439	2,171	2,084	1,603	3,165	2,632
Administrative Fees	119	122	142	136	160	164	164	140	122	169
Federal, State and Local Grant Revenues	23,689	14,698	162,872	96,995	101,102	120,080	109,695	101,769	145,132	438,145
Federal subsidy for Build American Bonds	—	—	8,753	8,784	8,807	8,837	8,759	8,379	7,694	786
Sales tax revenue	—	—	208,672	207,870	474,538	419,209	440,862	516,470	548,271	533,519
Investment Earnings	9	16	2,411	2,813	24,782	39,482	3,601	(27,136)	23,954	59,428
Other Revenue	250	155	531	760	628	1,086	681	789	898	957
Total Revenues	27,845	19,285	387,007	322,064	615,110	593,909	568,689	604,956	732,282	1,038,788
EXPENDITURES										
Congestion Management - Current:										
VTA Labor and Overhead Costs	6,826	7,031	6,128	7,328	7,487	5,637	6,880	6,768	6,724	7,027
Professional Services	1,225	1,176	2,721	817	619	881	1,028	1,380	1,504	1,592
Program Expenditures	19	21	19	14	16	15	15	17	30	15
Program Payments	—	—	—	—	—	—	17,767	20,181	17,335	19,526
Other expenditures	1	—	2,352	1,452	1,155	2,277	1,453	600	1,727	1,045
Debt Service:										
Principal	—	—	28,160	29,530	30,575	32,080	33,680	35,015	36,460	29,480
Interest	—	—	10,721	10,107	9,745	12,105	27,258	37,051	32,363	27,325
Issuance cost	—	—	—	—	—	—	—	—	—	1,409
Capital expenditures on behalf of, and contribution to other agencies	20,295	11,399	89,556	68,188	53,663	169,105	149,836	185,990	197,370	525,798
Total Expenditures	28,366	19,627	139,657	117,436	103,260	222,100	237,917	287,002	293,513	613,217
Excess (Deficiency) of Revenues Over Expenditures	(521)	(342)	247,350	204,628	511,850	371,809	330,772	317,954	438,769	425,571
OTHER FINANCING SOURCES (USES):										
Transfers Out	—	—	(340,682)	(250,769)	(297,919)	(297,934)	(239,152)	(275,291)	(330,667)	(541,746)
Bond issuance, net	—	—	—	—	—	—	(1,061)	—	—	(8,106)
Extraordinary Items ³	—	—	—	—	256,090	—	—	—	—	—
Total Other Financing Sources (Uses)	—	—	(340,682)	(250,769)	(41,829)	(297,934)	(239,152)	(275,291)	(330,667)	(549,852)
Net Change in Fund Balances	(521)	(342)	(93,332)	(46,141)	470,021	73,875	91,620	42,663	108,102	(124,281)
TOTAL GOVERNMENTAL FUNDS										
Non-spendable – Special Revenue Funds	—	—	—	—	—	—	—	—	16,309	6,610
Restricted – Special Revenue Funds	1,499	1,157	500,293	454,153	922,511	996,386	1,124,039	1,166,702	1,258,495	1,143,913
Unassigned – Special Revenue Funds	—	—	(1,663)	(1,663)	—	—	—	—	—	—
Total Governmental Funds	\$ 1,499	\$ 1,157	\$498,630	\$452,490	\$922,511	\$996,386	\$1,124,039	\$1,166,702	\$1,274,804	\$1,150,523
Ratio of debt service expenditures to non-capital expenditures	— %	— %	38.58 %	50.95 %	64.06 %	24.83 %	34.43 %	33.53 %	30.63 %	10.21 %

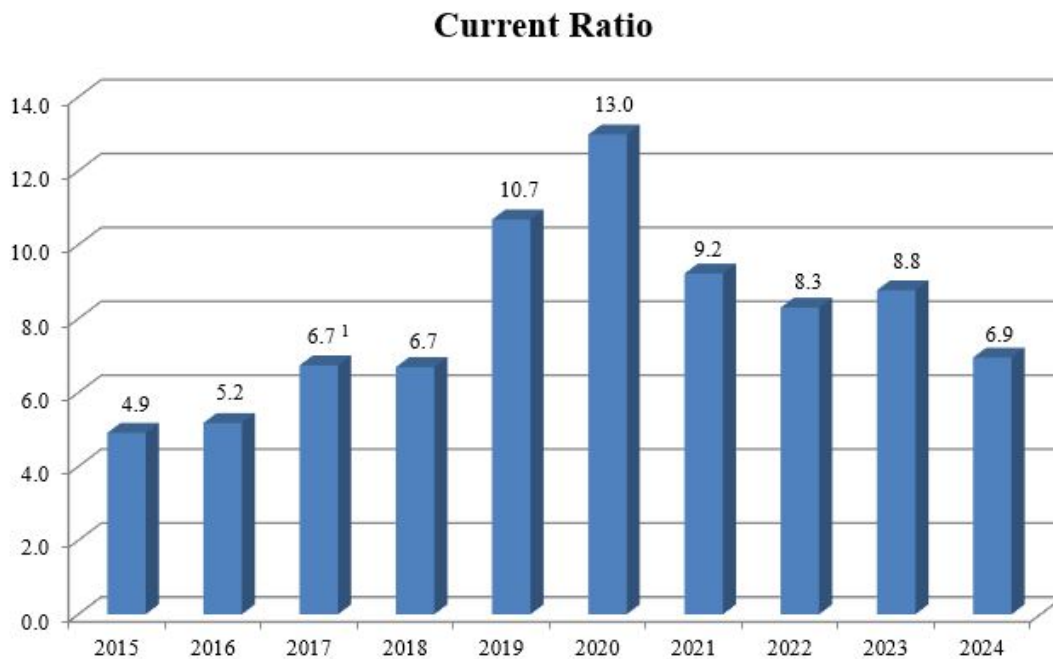
¹FY 2017 was restated due to change of 2000 Measure A Program Fund from enterprise to governmental in FY 2018.

²In FY2020, the contributions to other agencies and capital improvement projects were pooled into one account.

³In FY2019, \$256.1 million in revenue was recognized after litigation concluded for 2016 Measure B half-cent sales tax.

Table 4
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Financial Trends – Current Ratio
Enterprise Funds
Ten Years Ended June 30, 2024

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.



	2015	2016	2017 ¹	2018	2019	2020	2021	2022	2023	2024
Current and Restricted Assets (\$000's)	\$1,375,968	\$1,332,998	\$ 685,914	\$ 700,885	\$ 793,181	\$ 945,004	\$1,048,635	\$1,253,369	\$1,376,822	\$1,453,807
Current and Restricted Liabilities (\$000's)	280,262	257,399	101,779	104,929	74,239	72,785	113,727	151,758	156,997	209,221
Net Working Capital (\$000's)	\$1,095,706	\$1,075,599	\$ 584,135	\$ 595,956	\$ 718,942	\$ 872,219	\$ 934,908	\$1,101,611	\$1,219,825	\$1,244,586
Current Ratio	4.9	5.2	6.7	6.7	10.7	13.0	9.2	8.3	8.8	6.9

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

Table 5
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
 Financial Trends - Operating Revenues & Operating Expenses
 VTA Transit
 Ten Years Ended June 30, 2024

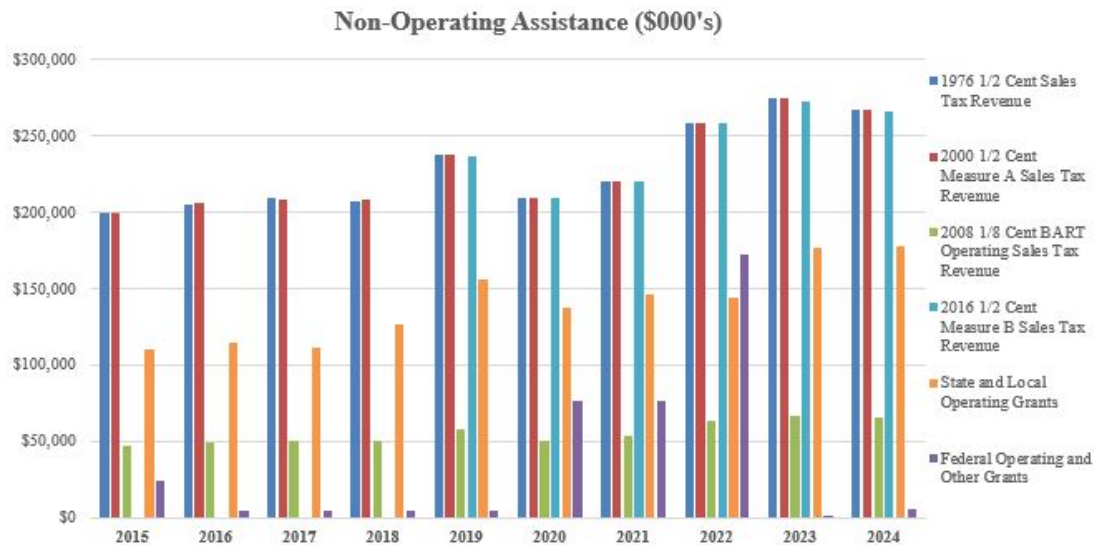
The chart below shows a comparison of operating revenues to expenses. Operating revenues exclude paratransit fares and charges for services (which included lease income from GASB 87 beginning in FY 2022). Operating expenses are exclusive of purchased transportation and depreciation to more accurately reflect operating expenses related to direct operating service.



	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Operating Revenues	\$ 41,897	\$41,042	\$ 38,261	\$ 38,160	\$40,201	\$32,199	\$16,311	\$23,942	\$30,807	\$33,219
Operating Expenses	330,466	358,538	385,528	414,975	411,524	417,206	390,099	427,859	486,842	517,110

Table 6
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Financial Trends - Non-Operating Assistance
Sales Tax Revenues and Enterprise Operating Grants
Ten Years Ended June 30, 2024
(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.



	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
1976 1/2 Cent Sales Tax Revenue	\$199,221	\$205,418	\$209,005	\$207,589	\$ 237,869	\$ 209,828	\$220,581	\$258,474	\$275,288	\$266,942
2000 1/2 Cent Measure A Sales Tax Revenue ¹	199,653	205,636	208,672	207,870	237,874	209,885	220,500	258,470	275,283	266,901
2008 1/8 Cent BART Operating Sales Tax Revenue ²	47,500	49,262	50,024	49,791	58,004	50,768	53,917	63,294	67,161	65,249
2016 1/2 Cent Measure B Sales Tax Revenue ³	—	—	—	—	236,664	209,324	220,362	258,000	272,988	266,618
State and Local Operating Grants	110,243	114,135	110,959	126,689	156,565	137,081	145,778	143,814	176,904	178,369
Federal Operating and Other Grants ⁴	24,553	4,105	4,232	4,230	4,402	76,941	76,096	172,614	1,597	5,410

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

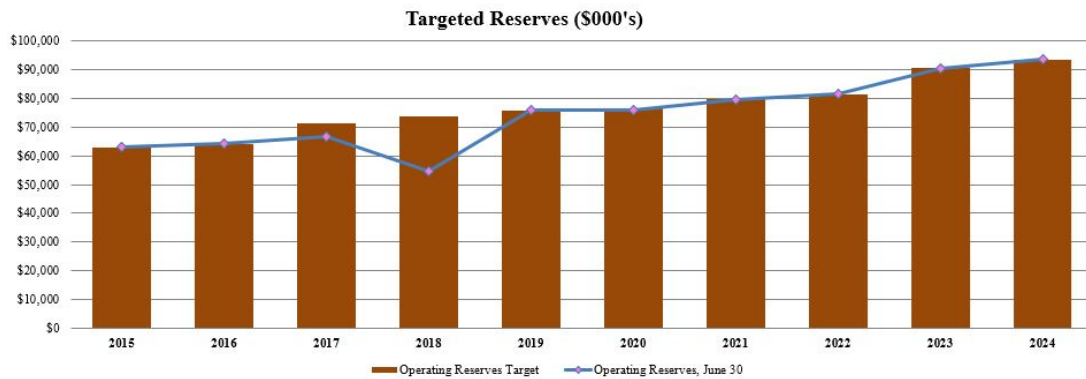
²The collection of 1/8 cent sales tax for BART Operating started on July 1, 2012.

³The collection of 1/2 cent sales tax for 2016 Measure B started in April 2017; however, sales tax was only recognized as revenues beginning in FY 2019 after litigation on the Measure was resolved favorably for VTA in January 2019.

⁴Included relief funds primarily from Coronavirus, Aid, Relief and Economic Security (CARES) of \$72.9 million in FY 2020 and \$67.7 million in FY 2021, as well as Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) and American Rescue Plan (ARP) of \$167.8 million in FY 2022.

Table 7
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Financial Trends - Targeted Operating Reserves
VTA Transit Fund
Ten Years Ended June 30, 2024

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



	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Current Assets, excluding restricted asset	\$124,284	\$130,096	\$143,377	\$136,012	\$159,219	\$144,854	\$151,432	\$185,309	\$179,140	\$223,175
Total Current Liabilities, excluding restricted liability	(36,878)	(32,334)	(40,030)	(44,540)	(46,997)	(36,989)	(41,412)	(72,044)	(56,279)	(94,966)
Current Net Position	\$ 87,406	\$ 97,762	\$103,347	\$ 91,472	\$112,222	\$107,865	\$110,020	\$113,265	\$122,861	\$128,209
Less: Inventory & Other Current Assets	(24,469)	(33,615)	(36,688)	(36,665)	(36,408)	(32,051)	(30,239)	(31,688)	(32,290)	(34,536)
Operating Reserves, June 30	\$ 62,937	\$ 64,147	\$ 66,659	\$ 54,807	\$ 75,814	\$ 75,814	\$ 79,781	\$ 81,577	\$ 90,571	\$ 93,673
Operating Reserves Target	\$ 62,937	\$ 64,147	\$ 71,322	\$ 73,979	\$ 75,814	\$ 76,485	\$ 79,781	\$ 81,577	\$ 90,571	\$ 93,673

Table 8
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Revenue Capacity – Revenue Base and Revenue Rates
Ten Years Ended June 30, 2024

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Passenger Fares ¹ (In thousands)	\$39,108	\$37,663	\$33,719	\$34,511	\$35,773	\$27,318	\$14,773	\$25,067	\$33,653	\$38,139
Percentage Increase/(Decrease) from Prior Year	1.9 %	(3.7)%	(10.5)%	2.3 %	3.7 %	(23.6)%	(45.9)%	69.7%	34.3%	13.3%
Revenue Base										
Number of Passengers ²	43,944,096	42,918,436	38,189,131	36,555,500	35,465,604	27,968,308	11,876,114	17,465,232	23,408,795	27,156,809
Percentage Increase/(Decrease) from Prior Year	1.2 %	(2.3)%	(11.0)%	(4.3)%	(3.0)%	(21.1)%	(57.5)%	47.1%	34.0%	16.0%
Fare Structure										
Adult Local Fare	\$2.00	\$2.00	\$2.00	\$2.25	\$2.50	\$2.50	\$2.50	\$2.50	\$2.50	\$2.50
Youth Local Fare	1.75	1.75	1.75	1.00	1.25	1.25	1.25	1.25	1.25	1.25
Senior/Disabled Local Fare	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Sales Tax Revenues (In thousands)										
1976 1/2Cent Sales Tax ³	\$ 199,221	\$ 205,418	\$ 209,005	\$ 207,589	\$ 237,869	\$ 209,828	\$ 220,581	\$ 258,474	\$ 275,288	\$ 266,942
2000 Measure A 1/2Cent Sales Tax ⁴	199,653	205,636	208,672	207,870	237,874	209,885	220,500	258,470	275,283	266,901
2008 1/8 Cent BART Operating ⁵	47,500	49,262	50,024	49,791	58,004	50,768	53,917	63,294	67,161	65,249
2016 Measure B 1/2 Cent Sales Tax ⁶	—	—	—	—	236,664	209,324	220,362	258,000	272,988	266,618
Total Sales Tax Revenue Receipts ⁷	<u>\$ 446,374</u>	<u>\$ 460,316</u>	<u>\$ 467,701</u>	<u>\$ 465,250</u>	<u>\$ 770,411</u>	<u>\$ 679,805</u>	<u>\$ 715,360</u>	<u>\$ 838,238</u>	<u>\$ 890,720</u>	<u>\$ 865,710</u>
Percentage Increase/(Decrease) from Prior Year										
1976 1/2 Cent Sales Tax	6.9 %	3.1 %	1.7 %	(0.7)%	14.6 %	(11.8)%	5.1%	17.2%	6.5%	(3.0)%
2000 Measure A 1/2 Cent Sales Tax	7.2 %	3.0 %	1.5 %	(0.4)%	14.4 %	(11.8)%	5.1%	17.2%	6.5%	(3.0)%
2008 1/8 Cent BART Operating	6.1 %	3.7 %	1.5 %	(0.5)%	16.5 %	(12.5)%	6.2%	17.4%	6.1%	(2.8)%
2016 Measure B 1/2 Cent Sales Tax	N/A	N/A	N/A	N/A	N/A	(11.6)%	5.3%	17.1%	5.8%	(2.3)%

¹Includes fares for bus and rail services. Despite initial recognition of Bart Operating Fares in FY 2021, farebox was negatively impacted by the pandemic.

²Represents bus and rail ridership total boarding. Source: VTA Operations Division - June 2024 Operating Statistics.

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

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

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

⁶The 2016 Measure B half-cent Sales Tax was approved by County voters in 2016 to fund enhancement of transit, highways, expressways and active transportation. The collection of 1/2 cent sales tax for 2016 Measure B started in April 2017; however, utilization of funds was deferred until litigation of the measure was settled in 2019.

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

Table 9
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Revenue Capacity - Sales Tax Rates
Ten Years Ended June 30, 2024

<u>Fiscal Year</u>	<u>State</u>	<u>City</u>	<u>VTA¹</u>	<u>Total</u>
2015	6.63%	1.00%	1.12%	8.75%
2016 ²	6.38%	1.25%	1.12%	8.75%
2017 ³	6.12%	1.25%	1.63%	9.00%
2018	6.12%	1.25%	1.63%	9.00%
2019	6.12%	1.25%	1.63%	9.00%
2020	6.12%	1.25%	1.63%	9.00%
2021	6.12%	1.25%	1.63%	9.00%
2022 ⁴	6.12%	1.375%	1.63%	9.125%
2023	6.12%	1.375%	1.63%	9.125%
2024	6.12%	1.375%	1.63%	9.125%

¹ VTA has four specific sales tax measures approved by the voters. The 1976 half-cent sales tax measure was approved by voters in 1976 and does not have a sunset clause. The 2000 Measure A half-cent sales tax was approved in the 2000 General Election and became effective on April 1, 2006. The 30-year sales tax measure will sunset on March 31, 2036. On November 4, 2008, the voters of Santa Clara County approved 2008 Measure B. This 30-year eighth-cent sales and use tax, effective July 1, 2012, is dedicated solely to providing the operating and maintenance expenses and capital reserve contribution for the Silicon Valley BART Extension. On April 1, 2017, a half-cent sales tax also known as 2016 Measure B Sales Tax became effective in Santa Clara county for Silicon Valley Transportation Solutions Tax. There was a 0.125% increase for Bart Operation and Maintenance tax effective July 1, 2012. Effective 4/1/2013, there was a 0.125% increase for Retail Transactions and Use tax.

² 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%.

³ Beginning April 1, 2017, Santa Clara Transportation Solution Tax also known as 2016 Measure B Sales tax became effective.

⁴ Effective July 1, 2021, local sales and use tax increased by 0.125%.

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
(Amount in millions)

Principal Revenue Payers	Fiscal Year 2023 ¹			Fiscal Year 2014		
	Rank	Percentage of Taxable Sales	Taxable Sales Amount	Rank	Percentage of Taxable Sales	Taxable Sales Amount
Retail Trade	1	52.3 %	\$ 28,371	1	52.7 %	\$ 19,929
Manufacturing	2	15.3 %	8,269	2	16.1 %	6,079
Accommodation and Food Services	3	11.6 %	6,272	3	10.7 %	4,042
Construction	4	5.3 %	2,878	4	5.4 %	2,048
Mining, Quarrying, and Oil and Gas Extraction	5	3.5 %	1,918	5	3.6 %	1,359
Agriculture, Forestry, Fishing and Hunting	6	3.4 %	1,826	6	3.6 %	1,375
Utilities	7	2.2 %	1,190	7	2.7 %	1,034
Total All Other Outlets ²	8	1.9 %	1,013	12	0.7 %	247
Educational Services	9	1.5 %	801	8	1.5 %	554
Information	10	1.0 %	522	11	0.8 %	299
Real Estate and Rental and Leasing	11	0.8 %	448	9	1.0 %	383
Other Services (except Public Administration)	12	0.7 %	401	10	0.8 %	310
Professional, Scientific, and Technical Services	13	0.5 %	291	13	0.4 %	165
Total		100.0 %	\$ 54,200		100.0 %	\$ 37,824

¹2024 data is not available at the time of printing.

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

Source: California Department of Tax and Fee Administration as compiled by Avenu Insights & Analytics

Table 11
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Debt Capacity – Total Outstanding Debt by Type
Ten Years Ended June 30, 2024
(In thousands)

Fiscal Year	Business-type Activities		Governmental Activities	Total Outstanding Debt
	Silicon Valley Express Lanes State Route 237 Loan	1976 Sales Tax Revenue Bonds	2000 Sales Tax Revenue Bonds	
2015	\$ —	\$ 199,054	\$ 961,711	\$ 1,160,765
2016	—	184,116	932,049	1,116,165
2017	—	168,877	901,545	1,070,422
2018	2,126	154,230	870,348	1,026,704
2019	15,287	145,182	838,218	998,687
2020	23,307	129,695	805,056	958,058
2021	23,302	113,160	769,949	906,411
2022	23,247	95,035	734,086	852,368
2023	23,177	75,623	696,670	795,470
2024	22,591	54,868	697,970	775,429

Table 12
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Debt Capacity - Ratios of Outstanding Debt
Ten Years Ended June 30, 2024

Fiscal Year	Total Outstanding Debt¹ (In thousands)	Total County Taxable Sales and Express Lane Toll Revenues² (In thousands)	Total Debt as a % of Taxable Sales and Toll Revenues	Personal Income³ (In thousands)	Total Debt as a % of Personal Income	Santa Clara County Population (In thousands)	Total Debt per Capita
2015	1,160,765	40,617,475	2.86%	158,728,715	0.73%	1,918	605
2016	1,116,165	41,202,462	2.71%	170,672,534	0.65%	1,919	582
2017	1,070,422	41,951,812	2.55%	190,001,690	0.56%	1,938	552
2018	1,026,704	42,371,330	2.42%	209,019,944	0.49%	1,947	527
2019	998,687	44,322,468	2.25%	223,624,580	0.45%	1,954	511
2020	958,058	41,965,527	2.28%	235,835,442	0.41%	1,962	488
2021	906,411	44,114,824	2.05%	261,564,583	0.35%	1,934	469
2022	852,368	51,694,818	1.65%	270,162,197	0.32%	1,895	450
2023	795,470	55,057,671	1.44%	272,863,819	0.29%	1,886	422
2024	775,429	53,388,472	1.45%	275,592,457	0.28%	1,903	407

¹The Total Outstanding Debt, less \$24 million of debt related to the Santa Clara County Express Lanes Program, is secured by a pledge of VTA's sales tax revenues, which were approved by Santa Clara County voters as follows: The 1976 1/2 cent Sales Tax measure in 1976 and the 2000 Measure A 1/2 cent Sales Tax. Collection of the 2000 Measure A 1/2 cent Sales Tax began in April 2006.

²Estimate based on total 1976 1/2 cent sales tax received.

³Actual personal income is available through Fiscal Year 2022. FY 2023 and 2024 assumed a 1% increase over the prior year's numbers.

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

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

Table 14
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Debt Capacity – Pledged Revenue Coverage – 1976 Half-Cent Sales Tax
Revenue Bonds
Ten Years Ended June 30, 2024
(In thousands)

Fiscal Year	Available Sales Tax Revenue	Annual Debt Service ¹			Coverage
		Principal	Interest²	Total	
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
2019	237,869	11,403	13,060 ⁴	24,463	9.7
2020	209,828	14,733	6,464	21,197	9.9
2021	220,581	15,342	5,419	20,761	10.6
2022	258,474	16,160	3,694	19,854	13.0
2023	275,288	16,910	2,347	19,257	14.3
2024	266,942	17,710	954	18,664	14.3

¹ This schedule includes Senior Lien debts.

² FY 2021 and prior years included bond-related fees.

³ Restated to exclude \$10 million of principal payment due to refinancing activity in FY 2017.

⁴ This includes \$5.7 million of swap termination cost associated with the termination of three swap agreements hedging the 1976 Sales Tax 2008 bonds.

Table 15
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Debt Capacity – Pledged Revenue Coverage – 2000 Measure A Half-Cent Sales Tax
Revenue Bonds
Ten Years Ended June 30, 2024
(In thousands)

Fiscal Year	Available Sales Tax Revenue	Annual Debt Service		Total	Coverage ²
		Principal	Interest ¹		
2015	\$ 199,653	\$ 25,775	\$ 43,458	\$ 69,233	2.9
2016	205,636	26,965	43,096	70,061	2.9
2017	208,672	28,160	42,813	70,973	2.9
2018	207,870	29,530	41,978	71,508	2.9
2019	237,874	30,575	39,868	70,443	3.4
2020	209,885	32,080	39,487	71,567	2.9
2021	220,500	33,680	36,552	70,232	3.1
2022	258,470	35,015	34,212	69,227	3.7
2023	275,288	36,460	30,907	67,367	4.1
2024	266,901	81,095	32,141	113,236	2.4

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, 2025 through 2029.

1976 Sales Tax Revenues and Senior Lien Debt Service Coverage
Fiscal Years Ending June 30, 2025– 2029 (Proforma and Unaudited)
(\$ in thousands)

Fiscal Year Ending June 30,	Projected Sales Tax Revenue	Percent Increase/ (Decrease) ^{1*}	Aggregate Debt Service ²	Projected Coverage
2025	\$ 296,538	2.34 %	\$ 20,718	14.31
2026	303,802	2.45 %	20,737	14.65
2027	311,117	2.41 %	3,873	80.33
2028	318,179	2.27 %	3,896	81.67
2029	324,964	2.13 %	—	—

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, 2025 through 2029.

2000 Measure A Sales Tax Revenues and Debt Service Coverage
Fiscal Years Ending June 30, 2025 – 2029 (Proforma and Unaudited)
(\$ in thousands)

Fiscal Year Ending June 30,	Projected Sales Tax Revenue	Percent Increase/ (Decrease) ^{1*}	Aggregate Debt Service ³	Projected Coverage ⁴
2025	\$ 296,538	2.34%	\$ 67,131	4.42
2026	303,802	2.45%	67,118	4.53
2027	311,117	2.41%	67,096	4.64
2028	318,179	2.27%	67,075	4.74
2029	324,964	2.13%	67,050	4.85

¹ Source: Growth rates provided by outside economists.

² Includes actual debt service on the 2017 Series B and 2018 Series A Bonds. This declines in FY 2027 because 2018 bonds mature on June 1, 2026.

³ Includes scheduled debt service on the 2015 Bonds, 2020 Bonds and 2023 Bonds.

⁴ Excludes debt service for certain 2015 Bonds that have been advance refunded and legally defeased.

*No assurance is given that actual results will meet the forecasts.

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 decreased by approximately 0.03 % in 2024 as compared to the 2020 Census.

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

County of Santa Clara Population							
	1970	1980	1990	2000	2010	2020	2024
Campbell	24,731	26,843	36,048	38,138	39,349	42,288	43,095
Cupertino	18,216	34,297	40,263	50,546	58,302	59,549	59,471
Gilroy	12,665	21,641	31,487	41,464	48,821	57,084	61,033
Los Altos	24,872	25,769	26,303	27,693	28,976	30,876	31,255
Los Altos Hills	6,862	7,421	7,514	7,902	7,922	8,413	8,476
Los Gatos	23,466	26,906	27,357	28,592	29,413	31,439	33,230
Milpitas	27,149	37,820	50,686	62,698	66,790	77,961	81,773
Monte Sereno	3,074	3,434	3,287	3,483	3,341	3,594	3,582
Morgan Hill	6,485	17,060	23,928	33,556	37,882	46,454	46,384
Mountain View	54,206	58,655	67,460	70,708	74,066	82,272	86,535
Palo Alto	55,999	55,225	55,900	58,598	64,403	69,226	67,973
San Jose	445,779	629,400	782,248	894,943	945,942	1,049,187	969,491
Santa Clara	87,717	87,700	93,613	102,361	116,468	129,104	132,048
Saratoga	27,199	29,261	28,061	29,843	29,926	31,030	30,819
Sunnyvale	95,408	106,618	117,229	131,760	140,081	156,503	157,566
Unincorporated	152,181	127,021	106,193	100,300	89,960	86,989	90,467
County Total ¹	<u>1,066,009</u>	<u>1,295,071</u>	<u>1,497,577</u>	<u>1,682,585</u>	<u>1,781,642</u>	<u>1,961,969</u>	<u>1,903,198</u>
California	<u>18,136,045</u>	<u>23,668,145</u>	<u>29,760,021</u>	<u>33,871,648</u>	<u>37,253,956</u>	<u>39,782,870</u>	<u>39,128,162</u>

¹Totals may not be precise due to independent rounding.

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

Table 18
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Demographic and Economic Data - Income and Unemployment Rates
Ten Years Ended June 30, 2024

Year	Santa Clara County Personal Income (In thousands) ^{1, 2}	Santa Clara County Per Capita Personal Income ^{1, 2}	Unemployment Rate ³
2015	158,728,715	82,756	3.9%
2016	170,672,534	88,920	4.0%
2017	190,001,690	98,032	3.5%
2018	209,019,944	107,877	2.9%
2019	223,624,580	115,997	2.7%
2020	235,835,442	123,661	10.7%
2021	261,564,583	138,724	5.2%
2022	270,162,197	144,399	2.2%
2023	272,863,819	145,843	3.7%
2024	275,592,457	147,301	4.5%

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

²Actual data is available through 2022. Years 2023 and 2024 data are preliminary and assume a 1% increase over prior year.

³California Employment Development Department. Not seasonally adjusted.

Table 19
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Demographic and Economic Data - Wage and Salary Employment by Industry (Annual Average)
Ten Years Ended June 30, 2023

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Civilian Labor Force¹ (In thousands)	993.7	1,018.4	1,026.5	1,041.7	1,048.8	1,053.7	1,044.6	1,071.3	1,078.2	1,067.3
Civilian Employment	942.3	976.1	987.9	1,008.0	1,021.5	1,027.5	990.7	1,046.9	1,038.4	1,019.4
Civilian Unemployment	51.4	42.3	38.6	33.7	27.3	26.2	53.9	24.4	39.9	47.9
Civilian Unemployment Rate										
County	5.2%	4.2%	3.8%	3.2%	2.6%	2.5%	5.2%	2.2%	3.7%	4.5%
State of California	7.4%	6.2%	5.7%	4.4%	4.1%	15.1%	8.0%	4.0%	4.9%	5.8%
Wage and Salary Employment² (In thousands)										
Total Farm Agriculture	\$ 3.6	\$ 3.6	\$ 3.9	\$ 3.5	\$ 3.5	\$ 3.1	\$ 5.9	\$ 5.6	\$ 5.1	\$ 5.4
Construction and Mining	38.6	42.3	47.9	48.5	48.0	51.2	50.4	54.9	56.4	52.4
Manufacturing	156.6	159.4	161.3	163.4	169.1	169.7	170.7	175.1	180.5	174.6
Transportation & Public Utilities	14.7	15.0	14.8	14.9	15.5	15.7	16.6	17.0	20.9	18.1
Wholesale Trade	36.2	36.0	37.4	35.2	31.4	31.3	28.3	28.1	28.5	28.5
Retail Trade	82.3	84.9	85.0	85.0	85.0	82.2	73.1	75.3	72.6	74.2
Finance, Insurance & Real Estate	35.1	35.0	35.2	35.8	36.8	37.4	37.4	37.5	38.0	37.8
Services	469.1	491.4	509.3	522.8	539.3	549.4	514.6	564.5	590.4	588.2
Government	92.4	89.9	91.2	92.8	94.0	94.2	90.1	96.8	98.7	93.5
Information	66.2	74.7	74.5	85.0	91.6	100.7	109.3	111.7	105.9	91.1
Total³	<u><u>\$ 994.8</u></u>	<u><u>\$1,032.2</u></u>	<u><u>\$1,060.5</u></u>	<u><u>\$ 1,086.9</u></u>	<u><u>\$ 1,114.2</u></u>	<u><u>\$ 1,134.9</u></u>	<u><u>\$1,096.4</u></u>	<u><u>\$1,166.5</u></u>	<u><u>\$1,197.0</u></u>	<u><u>\$1,163.8</u></u>

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 2023. FY 2023 is the most recent available data.

² Wage and salary employment is reported by place of work. Data is benchmarked to 2023.

³ Totals may not be precise due to independent rounding.

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

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

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

Company Name	Nature of Operations	FY 2024		FY 2015	
		Number of Employees	Rank	Number of Employees	Rank
Apple Inc.	Computer Electronics	25,000	1	19,000	2
County of Santa Clara	County Government	22,300	2	17,879	3
Tesla Motors Inc.	Electric Vehicle Designer & Manufacturer	20,000	3	5,001	16
Cisco Systems, Inc.	Computer Network Equipment Manufacturer	14,492	4	14,488	4
Intel Corp.	Semiconductor	7,352	5	6,400	12
Oracle	Enterprise software and hardware products	6,900	6	7,315	9
Applied Materials	Semiconductor Equipment Manufacturer	5,816	7		
LinkedIn Corp.	Employment-oriented Online Service	5,347	8	4,039	23
Intuitive Surgical Inc.	Clinical products	4,162	9		
Amazon.com Services	Online retailer and a prominent cloud service provider	3,748	10		
Lockheed Martin	Aeronautics, Missiles and Fire Control, Space, etc.	3,576	11	5,898	13
A2Z Development Center INC. DBA Amazon Music	Software development and research related to Amazon's products and services.	3,250	12		
Servicenow Inc.	Software as a Service	3,142	13		
PayPal Holdings Inc.	Digital payments platform	2,801	14		
Super Micro Computer Inc.DBA SuperMicro	Designs and manufactures server and storage systems	2,291	15		
Ebay Inc.	Operates online marketplaces	2,000	16	4,700	18
Marvell	Semiconductor	1,630	17		
Agilent Technologies Inc.	Instruments, Software, Services	1,600	18		
Fortinet Inc.	Hardware and Software for firewalls	1,397	19		
Netapp Inc.	Cloud services, Storage systems and data management solutions	1,013	20		

Source: Silicon Valley/San Jose Business Journal August, 2024 and County of Santa Clara Adopted Budget FY 2023-24

The concentration of Santa Clara County's productivity is derived primarily from numerous high-technology and healthcare systems. Public-sector employers continue to rank high among the largest employers in Silicon Valley. As depicted in the chart above, as an employer, Santa Clara County itself, continues to have the largest public-sector employee base with 22,300 workers.

Table 21
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Operating Information – Operating Indicators
Ten Years Ended June 30, 2024

BUS

Fiscal Year	Total Ridership	Average Weekday Ridership	Scheduled Miles	Scheduled Revenue Hours	Scheduled Revenue Miles	Passenger Miles (000's)	Peak Buses	Active Buses	Bus Fleet
2015	32,623,599	106,214	18,435,525	1,427,554	15,247,087	174,863	384	495	540
2016	32,195,504	104,009	18,629,140	1,461,553	15,517,448	190,321	388	499	500
2017	29,057,047	94,740	18,882,700	1,480,467	15,712,674	150,429	389	460	460
2018	28,048,405	91,270	19,063,629	1,487,575	15,883,914	136,902	384	472	472
2019	27,027,678	88,165	18,967,456	1,489,857	15,761,984	134,921	382	469	469
2020	21,702,533	58,311	16,893,842	1,347,355	14,277,220	110,680	377	472	473
2021	9,709,217	29,808	14,042,304	1,093,807	12,193,351	48,473	319	459	435
2022	15,119,267	47,810	16,449,789	1,221,712	14,389,567	76,182	325	440	440
2023	19,266,953	61,541	17,160,589	1,280,421	14,968,655	91,726	330	442	442
2024	22,433,799	71,675	17,777,107	1,349,022	15,516,977	104,966	341	425	431

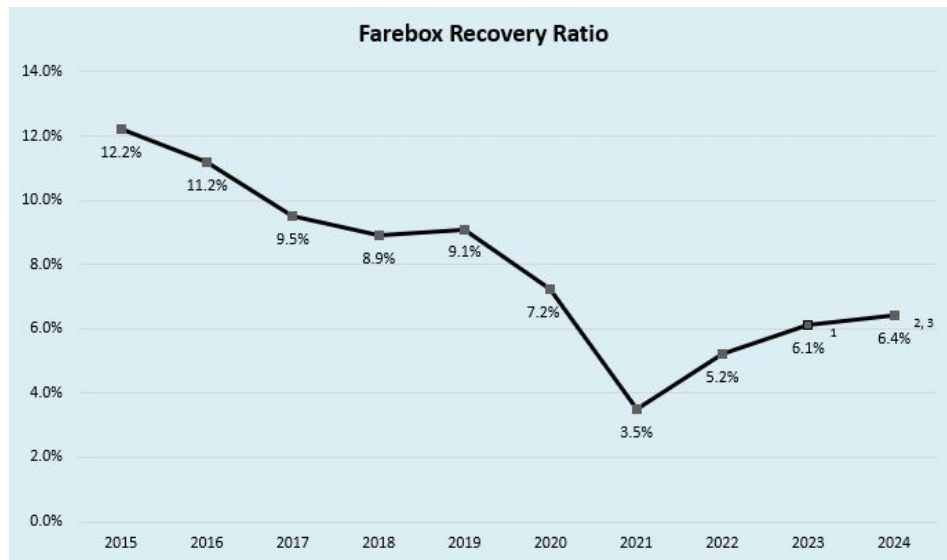
LIGHT RAIL

Fiscal Year	Total Ridership	Average Weekday Ridership	Total Miles	Total Hours	Train Revenue Miles	Passenger Miles (000's)	Peak Cars	Light Rail Fleet
2015	11,320,497	34,935	2,232,077	152,821	2,081,092	60,717	59	99
2016	10,722,932	33,301	2,235,167	140,000	2,077,964	54,655	59	99
2017	9,132,084	29,262	2,243,377	139,489	2,081,289	47,937	59	99
2018	8,507,095	27,361	2,094,690	143,136	2,093,852	46,981	57	99
2019	8,437,926	27,090	2,157,184	146,197	2,156,537	49,402	57	98
2020	6,265,775	25,909	1,826,589	123,666	1,735,787	33,325	61	98
2021	2,166,897	6,606	1,463,035	112,226	1,450,239	13,971	46	98
2022	2,345,965	7,171	1,479,384	109,339	1,371,957	12,469	46	98
2023	4,141,842	12,809	2,008,673	143,241	1,877,815	22,192	54	98
2024	4,723,010	14,399	2,179,565	158,479	2,036,619	24,410	38	98

Sources: VTA Operations Division - August 2024 Fact Sheets and June 2024 Summary of Operating Statistics.

Table 22
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Operating Information - Farebox Recovery Ratio
Ten Years Ended June 30, 2024

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.



	2015	2016	2017	2018	2019	2020	2021	2022	2023 ¹	2024 ^{2,3}
Farebox Recovery Ratio	12.2%	11.2%	9.5%	8.9%	9.1%	7.2%	3.5%	5.2%	6.1%	6.4%
Farebox Revenue (In thousands)	\$ 39,108	\$ 37,663	\$ 33,719	\$ 34,511	\$ 35,773	\$ 27,318	\$ 13,075	\$ 20,885	\$ 26,103	\$ 28,439
Operating Expenses (In thousands)	319,978	335,140	354,494	387,109	393,038	378,157	377,463	398,629	428,403	440,969

¹ Based on audited NTD data.

² Based on proforma and unaudited NTD data.

³ Increase in farebox revenue was primarily a result of growth in ridership from the prior year due to better economic performance and increased service level (in support of the 2024 Transit Service Plan). Farebox recovery ratio improved despite increases in operating expenses. The increase in Operating Expenses was attributed to labor cost from salary adjustments per the various collective bargaining agreements, more material usage due to increased service level as VTA restored service across the network, and procurement of professional services for consulting and advisory services relative to coaching, fiscal sustainability and critical event management.

Table 23
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
 Operating Information – Revenue Miles
 Ten Years Ended June 30, 2024

The following chart shows total vehicle miles in revenue service:

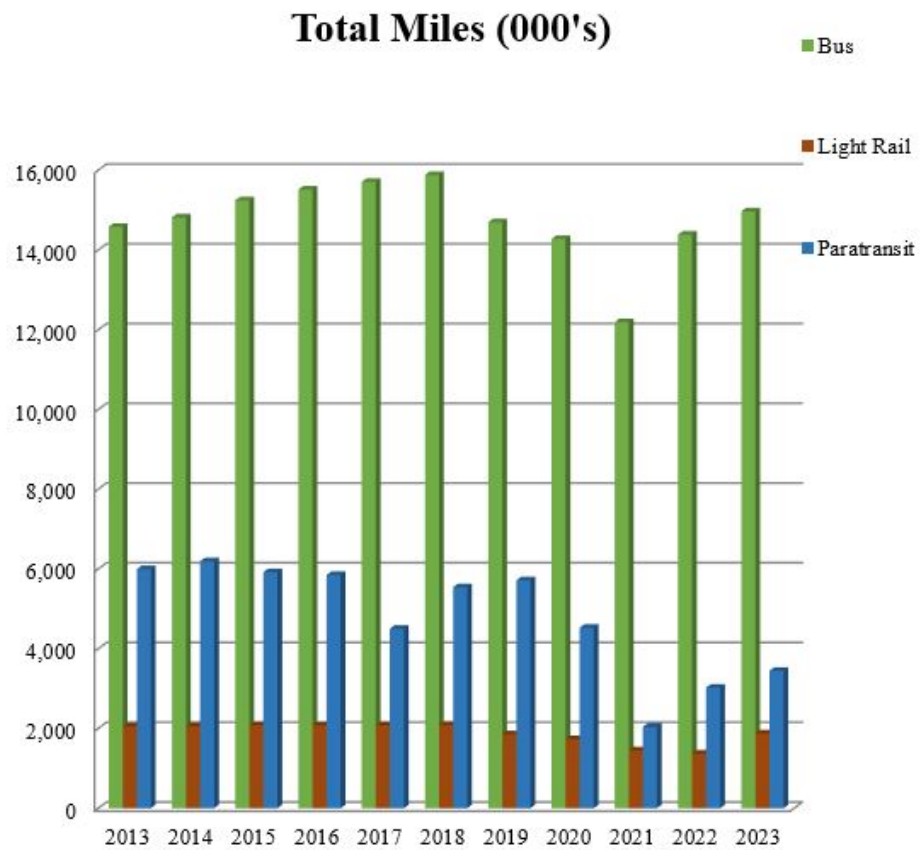


Table 24
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
 Operating Information – Passenger Miles
 Ten Years Ended June 30, 2024

Passenger mile statistics are presented in the chart below. In FY 2024 the total passenger miles increased by 11.76 % from FY 2023.

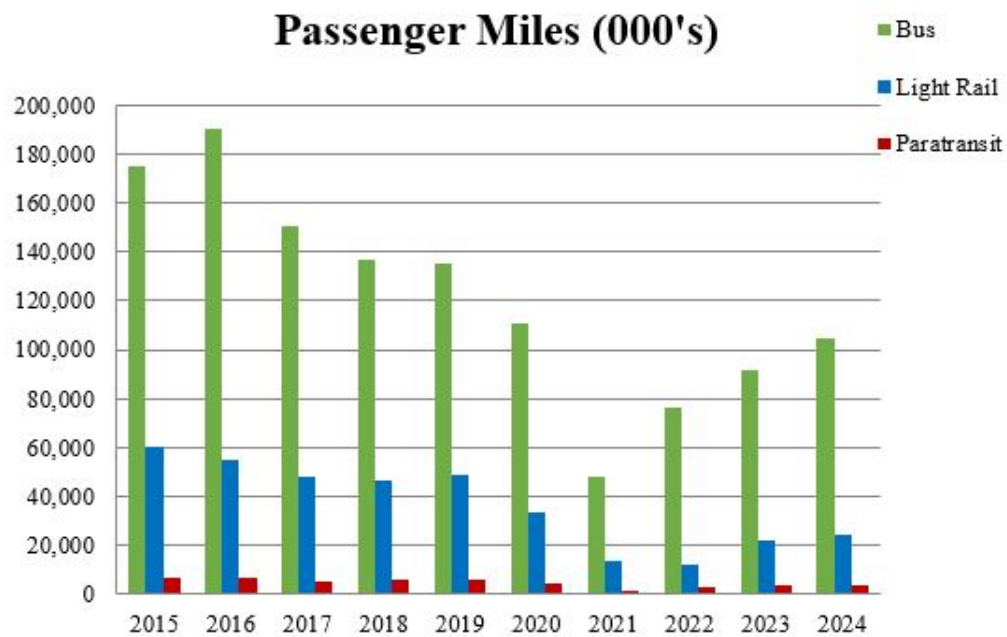


Table 25
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Operating Information – Selected Statistical Data
Ten Years Ended June 30, 2023

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
FAREBOX REVENUE (\$000's)^{1,2}	\$ 39,108	\$ 37,663	\$ 34,783	\$ 36,555	\$ 38,061	\$ 28,816	\$ 15,243	\$ 26,103	\$ 34,855	\$ 39,502
VEHICLE REVENUE MILES (000's)										
BUS	15,247	15,517	15,713	15,884	15,761	14,277	12,193	14,389	14,969	15,517
LIGHT RAIL	2,081	2,078	2,081	2,094	2,156	1,736	1,450	1,371	1,372	2,037
PARATRANSIT	5,922	5,851	4,503	5,544	5,718	4,531	2,041	3,026	3,445	3,817
PASSENGER MILES (000's)										
BUS	174,863	190,321	150,429	136,902	134,921	110,680	48,473	76,182	91,726	104,966
LIGHT RAIL	60,717	54,980	47,937	46,981	49,402	33,325	13,971	12,469	22,192	22,410
PARATRANSIT	6,827	6,493	5,318	6,338	5,760	4,458	1,400	2,774	3,438	3,791
FLEET SIZE										
BUS	540	500	460	472	469	473	435	440	442	431
LIGHT RAIL	99	99	99	99	98	98	98	98	98	98
CASH FARE SINGLE RIDE										
ADULT	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.25	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50
YOUTH	\$ 1.75	\$ 1.75	\$ 1.75	\$ 1.00	\$ 1.25	\$ 1.25	\$ 1.25	\$ 1.25	\$ 1.25	\$ 1.25
SENIOR	\$ 1.00	\$ 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.

²FY 2021 includes Fares from Bart Extension Services.

Sources: VTA Operations Division - August 2024 Fact Sheets and June 2024 Summary of Operating Statistics.

Table 26
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Operating Information - System Data
As of June 30, 2024

URBANIZED AREA (UZA):

346 Square Miles

ROUTES

Type of Route	Number of Routes
Local	23
Express	5
Rapid	4
Frequent	16
Other	11
Total	59

HOURS OF OPERATION

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

PARK AND RIDE LOTS:

	Number of Lots	Number of Parking Spaces
Bus	3	633
Caltrain - Bus	15	4,817
Light Rail	23	6,242
Caltrain - near Light Rail	4	1,589
Total	45	13,281

FACILITIES

Type of Facility	Number of Facilities
Bus Stops	3,235
Shelters	606
Benches	2,154
Trash Receptacles	998
Transit Centers	30

Source: VTA Operations Division - August 2024 Fact Sheets.

Table 27
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Operating Information – Employee Headcount
Ten Years Ended June 30, 2024

Fiscal Year¹	Operations	Planning & Programming²	Finance, Budget & Real Estate³	Planning & Engineering⁴	External Affairs⁵	Office of the Chief of Staff⁶	HR and Procurement⁶	Safety & Compliance⁷	General Counsel	General Manager	Total
2015	1,724	43	74	81	4	55	135	30	13	5	2,164
2016	1,758	50	75	74	26	NA	192	33	13	11	2,232
2017	1,761	50	76	74	30	41	196	NA	14	2	2,244
2018	1,795	48	73	86	4	75	173	NA	13	10	2,277
2019	1,690	NA	251	96	54	NA	NA	24	14	16	2,145
2020	1,668	42	246	62	54	NA	NA	22	13	15	2,122
2021	1,607	43	285	61	52	NA	23	NA	12	20	2,103
2022	1,648	41	245	59	51	NA	20	NA	13	23	2,100
2023 ⁸	1,787	53	216	56	56	NA	25	NA	14	13	2,220
2024	1,950	59	215	79	71	NA	64	36	18	18	2,510

¹Employee headcount as provided by Human Resources department. FY 2024 excludes 235 Vacant Positions and 37 Employees on Long Term Leave, Union Business or Extra Help.

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

³Due to reorganization in FY2019, Finance & Budget was renamed Office of the GM/CFO, which also encompasses Information Technology, Risk Management, Grants, and other various departments. In FY 2022, this division was renamed Finance, Budget and Real Estate.

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

⁵In FY2019, Government Affairs was renamed to External Affairs. The Office of the Chief of Staff was moved to External Affairs in FY2019.

⁶Previously referred to as Administrative Service Division, as a result of the reorganization in FY 2014. After the September 2015 reorganization, some personnel from the Chief of Staff Division and Operation Division were transferred to Business Services. Due to the FY2019 reorganization, Business Services formed a subdivision called HR & Procurement. Information Technology, which was previously reported under Business Services, shifted to the Office of the Deputy GM/CFO.

⁷Due to reorganization in FY2019, Safety & Compliance was removed from Chief of Staff and became a separate Division.

⁸FY2023 continued headcount decreases in Finance, Budget & Real Estate and increases in Operations reflect Operator Trainees who began training in the Administrative Services Division, and upon successful completion, promoted to Operator positions in the Operations Division. FY 2023 also had additions and deletions of various positions to meet current business needs as well as an internal reorganization to move the Office of Civil Rights and Employee Relations from the General Manager's Office to Human Resources.

Table 28
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Operating Information - Capital Assets
Ten Years Ended June 30, 2024
(In thousands)

	2015	2016	2017 ¹	2018	2019	2020	2021	2022	2023	2024
<i>Capital assets, not being depreciated:</i>										
Land and right of way	\$ 1,124,646	\$ 1,126,359	\$ 1,126,872	\$ 1,126,872	\$ 1,126,796	\$ 1,714,243	\$ 1,848,342	\$ 1,850,218	\$ 1,847,157	\$ 1,849,613
Construction in Progress	2,177,750	2,611,823	2,906,098	3,131,777	3,353,507	1,179,070	1,019,068	1,067,584	1,248,018	1,783,326
Total capital assets, not being depreciated	3,302,396	3,738,182	4,032,970	4,258,649	4,480,303	2,893,313	2,867,410	2,917,802	3,095,175	3,632,939
<i>Capital assets, being depreciated/</i>										
<i>amortized:</i>										
Right to use assets	—	—	—	—	—	—	—	2,426	2,206	2,206
Intangible Assets	—	—	2,203	2,203	2,203	2,203	—	—	—	—
Subscription assets	—	—	—	—	—	—	—	—	—	778
Buildings, improvements, furniture and fixtures	548,139	569,079	586,041	592,244	600,054	1,518,642	1,676,511	1,730,928	1,740,007	1,732,851
Vehicles	566,821	553,886	586,754	618,806	661,753	758,045	779,400	800,249	803,224	798,190
Light-rail tracks and electrification	415,905	418,195	418,195	418,194	418,194	1,052,757	1,080,947	1,121,304	1,185,153	1,186,422
Caltrain – Gilroy extension	43,072	43,072	43,072	43,072	43,072	53,790	53,790	53,790	53,790	53,790
Other operating equipment	47,156	47,289	47,561	48,890	50,035	50,442	54,176	82,705	84,600	86,204
Leaschold Improvement	9,686	9,686	9,686	9,686	9,686	9,851	9,851	9,851	9,851	9,851
Total capital assets, being depreciated	1,630,779	1,641,207	1,693,512	1,733,095	1,784,997	3,445,730	3,654,675	3,801,253	3,878,831	3,870,292
<i>Less accumulated depreciation/</i>										
<i>amortization</i>										
Total accumulated depreciation/	(833,095)	(881,683)	(950,005)	(1,006,414)	(1,069,031)	(1,152,951)	(1,325,210)	(1,513,455)	(1,702,114)	(1,856,396)
<i>amortization</i>										
Total capital assets, being depreciated/	797,684	759,524	743,507	726,681	715,966	2,292,779	2,329,465	2,287,798	2,176,717	2,013,896
amortized, net										
Total capital assets, net	\$ 4,100,080	\$ 4,497,706	\$ 4,776,477	\$ 4,985,330	\$ 5,196,269	\$ 5,186,092	\$ 5,196,875	\$ 5,205,600	\$ 5,271,892	\$ 5,646,835

Source: Annual Comprehensive Financial Report

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

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APPENDIX C

COUNTY OF SANTA CLARA DEMOGRAPHIC AND ECONOMIC INFORMATION

The economic and demographic data contained in this Appendix are the latest available, but are as of certain dates and not indicative of the current financial condition or future prospects of the County. See “RISK FACTORS – Economy of the County and State” in the forepart of this Official Statement.

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 that once existed throughout the area and has two cities, Morgan Hill and Gilroy, separated by roughly 10 miles. The northern portion of the County is densely populated, extensively urbanized and industrialized. The County contains 15 cities, the largest of which is the City of San Jose, the third most populated 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 “Silicon Valley.” Large employers include Apple Inc., Alphabet Inc./Google LLC, Cisco Systems Inc., Intel Corp., Lockheed Martin Space Systems, and Nvidia Corp.

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 the City and County 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. 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%. The data from the 2020 U.S. Census indicate that the County’s population reached 1,936,259, representing a 8.7% overall increase from the population base in 2010. Over the same period, statewide population grew at a rate of 6.1%. Since the 2010 Census, San Jose surpassed San Francisco as the largest city in the Bay Area, with a population of 959,256 at the start of 2023. According to the 2020 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 4.8%) of residents living in unincorporated areas. Between 2010 and 2023, the County population grew approximately 5.9%.

Recent Annual Population Performance. Between 2020 and 2024 the County population dropped approximately 1.71%. Currently, approximately 4.8% 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⁽¹⁾**

<u>City</u>	<u>1970</u>	<u>1980</u>	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2020</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Campbell	23,797	26,910	36,088	38,138	39,349	43,886	43,092	42,713	43,095
Cupertino	17,895	34,297	39,967	50,602	58,302	60,557	59,673	59,154	59,471
Gilroy	12,684	21,641	31,487	41,464	48,821	59,975	59,709	60,078	61,033
Los Altos	25,062	25,769	26,599	27,693	28,976	31,667	31,257	31,021	31,255
Los Altos Hills	6,871	7,421	7,514	8,025	7,922	8,503	8,414	8,380	8,476
Los Gatos	22,613	26,906	27,357	28,592	29,413	33,566	33,167	33,102	33,230
Milpitas	26,561	37,820	50,690	62,698	66,790	82,014	80,862	81,067	81,773
Monte Sereno	2,847	3,434	3,287	3,483	3,341	3,489	3,481	3,519	3,582
Morgan Hill	5,579	17,060	23,928	33,586	37,882	45,447	46,201	45,892	46,384
Mountain View	54,132	58,655	67,365	70,708	74,066	82,173	83,856	83,601	86,535
Palo Alto	56,040	55,225	55,900	58,598	64,403	68,500	67,693	67,287	67,973
San Jose	459,913	629,400	782,224	895,131	945,942	1,015,826	963,745	959,256	969,491
Santa Clara	86,118	87,700	93,613	102,361	116,468	128,110	130,462	132,476	132,048
Saratoga	26,810	29,261	28,061	29,849	29,926	31,204	30,758	30,567	30,819
Sunnyvale	95,976	106,618	117,324	131,844	140,081	155,898	156,364	156,317	157,566
Unincorporated	<u>142,415</u>	<u>126,954</u>	<u>106,173</u>	<u>99,813</u>	<u>89,960</u>	<u>85,444</u>	<u>92,233</u>	<u>91,649</u>	<u>90,467</u>
County Total	<u>1,065,313</u>	<u>1,295,071</u>	<u>1,497,577</u>	<u>1,682,585</u>	<u>1,781,642</u>	<u>1,936,259</u>	<u>1,890,967</u>	<u>1,886,079</u>	<u>1,903,198</u>

⁽¹⁾ For 2022-2024, population statistics are as of January 1. For 1970, 1980, 1990, 2000, 2010 and 2020, population statistics are of Census Counts as of April 1.

Source: California State Department of Finance.

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 56% of the County's employment: Manufacturing – 166,300, Professional & Business Activities – 242,900 and Education and Health Services – 176,600.

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 2019 through 2023. For February 2025, unemployment rates (not seasonally adjusted) for the County, State and United States were 4.1%, 5.5% and 4.5%, respectively.

**County of Santa Clara
Average Annual Employment
2019 through 2023**

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Civilian Labor Force	1,048,800	1,023,700	1,010,100	1,031,500	1,039,000
Employment	1,022,300	950,800	961,600	1,003,700	1,002,600
County Unemployment	26,400	72,900	48,500	27,800	36,400

Source: Employment Development Department.

**County of Santa Clara, State of California and U.S.
Unemployment Rate
2019 through 2023**

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
County Unemployment Rate	2.5%	7.1%	4.8%	2.7%	3.5%
State Unemployment Rate	4.1%	10.1%	7.3%	4.2%	4.8%
United States Unemployment Rate	3.7%	8.1%	5.3%	3.6%	3.6%

Source: Employment Development Department, U.S. Department of Labor, Bureau of Labor Statistics.

The following table lists employment details by industry in the County for 2019 through 2023. Industry employment information for 2024 is not yet available.

**County of Santa Clara
Industry Employment
2019 through 2023**

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Total, All Industries	1,137,900	1,068,600	1,087,400	1,139,900	1,144,300
Total Farm	3,300	3,100	3,000	3,000	3,000
Total Nonfarm	1,134,700	1,065,500	1,084,300	1,136,900	1,141,300
Goods Producing	220,500	214,300	214,700	227,600	228,500
Natural Resources and Mining	200	200	200	200	200
Construction	51,400	48,600	50,100	52,100	52,100
Manufacturing	168,900	165,500	164,400	175,300	176,200
Service Providing	914,200	851,200	869,600	909,300	912,900
Transportation, Warehousing & Utilities	15,600	15,400	116,700	118,900	118,800
Financial Activities	21,800	22,700	38,100	37,800	37,600
Professional & Business Services	100,500	236,300	241,200	248,900	244,200
Educational & Health Services	177,200	171,200	176,900	185,400	194,400
Leisure & Hospitality	105,900	71,700	77,400	94,900	99,600
Other Services	28,400	21,700	22,400	24,900	25,900
Government	94,300	90,900	90,100	92,500	94,600

Source: Employment Development Department.

Major Employers

The County is home to numerous premium technology and computer software and hardware manufacturing companies. According to the Silicon Valley Business Journal, as of August 2024, Apple, Inc. was the largest employer of the Silicon Valley with approximately 25,000 employees. Second on the list was the County which employed approximately 22,300. Tesla, Inc., Cisco Systems, Inc. and Intel Corp topped off the top five employers in the County respectively. As previously mentioned, the uppermost northwestern portion of the County, with its concentration of high-technology, electronics-oriented industry, is popularly referred to as “Silicon Valley.” Major employers in Silicon Valley include Apple Inc., Alphabet Inc/Google LLC, Cisco Systems Inc., Intel Corp., Lockheed Martin Space Systems, and Nvidia Corp.

The table below lists the twenty-five largest employers in the County.

County of Santa Clara Largest Employers 2024

<u>Employer</u>	<u>Industry</u>
Adobe Inc	Publishers-Computer Software (mfrs)
Advanced Micro Devices Inc	Semiconductor Devices (mfrs)
Alphabet Inc	Internet Search Engines
Analog Devices Inc	Semiconductor Devices - Wholesale
Apple Inc	Computers-Electronic-Manufacturers
Applied Materials Inc	Semiconductor Manufacturing Equip (mfrs)
CA Inc	Computer Software Application Service Providers
California's Great America	Amusement & Theme Parks
Christopher Ranch LLC	Garlic (mfrs)
Cisco Systems Inc.	Computer Peripherals (mfrs)
Ebay Inc.	Online Retailers & Marketplaces
HP Inc	Computers- Electronic Manufacturers
Intel Corp	Semiconductor Devices (mfrs)
Intuitive Surgical Inc.	Physicians & Surgeons Equip & Supls (mfrs)
Kaiser Foundation Health Plan	Health Services
Lockheed Martin Space Systems	Satellite Equipment & Systems (mfrs)
Lucile Packard Children's Hosp.	Hospitals
NASA	Federal Government-Space Research/Tech
Netapp Inc.	Computer Storage Devices (mfrs)
Nvidia Corp	Computer Software
Palo Alto VA Medical Center	Hospitals
Prime Materials	Semiconductors & Related Devices (mfrs)
SAP Center	Stadiums Arenas & Athletic Fields
Stanford University School of Medicine	Schools-Medical
Super Micro Computer Inc.	Computers-Electronic (mfrs)

mfrs: Manufacturers.

Source: Employment Development Department. America's Labor Market Information System (ALMIS) Employer Database, 2025 1st Edition.

Income

The following table sets forth the median income for the County, the State and the U.S. for the calendar years shown.

**County of Santa Clara, State of California and U.S.
Median Income
2014 through 2023**

<u>Year</u>	<u>County of Santa Clara</u>	<u>State of California</u>	<u>United States</u>
2014	\$97,219	\$60,487	\$53,660
2015	102,191	63,636	56,520
2016	110,843	66,637	59,040
2017	118,468	70,038	61,140
2018	125,933	70,489	63,180
2019	132,444	78,105	68,700
2020	139,462	77,652	68,010
2021	141,161	81,580	70,780
2022	150,502	85,300	74,580
2023	154,573	89,870	80,610

Source: Federal Reserve Bank of St. Louis, Economic Data.

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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 2020 through 2024.

**County of Santa Clara
Taxable Transactions by Sector
2020 through 2024
(In thousands of dollars)⁽¹⁾**

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Motor Vehicle and Parts Dealers	\$ 4,065,436	\$ 4,707,033	\$ 4,771,869	\$ 4,573,938	\$ 4,469,556
Home Furnishings and Appliance Stores	1,922,040	2,315,524	2,502,181	2,535,962	2,877,601
Building Material and Garden Equipment and Supplies Dealers	2,234,754	2,400,377	2,440,096	2,233,569	2,190,231
Food and Beverage Stores	1,356,847	1,358,674	1,412,995	1,421,494	1,429,951
Gasoline Stations	1,407,810	2,011,596	2,614,757	2,368,276	2,236,792
Clothing and Clothing Accessories Stores	1,749,974	2,706,850	2,870,687	2,976,535	2,978,991
General Merchandise Stores	2,526,702	2,968,951	3,270,517	3,197,861	3,233,130
Food Services and Drinking Places	3,336,476	4,535,017	5,695,340	6,256,848	6,512,804
Other Retail Group	<u>,867,372</u>	<u>8,389,278</u>	<u>7,936,031</u>	<u>7,804,767</u>	<u>7,828,015</u>
Total Retail and Food Services	\$27,467,410	\$31,393,299	\$33,514,473	\$33,369,250	\$33,757,071
All Other Outlets	<u>18,977,240</u>	<u>21,601,395</u>	<u>23,977,279</u>	<u>23,729,048</u>	<u>23,455,284</u>
Total All Outlets	\$46,444,650	\$52,994,694	\$57,491,752	\$57,098,298	\$57,212,355

⁽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).

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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 2014 through 2023.

County of Santa Clara Building Permit Valuations 2014 through 2023 (In millions of dollars)

<u>Year</u>	<u>New Residential</u>	<u>New Non-Residential</u>	<u>Total</u>
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
2018	2,385.25	4,132.15	6,517.40
2019	1,816.24	5,447.64	7,263.88
2020	1,164.56	2,816.51	3,981.08
2021	1,444.03	1,582.63	3,026.66
2022	2,190.67	2,647.31	4,837.99
2023	1,791.12	2,674.13	4,465.34

Source: Construction Industry Research Board (CIH/CIRB).

County of Santa Clara Number of New Dwelling Units 2014 through 2023

<u>Year</u>	<u>Single Family</u>	<u>Multiple Family</u>	<u>Total</u>
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
2018	2,011	6,342	8,352
2019	1,814	8,246	10,060
2020	1,329	2,245	3,574
2021	1,789	3,210	4,999
2022	1,538	6,765	8,303
2023	1,210	4,776	5,986

Source: Construction Industry Research Board (CIH/CIRB).

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APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following is a summary of certain provisions of the Indenture (the “Master Indenture”), as supplemented by the First Supplemental Indenture (the “First Supplemental” and, together with the Master Indenture, the “Indenture”). This summary is not to be considered a full statement of the terms of such documents and accordingly is qualified by reference thereto and is subject to the full text of the Master Indenture and the First Supplemental. Copies of said documents are available from the Authority. Capitalized terms not otherwise defined in this summary or in this Official Statement have the respective meanings set forth in the Indenture.

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 as now in effect and as it may from time to time hereafter be amended or supplemented.

“Alternate 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 supports, 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 a replacement or substitution for any Credit Enhancement then in effect.

“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, insurance company 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 of and interest on all Bonds and Parity Obligations, and to the extent outstanding, Existing Bonds, becoming due and payable during such Fiscal Year calculated using the principles and assumptions set forth under the definition of Debt Service.

“Applicable Spread” has the meaning specified in the First Supplemental 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 date specified by the Authority not exceeding thirty (30) years from the date of calculation, such Assumed Debt Service to be calculated on a level debt service basis, based on a fixed interest rate equal to the rate at which the Authority could borrow for such period, as set forth in a certificate of a municipal 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” means the Santa Clara Valley Transportation Authority, a public entity of the State, duly organized and existing under the Act.

“Authority Account” means, as applicable, the 2025 Series A Authority Account or the 2025 Series B Authority Account, within the 2025 Bonds Purchase Fund established pursuant to the First Supplemental Indenture.

“Authorized Denominations” with respect to a Series of Bonds, has the meaning given in the related Supplemental Indenture, and means, with respect to 2025 Bonds: (i) during a Daily Rate Period, Weekly Rate Period or Commercial Paper Rate Period, \$100,000 and any integral multiple of \$5,000 in excess thereof, and (ii) during a Term Rate Period, an Index Rate Period or the Fixed Rate Period, \$5,000 and any integral multiple thereof; provided, however, that if as a result of a Conversion of a Series of 2025 Bonds from a Term Rate Period to another Interest Rate Determination Method, it is not possible to deliver all the Bonds of a Series required or permitted to be Outstanding in a denomination permitted above, 2025 Bonds of a Series may be delivered, to the extent necessary, in different denominations.

“Authorized Representative” means the Chairperson of the Board, the General Manager, the Chief Financial Officer, the Manager – Finance, Debt and Investments, or such other person as may be designated to act on behalf of the Authority by a written certificate furnished to the Trustee containing the specimen signature of such person and signed on behalf of the Authority by an Authorized Representative.

“Available Moneys” means (a) with respect to any Bond Payment Date occurring during the term of a Credit Enhancement or Liquidity Facility, moneys (other than moneys received from draws under the Credit Enhancement or Liquidity Facility or remarketing proceeds) which have been on deposit with and pursuant to written direction of the Authority and segregated by the Trustee for at least 123 days, during or prior to which no Event of Bankruptcy shall have occurred, as evidenced by a certificate of the Authority to the Trustee, upon which the Trustee may conclusively rely, (b) moneys received from draws under the Credit Enhancement or Liquidity Facility and remarketing proceeds and (c) proceeds with respect to the refunding of any of the 2025 Bonds.

“Bank Purchase Account” means, as applicable, the 2025 Series A Bank Purchase Account or the 2025 Series B Bank Purchase Account, within the 2025 Bonds Purchase Fund established pursuant to the First Supplemental Indenture.

“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 Authority.

“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 Payment Date” means each Interest Payment Date. Principal shall be paid on June 1 of each year as set forth and subject to the terms of the Indenture.

“Bond Reserve Fund” means any fund by that name established with respect to one or more Series of Bonds pursuant to one or more Supplemental Indentures establishing the terms and provisions of such Series of Bonds.

“Bond Reserve Requirement” with respect to one or more Series of Bonds for which the Authority shall have established a Bond Reserve Fund shall have the meaning specified in the Supplemental Indenture or Supplemental Indentures establishing the terms and provisions of such Series of Bonds.

“Bondholder” or **“Holder”**, whenever used herein with respect to a Bond, means the person in whose name such Bond is registered.

“Bonds” means the Santa Clara Valley Transportation Authority Sales Tax Revenue Bonds authorized by, and at any time Outstanding pursuant to, the Indenture.

“Business Day” means a day other than (i) a Saturday or Sunday, (ii) a day on which commercial banks in the city in which the Trustee maintains its Trust Office are authorized or required by law or executive order to close, (iii) a day on which banking institutions or governmental offices in the State or the office of the Credit Provider or Liquidity Provider where draws on the Credit Enhancement or the Liquidity Facility, as applicable, are to be presented are authorized or required to close, (iv) a day on which the applicable Remarketing Agent is authorized or required to be closed, or (v) a day on which the New York Stock Exchange is closed.

“Calendar Week” means the period of seven (7) days from and including Thursday of any week to and including Wednesday of the next following week.

“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, and any successor State agency responsible for the collection of Sales Tax Revenues.

“Certificate,” “Statement,” “Request,” “Requisition” and **“Order”** of the Authority mean, respectively, a written certificate, statement, request, requisition or order signed in the name of the Authority by an Authorized Representative as provided in the Indenture.

“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.

“Commercial Paper Rate” means the interest rate established from time to time pursuant to the First Supplemental Indenture.

“Commercial Paper Rate Period” means each period during which 2025 Bonds bear interest at a Commercial Paper Rate determined pursuant to the First Supplemental Indenture.

“Commercial Paper Tender Bonds” shall have the meaning set forth in the First Supplemental Indenture.

“Continuing Disclosure Agreement” means, with respect to each Series of Bonds requiring an undertaking regarding disclosure under Rule 15c2-12, the Continuing Disclosure Agreement, dated the date of issuance of such Series of Bonds, executed by the Authority and a Dissemination Agent, as the same may be supplemented, modified or amended in accordance with its terms.

“Conversion” means any conversion of the 2025 Bonds from one Interest Rate Determination Method to another, which may be made from time to time in accordance with the terms of the First Supplemental Indenture.

“Conversion Date” means the date any Conversion of 2025 Bonds becomes effective in accordance with the First Supplemental Indenture (or, with respect to notices, time periods and requirements in connection with the proceedings for such Conversion, the day on which it is proposed that such Conversion occur).

“Conversion Notice” shall have the meaning set forth in the First Supplemental Indenture.

“Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the Authority 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, municipal 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, termination fees payable in connection with the termination of an Interest Rate Swap Agreement in connection with the delivery of such Series of Bonds, 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.

“Costs of the Project” means all items of expense related to the Project and directly or indirectly payable by or reimbursable to the Authority in accordance with the Act and the Ordinance.

“Counterparty” means an entity which has entered into an Interest Rate Swap Agreement with the Authority.

“Credit Enhancement” means (a) with respect to a Series of Bonds, any Insurance, letter of credit, line of credit, surety bond or other instrument which supports, 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; and (b) with respect to the 2025 Bonds, a policy of insurance, a letter of credit, revolving credit agreement or other credit arrangement pursuant to which a Credit Provider provides credit (and to the extent applicable, liquidity) support with respect to the payment of principal of and interest on (and to the extent applicable, Purchase Price of) the 2025 Bonds, but shall

not include a Reserve Facility, and any Alternate Credit Enhancement delivered pursuant to the First Supplemental Indenture and with terms that are not inconsistent with the terms of the First Supplemental Indenture. A Liquidity Facility meeting such criteria may also be considered a Credit Enhancement.

“Credit 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.

“Credit Support Agreement” shall mean, with respect to a Series of Bonds secured by Credit Enhancement, the agreement or agreements (which may be the Credit Enhancement itself) between the Authority and the applicable Credit Provider, as originally executed or as it may from time to time be replaced, supplemented or amended in accordance with the provisions thereof, providing for the reimbursement to the Credit Provider for payments under such Credit Enhancement or for extensions of credit made to the Authority by the Credit Provider, and the interest thereon, and includes any subsequent agreement pursuant to which an Alternate Credit Enhancement is provided, together with any related pledge agreement, security agreement or other security document.

“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 that pay interest to the Holders thereof on a periodic basis prior to maturity.

“Daily Put Bonds” shall have the meaning set forth in the First Supplemental Indenture.

“Daily Rate” means the interest rate established from time to time pursuant to the First Supplemental Indenture.

“Daily Rate Index” means, on any Business Day, the SIFMA Swap Index or, if the SIFMA Swap Index is no longer published, an index or rate agreed upon by the Authority and the Remarketing Agent; provided, however, that if the Remarketing Agent advises the Trustee and the Authority that the use of such index would not result or no longer results in a market rate of interest on the Bonds, “Daily Rate Index” shall mean, subject to a Favorable Opinion of Bond Counsel, an index selected by the Authority after consultation with the Remarketing Agent that would result in a market rate of interest on the Bonds, which Daily Index Rate shall in no event exceed the Maximum Rate.

“Daily Rate Period” means any period during wh a Series of 2025 Bonds bears interest at the Daily Rate.

“Debt Service” when used with respect to Existing Bonds, means, as of any date of calculation and with respect to any Fiscal Year, the sum of (1) the interest required to be paid on the Existing Bonds during such Fiscal Year and (2) the principal or mandatory sinking account payments to be paid with respect to the Existing Bonds during such Fiscal Year, in each case, computed on the assumption that no portion of the Existing Bonds shall cease to be outstanding during such Fiscal Year except by reason of the application of such scheduled payments; and when used with respect to any Bonds and Parity Obligations (for purposes of this definition of “Debt Service,” herein collectively referred to as “Obligations”), means, as of any date of calculation and with respect to any Fiscal Year, the sum of (1) the interest required to be paid with respect to such Obligations during such Fiscal Year and (2) the principal or Mandatory Sinking Account Payments to be paid with respect to such Obligations during such Fiscal Year, in each case, computed on the assumption that no portion of such Obligations 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 from the same source as the Excluded Principal Payments) shall be excluded from the calculation and Assumed Debt Service shall be included in the calculation of Debt Service in substitution therefor;

(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 Obligations, including any Mandatory Sinking Account Payments or any scheduled redemption or payment of Obligations 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) with respect to any Obligations that constitute balloon indebtedness (i.e., 25% or more of the aggregate principal amount of which is due as of the maturity date thereof) Assumed Debt Service shall be used to calculate the Debt Service for such Obligations; provided, that if such balloon indebtedness is in the form of bond anticipation notes, Debt Service with respect to such indebtedness for time periods following the maturity date of such bond anticipation notes shall either be (i) the scheduled principal and interest payments associated with the indebtedness that will refinance such bond anticipation notes, measured with the interest rate established and committed for such refinancing indebtedness or (ii) if the interest rate and principal and interest payments for such refinancing indebtedness is not yet established and committed, Assumed Debt Service measured from the maturity date of such bond anticipation notes.

(D) if any Obligations bear, or if any Obligations 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 Obligations for periods when the actual interest rate cannot yet be determined, shall be assumed to be equal to the average of the SIFMA Swap Index, or such other comparable index as selected by an Authorized Representative, for the last year preceding such date of calculation;

(E) if any Obligations bear, or if any Obligations 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 Obligations for periods when the actual interest rate cannot yet be determined shall be assumed to be equal to the average of SOFR, or such other comparable index as selected by an Authorized Representative, for the last year preceding such date of calculation;

(F) with respect to any Obligations bearing interest, or expected to bear interest, at a variable interest rate for which an Interest Rate Swap Agreement is in place providing for a fixed rate of interest to maturity or for a specific term with respect to such Obligations, the interest rate on such Obligations shall be assumed to be the synthetic fixed interest rate specified in such Interest Rate Swap Agreement for such term; provided that if, pursuant to a Certificate of the Authority filed with the Trustee, the sum of (i) interest payable on such Obligations, plus (ii) amounts payable by the Authority under such Interest Rate Swap Agreement, less (iii) amounts receivable by the Authority under such Interest Rate Swap Agreement, is expected to be greater than the interest payable on the Obligations to which such Interest Rate Swap Agreement relates (i.e., if such Interest Rate Swap Agreement is an “off-market” Interest Rate Swap Agreement at time of execution), then, in such instance, such excess amounts payable by the Authority under such Interest Rate Swap Agreement shall be included in the calculation of Debt Service;

(G) with respect to any Obligations bearing interest, or expected to bear interest, at a fixed interest rate for which an Interest Rate Swap Agreement is in place providing for a net variable interest rate with respect to such Obligations for a specific term, the interest rate on such Obligations shall be assumed to be equal for such term to the sum of (i) the fixed interest rate or rates to be paid on the Obligations, minus (ii) the fixed interest rate receivable by the Authority under such Interest Rate Swap Agreement, plus (iii) the average interest rate of the index on which the Interest Rate Swap Agreement is based, as identified in a Certificate of the Authority, or, if not based on an identifiable index, then the average of the SIFMA Swap Index, or such other comparable index selected by an Authorized Representative, in each case, over the last year preceding the date of calculation;

(H) if all or any portion of any Obligations feature an option, on the part of the owners or an obligation under the terms of such Obligations, to tender all or a portion of such Obligations to the Authority, the Trustee or other fiduciary or agent, and requires that such Obligations or portion thereof be purchased if properly presented, then for purposes of determining the amounts of Debt Service due in any Fiscal Year on such Obligations, each such maturity shall, unless otherwise provided in the Supplemental Indenture or other instrument pursuant to which such Obligations are authorized or unless paragraph (I) of this definition then applies to such maturity, be treated as if it were to be amortized over a term of 30 years and with substantially level annual debt service funding payments commencing not later than the year following the year in which such Obligations were issued; the interest rate used for such computation shall be that rate based on an index designated by an Authorized Representative, taking into consideration whether such Obligations bear interest which is or is not excluded from gross income for federal income tax purposes; and

(I) any maturity of Obligations described in paragraph (H) of this definition and for which the stated maturity date occurs within twelve (12) months from the date such calculation of Debt Service is made, shall be assumed to become due and payable on the stated maturity date, and paragraph (H) above shall not apply thereto, unless there is delivered to the Trustee a certificate of an Authorized Representative stating (1) that the Authority intends to refinance such maturity, (2) the probable terms of such refinancing and (3) that the debt capacity of the Authority is sufficient to successfully complete such refinancing; upon the receipt of such certificate, such Obligation shall be assumed to be refinanced in accordance with the probable terms set out in such certificate and such terms shall be used for purposes of calculating Debt Service; provided that such assumption shall not result in an interest rate lower than that which would be assumed under paragraph (H) above and shall be amortized over a term of not more than thirty (30) years from the expected date of refinancing;

(J) principal and interest payments on Obligations shall be excluded to the extent such payments are to be paid from Revenues then held on deposit by the Trustee or from other amounts on deposit, including Investment Securities and interest to be payable thereon, with the Trustee or other fiduciary, in each case, in escrow specifically therefor and interest payments shall be excluded to the extent that such interest payments are to be paid from the proceeds of Obligations, including Investment Securities and interest to be payable thereon, held by the Trustee or other fiduciary as capitalized interest specifically to pay such interest;

(K) (i) amounts paid in respect of reimbursement obligations incurred under any Credit Enhancement or Liquidity Facility that are payable from Sales Tax Revenues shall be included in the calculation of Debt Service with respect to the Obligations that are supported by such Credit Enhancement or Liquidity Facility (but without duplication of the Debt Service otherwise payable in respect of such Obligations) for the Calculation Period during which such reimbursement obligations were incurred and (ii) the amount of any anticipated draws on a Credit Enhancement or Liquidity Facility that are payable from Sales Tax Revenues shall be included in the calculation of projected Debt Service with respect to the

Obligations that are supported by such Credit Enhancement or Liquidity Facility (but without duplication of the Debt Service otherwise payable in respect of such Obligations) for each Calculation Period during which such reimbursement obligations are anticipated to be incurred.

“Defeasance Securities” means: (i) U.S. Treasury Certificates, Notes and Bonds, including State and Local Government Series securities; (ii) direct obligations of the U.S. Treasury which have been stripped by the U.S. Treasury itself; (iii) Resolution Funding Corp. securities (“REFCORP”), provided, however, only the interest component of REFCORP strips which have been stripped by request to the Federal Reserve Bank of New York in book entry form are acceptable; (iv) pre-refunded municipal bonds rated “Aaa” by Moody’s and “AAA” by S&P, provided, however, that if such municipal bonds are rated only by S&P, then such pre-refunded municipal bonds must have been pre-refunded with cash, direct United States or United States guaranteed obligations, or “AAA” rated pre-refunded municipal bonds; (v) obligations issued by the following agencies, which are backed by the full faith and credit of the United States: (a) Farmers Home Administration (FmHA) - certificates of beneficial ownership; (b) General Services Administration - participation certificates; (c) U.S. Maritime Administration - Guaranteed Title XI financing; (d) Small Business Administration guaranteed participation certificates and guaranteed pool certificates; (e) GNMA guaranteed MSB and participation certificates; and (f) U.S. Department of Housing and Urban Development (HUD) Local Authority Bonds, or (vi) certain obligations of government-sponsored agencies that are not backed by the full faith and credit of the United States limited to: (a) Federal Home Loan Mortgage Corp. (FHLMC) debt obligations; (b) Farm Credit System (formerly Federal Land Banks, Federal Intermediate Credit Banks, and Banks for Cooperatives) consolidated system- wide bonds and notes; (c) Federal Home Loan Banks (FHL Banks) consolidated debt obligations; (d) Federal National Mortgage Association (FNMA) debt obligations; (e) Student Loan Marketing Association (SLMA) debt obligations; and (f) Financing Corp. (FICO) debt obligations; and (g) other obligations approved by the Rating Agencies for defeasance escrows rated in the highest Rating Category.

“Dissemination Agent” means, with respect to each Series of Bonds requiring an undertaking regarding disclosure under Rule 15c2-12, the dissemination agent under the Continuing Disclosure Agreement delivered in connection with such Series of Bonds, or any successor dissemination agent designated in writing by the Authority and which has entered into a Continuing Disclosure Agreement with the Authority.

“DTC” means The Depository Trust Company, New York, New York, or any successor thereto.

“Electronic Means” means facsimile transmission, email transmission or other similar electronic means of communication providing evidence of transmission, including a telephone communication confirmed by any other method set forth in this definition.

“Eligible Account” means an account that is either (a) maintained with a federal or state-chartered depository institution or trust company that has a S&P short-term debt rating of at least “A-2” (or, if no short-term debt rating, a long-term debt rating of “BBB+”); or (b) maintained with the corporate trust department of a federal depository institution or state- chartered depository institution subject to regulations regarding fiduciary funds on deposit similar to Title 12 of the U.S. Code of Federal Regulations Section 9.10(b), which, in either case, has corporate trust powers and is acting in its fiduciary capacity.

“Event of Bankruptcy” means an event of bankruptcy described in the Indenture.

“Event of Default” means any of the events specified in the default section of the Indenture.

“Excluded Principal Payments” means each payment of principal of Obligations which the Authority determines (in a Certificate of the Authority) that the Authority intends to pay with moneys that are not Sales Tax Revenues (such as commercial paper, balloon indebtedness or bond anticipation notes) but from future debt obligations of the Authority, grants from the State or federal government, or any agency or instrumentality thereof, or any other source of funds of the Authority, upon which determination of the Authority the Trustee may conclusively rely. No such determination shall affect the security for such Bonds or the obligation of the Authority to pay such payments from Revenues

“Existing Bonds” means the Santa Clara Valley Transportation Authority Sales Tax Revenue Refunding Bonds, 2018 Series A, and the Santa Clara Valley Transportation Authority Sales Tax Revenue Refunding Bonds, 2017 Series B, outstanding under the Existing Indenture.

“Existing Indenture” means, collectively, the Indenture, dated as of November 1, 1997, between the Authority and the Existing Trustee as successor to First Trust of California, National Association, as supplemented by a First Supplemental Indenture, dated as of November 1, 1997, a Second Supplemental Indenture, dated as of May 1, 2001, a Third Supplemental Indenture, dated as of November 1, 2003, a Fourth Supplemental Indenture, dated as of July 1, 2005, a Fifth Supplemental Indenture, dated as of June 1, 2005, a Sixth Supplemental Indenture, dated as of May 1, 2007, a Seventh Supplemental Indenture, dated as of June 1, 2008, an Eighth Supplemental Indenture, dated as of October 1, 2011, a Ninth Supplemental Indenture, dated as of March 1, 2017, a Tenth Supplemental Indenture, dated as of December 1, 2017, and an Eleventh Supplemental Indenture, dated as of September 1, 2018, each between the Authority and the Trustee.

“Existing Trustee” means U.S. Bank Trust Company, National Association, as trustee under the Existing Indenture, and any successor.

“Expiration” (and other forms of “expire”) means, when used with respect to a Credit Enhancement or Liquidity Facility, the expiration of such Credit Enhancement or Liquidity Facility in accordance with its terms.

“Favorable Opinion of Bond Counsel” means, with respect to any action requiring such an opinion, an Opinion of Bond Counsel to the effect that such action will not, in and of itself, adversely affect the Tax-Exempt status of interest on the 2025 Series A Bonds or such portion thereof as shall be affected thereby.

“Fees and Expenses Fund” means the fund by that name established pursuant to the Indenture.

“First Supplemental Indenture” means the First Supplemental Indenture, dated as of May 1, 2025, between the Authority and the Trustee, as amended and supplemented from time to time.

“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 Authority, which designation shall be provided to the Trustee in a Certificate delivered by the Authority.

“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 Authority.

“Fixed Rate” means the fixed rate borne by any Series of 2025 Bonds from the Fixed Rate Conversion Date for such Series of Bonds, which rate shall be established in accordance with the First Supplemental Indenture.

“Fixed Rate Computation Date” means any Business Day during the period from and including the date of receipt of a Conversion Notice relating to a Fixed Rate Conversion to and including the Business Day next preceding the proposed Conversion Date.

“Fixed Rate Conversion Date” means the Conversion Date on which the interest rate on any Series of 2025 Bonds shall be converted to a Fixed Rate.

“Fixed Rate Period” means the period from and including the Fixed Rate Conversion Date of any Series of 2025 Bonds converted to a Fixed Rate to and including their maturity date or earlier date of redemption.

“Hedging Termination Obligation” means any obligation of the Authority under the terms of an Interest Rate Swap Agreement to make a termination payment to the Counterparty thereof, arising from the occurrence of an event of default or termination event thereunder.

“Hedging Termination Obligations Fund” means the fund by the name established pursuant to the Indenture.

“Holder” or **“Bondholder,”** whenever used herein with respect to a Bond, means the person in whose name such Bond is registered.

“Indenture” means the Indenture, dated as of May 1, 2025, between the Authority and the Trustee, as originally executed or as it may from time to time be supplemented or amended by any Supplemental Indenture delivered pursuant to the provisions thereof, including the First Supplemental Indenture.

“Index Agent” means such Person designated by the Authority to act as the Index Agent.

“Index Bonds” means 2025 Bonds bearing interest at the Index Rate.

“Index Rate” means the interest rate established from time to time pursuant to the First Supplemental Indenture, provided, however, that in no event may the Index Rate exceed the Maximum Rate.

“Index Rate Continuation Notice” has the meaning given to that term in the First Supplemental Indenture.

“Index Rate Determination Date” means a date that is two London Banking Days preceding the date of a Conversion to the Index Rate Period, a date that is two London Banking Days preceding each Purchase Date during the Index Rate Period, and a date that is two London Banking Days preceding each Interest Payment Date during the Index Rate Period; provided, that if the Authority obtains a Favorable Opinion of Bond Counsel, “Index Rate Determination Date” shall mean such other date as is determined by the Authority in consultation with the Remarketing Agent in accordance with the First Supplemental Indenture.

“Index Rate Index” means any of (i) 67% of the Treasury Rate, (ii) the SIFMA Swap Index and (iii) SOFR, as determined by the Authority; provided, that if the Authority obtains a Favorable Opinion of

Bond Counsel, “Index Rate Index” shall mean such other index as is determined by the Authority in consultation with the Remarketing Agent at the commencement of an Index Rate Period in accordance with the First Supplemental Indenture.

“**Index Rate Interest Accrual Period**” has the meaning given to that term in the First Supplemental Indenture.

“**Index Rate Period**” means any period during which 2025 Bonds bear interest at the Index Rate.

“**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, or specified maturities or portions thereof, as provided in such financial guaranty insurance policy or municipal bond insurance policy.

“**Insurer**” means any provider of Insurance.

“**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, and with respect to the First Supplemental Indenture means (a) with respect to the 2025 Bonds: (i) in the Daily Rate Period or the Weekly Rate Period, the first Business Day of each calendar month; (ii) in the Commercial Paper Rate Period, the day immediately succeeding the last day of each Commercial Paper Rate Period for such 2025 Bond; (iii) each Conversion Date; (iv) in the Term Rate Period or the Fixed Rate Period, each Semi-Annual Interest Payment Date; and (v) in the Index Rate Period, each Semi-Annual Interest Payment Date, or, if the Authority obtains a Favorable Opinion of Bond Counsel, on such other periodic dates as shall be selected by the Authority in accordance with the First Supplemental Indenture; (b) with respect to Liquidity Facility Bonds, the date set forth in the applicable Credit Support Agreement or Liquidity Facility; and (c) in all events, the final maturity date, redemption date or Optional Purchase Date of each 2025 Bond.

“**Interest Rate Determination Method**” means any of the methods of determining the interest rate on the 2025 Bonds from time to time as described in the First Supplemental Indenture.

“**Interest Rate Swap Agreement**” means an interest rate swap, cap, collar, option, floor, forward, derivative, or other hedging agreement, arrangement or security, however denominated, entered into between the Authority 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.

“**Investment Securities**” means the following:

(1) any bonds or other obligations which as to principal and interest constitute direct obligations of, or are unconditionally guaranteed by, the United States of America, including obligations of any of the federal agencies and federally sponsored entities set forth in clause (3) below to the extent unconditionally guaranteed by the United States of America;

(2) any certificates, receipts, securities or other obligations evidencing ownership of, or the right to receive, a specified portion of one or more interest payments or principal payments, or any combination thereof, to be made on any bond, note, or other obligation described above in clause (1);

(3) obligations of the Federal National Mortgage Association, the Government National Mortgage Association, Federal Home Loan Banks, Farmers Home Administration and Federal Home Loan Mortgage Corporation;

(4) housing authority bonds issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States of America; or project notes issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States of America;

(5) obligations of any state, territory or commonwealth of the United States of America or any political subdivision thereof or any agency or department of the foregoing; provided that at the time of their purchase such obligations are rated in either of the two highest long-term or highest short-term Rating Categories by both Moody's and S&P;

(6) any bonds or other obligations of any state of the United States of America or any political subdivision thereof (a) which are not callable prior to maturity or as to which irrevocable instructions have been given to the trustee of such bonds or other obligations by the obligor to give due notice of redemption and to call such bonds for redemption on the date or dates specified in such instructions, (b) which are secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or bonds or other obligations of the character described above in clause (1) or (2) which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the interest payment dates and the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, (c) as to which the principal of and interest on the bonds and obligations of the character described above in clause (1) or (2) which have been deposited in such fund along with any cash on deposit in such fund are sufficient to pay the principal of and interest and redemption premium, if any, on the bonds or other obligations described in this clause (6) on the interest payment dates and the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in subclause (a) of this clause (6), as appropriate, and (d) which have been rated in one of the two highest long-term Rating Categories by Moody's and S&P;

(7) bonds, notes, debentures or other evidences of indebtedness issued or guaranteed by any corporation which are, at the time of purchase, rated by both Moody's and S&P in their respective highest short-term Rating Categories, or, if the term of such indebtedness is longer than three (3) years, rated by both Moody's and S&P in one of their respective two highest long-term Rating Categories, for comparable types of debt obligations;

(8) demand or time deposits or certificates of deposit, whether negotiable or nonnegotiable, issued by any bank or trust company organized under the laws of any state of the United States of America or any national banking association (including the Trustee), provided that such certificates of deposit shall be purchased directly from such a bank, trust company or national banking association and shall be either (a) continuously and fully insured by the Federal Deposit Insurance Corporation, or (b) continuously and fully secured by such securities and obligations as are described above in clauses (1) through (5), inclusive, which shall have a market value (exclusive of accrued interest) at all times at least equal to the principal amount of such certificates of deposit and shall be lodged with the Trustee, as custodian, by the bank, trust company or national banking association issuing such certificates of deposit, and the bank, trust company or national banking association issuing each such certificate of deposit required to be so secured shall furnish the

Trustee with an undertaking satisfactory to it that the aggregate market value of all such obligations securing each such certificate of deposit will at all times be an amount equal to the principal amount of each such certificate of deposit and the Trustee shall be entitled to rely on each such undertaking;

(9) taxable commercial paper, other than that issued by bank holding companies, or tax-exempt commercial paper rated in the highest Rating Category by both Moody's and S&P;

(10) variable rate obligations required to be redeemed or purchased by the obligor or its agent or designee upon demand of the holder thereof secured as to such redemption or purchase requirement by a liquidity agreement with a corporation and as to the payment of interest and principal either upon maturity or redemption (other than upon demand by the holder thereof) thereof by an unconditional credit facility of a corporation, provided that the variable rate obligations themselves are rated in the highest Rating Category for its short-term rating, if any, and in either of the two highest Rating Categories for its long-term rating, if any, by both Moody's and S&P, and that the corporations providing the liquidity agreement and credit facility have, at the date of acquisition of the variable rate obligation by the Trustee, an outstanding issue of unsecured, uninsured and unguaranteed debt obligations rated in either of the two highest long-term Rating Categories by both Moody's and S&P;

(11) any repurchase agreement with any bank or trust company organized under the laws of any state of the United States or any national banking association (including the Trustee) having a minimum permanent capital of one hundred million dollars (\$100,000,000) or government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York, which agreement is secured by any one or more of the securities and obligations described in clauses (1), (2), (3) or (4) above, which shall have a market value (exclusive of accrued interest and valued at least monthly) at least equal to the principal amount of such investment and shall be lodged with the Trustee or other fiduciary, as custodian for the Trustee, by the bank, trust company, national banking association or bond dealer executing such repurchase agreement, and the entity executing each such repurchase agreement required to be so secured shall furnish the Trustee with an undertaking satisfactory to it that the aggregate market value of all such obligations securing each such repurchase agreement (as valued at least monthly) will be an amount equal to the principal amount of each such repurchase agreement and the Trustee shall be entitled to rely on each such undertaking;

(12) any cash sweep or similar account arrangement of or available to the Trustee, the investments of which are limited to investments described in clauses (1), (2), (3), (4), (5) and (11) of this definition of Investment Securities and any money market fund, the entire investments of which are limited to investments described in clauses (1), (2), (3), (4), (5) and (11) of this definition of Investment Securities; provided that as used in this clause (12) and clause (13) investments will be deemed to satisfy the requirements of clause (11) if they meet the requirements set forth in clause (11) ending with the words "clauses (1), (2), (3) or (4) above" and without regard to the remainder of such clause (11);

(13) any investment agreement with a financial institution or insurance company which: (a) has at the date of execution thereof an outstanding issue of unsecured, uninsured and unguaranteed debt obligations or a claims paying ability rated in either of the two highest long-term Rating Categories by both Moody's and S&P; or (b) is fully secured by obligations described in items (1), (2), (3) or (4) of the definition of Investment Securities which are (A) valued not less frequently than monthly and have a fair market value, exclusive of accrued interest, at all times at least equal to the principal amount of the investment, (B) held by the Trustee or other custodian

acceptable to the Trustee, (C) subject to a perfected first lien in the Trustee, and (D) free and clear from all third party liens;

(14) shares of beneficial interest in diversified management companies investing exclusively in securities and obligations described in clauses (1) through (13) of this definition of Investment Securities and which companies have either the highest rating by both Moody's and S&P or have an investment advisor registered with the Securities and Exchange Commission with not less than five (5) years experience investing in such securities and obligations and with assets under management in excess of \$500,000,000;

(15) shares in a common law trust established pursuant to Title 1, Division 7, Chapter 5 of the Government Code of the State which invests exclusively in investments permitted by Section 53635 of Title 5, Division 2, Chapter 4 of the Government Code of the State, as it may be amended;

(16) bankers' acceptances issued by domestic or foreign banks, which are eligible for purchase by the Federal Reserve System, the short-term paper of which is rated in the highest category by both Moody's and S&P, which purchases may not exceed two hundred seventy (270) days maturity;

(17) the pooled 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 Treasurer/Tax Collector thereof, as permitted by Section 53601 of the Government Code of the State, copies of which policy are available upon written request to said Treasurer/Tax Collector;

(18) the Local Agency Investment Fund or similar pooled fund operated by or on behalf of the State of California and which is authorized to accept investments of moneys held in any of the funds or accounts established pursuant to the Indenture; and

(19) Any other forms of investments, including repurchase agreements, approved in writing by each Credit Provider and Liquidity Provider then providing Credit Enhancement or a Liquidity Facility for a Series of Bonds.

"Issue Date" means, with respect to the 2025 Bonds, the date on which the 2025 Bonds are first delivered to the purchasers thereof.

"Junior Subordinate Indenture" means an indenture, between the Authority and the Junior Subordinate Trustee, as supplemented and amended from time to time pursuant to its terms, pursuant to which Junior Subordinate Obligations are issued.

"Junior Subordinate Obligations" means obligations of the Authority issued under the Junior Subordinate Indenture, and any other obligations of the Authority issued or incurred in accordance with the Indenture, secured by a lien on Sales Tax Revenues subordinate to the lien securing the Bonds, Parity Obligations and Subordinate Obligations.

"Junior Subordinate Obligations Fund" means the fund by that name established pursuant to the Indenture.

"Junior Subordinate Trustee" means the financial institution selected by the Authority to serve as trustee under the Junior Subordinate Indenture, and any successor.

“KBRA” means Kroll Bond Rating Agency, LLC, 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 “KBRA” shall be deemed to refer to any other nationally recognized securities rating agency selected by the Authority.

“Law” means, collectively, the Act, the Ordinance, Chapter 6 of Part 1 of Division 2 of Title 5 (Section 54300 et seq.) of the Government Code of the State as referenced in the Act, and Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 (Section 53570 et seq.) of the Government Code of the State, in each case as now in effect and as it may from time to time hereafter be amended or supplemented.

“Letter of Credit Account” means an account by that name established to hold funds that are drawn on Credit Enhancement provided in the form of a letter of credit and that are to be applied to pay the principal of or interest on a Series of Bonds, which account shall be established pursuant to the Supplemental Indenture establishing the terms and provisions of such Series of Bonds.

“Liquidity Facility” means, with respect to a Series of Bonds, a letter of credit, standby bond purchase agreement, line of credit or similar agreement (in each case, including the related Liquidity Support Agreement, if any) delivered by a Liquidity Provider to the Trustee to provide liquidity support to pay the purchase price of Bonds tendered for purchase and which have not been remarketed, 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, and means, with respect to the 2025 Bonds, a letter of credit, standby bond purchase agreement, line of credit, loan, guaranty or similar agreement (in each case, including the related Liquidity Support Agreement, if any) delivered by a Liquidity Provider to provide liquidity support to pay the Purchase Price of the 2025 Bonds tendered for purchase and which have not been remarketed in accordance with the provisions of the First Supplemental Indenture and any Alternate Liquidity Facility delivered pursuant to the First Supplemental Indenture and with terms that are not inconsistent with the terms of the First Supplemental Indenture. The initial Liquidity Facility for the 2025 Series A Bonds shall be that certain Letter of Credit No. LG/MIS/NY-293283, and for the 2025 Series B Bonds shall be that certain Letter of Credit No. LG/MIS/NY-293290, each dated the Closing Date and issued by Sumitomo Mitsui Banking Corporation, acting through its New York Branch, and will provide support with respect to the payment of the Purchase Price of the 2025 Series A Bonds and 2025 Series B Bonds, as applicable. A Credit Enhancement meeting such criteria may also be considered a 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 Support Agreement or Credit Support Agreement.

“Liquidity Facility Rate” means, with respect to a Series of Bonds, the interest rate per annum, if any, specified as applicable to Liquidity Facility Bonds in the Liquidity Facility delivered in connection with such Series of Bonds.

“Liquidity 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, and means, with respect to the 2025 Bonds, the provider of a Liquidity Facility, and its successors and permitted assigns, and, upon the effective date of an Alternate Liquidity Facility, the bank or banks or other financial institution or financial institutions or other Person or Persons issuing such Alternate Liquidity Facility, their successors and assigns. If any Alternate Liquidity Facility is issued by

more than one bank, financial institution or other Person, notices required to be given to the Liquidity Provider may be given to the bank, financial institution or other Person under such Alternate Liquidity Facility appointed to act as agent for all such banks, financial institutions or other Persons. The initial Liquidity Provider for the 2025 Bonds shall be Sumitomo Mitsui Banking Corporation, acting through its New York Branch.

“Liquidity Support Agreement” means, with respect to , the agreement or agreements (which may be the Liquidity Facility itself) between the Authority and the applicable Liquidity Provider, as originally executed or as it may from time to time be replaced, supplemented or amended in accordance with the provisions thereof, providing for the reimbursement to the Liquidity Provider for payments under such Liquidity Facility or for extensions of credit made to the Authority by the Liquidity Provider, and the interest thereon, and includes any subsequent agreement pursuant to which an Alternate Liquidity Facility is provided, together with any related pledge agreement, security agreement or other security document.

“Liquidity Support Agreement” means, with respect to a Series of Bonds supported by a Liquidity Facility, the agreement or agreements (which may be the Liquidity Facility itself) between the Authority and the applicable Liquidity Provider, as originally executed or as it may from time to time be replaced, supplemented or amended in accordance with the provisions thereof, providing for the reimbursement to the Liquidity Provider for payments under such Liquidity Facility or for extensions of credit made to the Authority by the Liquidity Provider, and the interest thereon, and includes any subsequent agreement pursuant to which an Alternate Liquidity Facility is provided, together with any related pledge agreement, security agreement or other security document. For purposes of the 2025 Series A Bonds, the Liquidity Support Agreement initially means the Standby Letter of Credit and Reimbursement Agreement (2025 Series A Bonds), dated as of May 1, 2025, between the Authority and Sumitomo Mitsui Banking Corporation, acting through its New York Branch (as the same may be amended and supplemented from time to time). For purposes of the 2025 Series B Bonds, the Liquidity Support Agreement, initially, means the Standby Letter of Credit and Reimbursement Agreement (2025 Series B Bonds), dated as of May 1, 2025, between the Authority and Sumitomo Mitsui Banking Corporation, acting through its New York Branch (as the same may be amended and supplemented from time to time).

“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 Authority in a Sinking Account for the payment of Term Bonds of such Series and maturity.

“Mandatory Tender Bonds” has the meaning specified in the First Supplemental Indenture.

“Mandatory Tender Date” means (1) the fifth Business Day prior to the date on which a Credit Enhancement or Liquidity Facility is scheduled to expire or terminate in accordance with its respective terms and the Trustee has not received notice at least twenty (20) days prior to such date that an Alternate Credit Enhancement or Alternate Liquidity Facility will be provided, (2) on any Conversion Date for which a notice can be given, (3) the fifth Business Day following receipt by the Trustee of notice from the Credit Provider or Liquidity Provider of the occurrence of an event of default under the related Credit Support Agreement or Liquidity Facility, or that the Credit Provider or Liquidity Provider will not reinstate the interest portion of the Credit Enhancement or Liquidity Facility as provided in the First Supplemental Indenture hereof, and in each case directing the mandatory tender of the 2025 Bonds, (4) the Fixed Rate Conversion Date, or (5) the effective date of any Alternate Credit Enhancement or Alternate Liquidity Facility.

“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 applicable obligations outstanding during the period from the date of such calculation through the final maturity date of such obligations, calculated utilizing the assumptions set forth under the definition of Debt Service.

“Maximum Rate” means with respect to the 2025 Bonds other than Liquidity Facility Bonds, 12% per annum calculated on the basis of a 365-day year or 366-day year, as applicable, for actual days elapsed, during the Weekly Rate Period or Daily Rate Period and 12% per annum calculated on the basis of a 360-day year of twelve 30-day months on and after the Fixed Rate Conversion Date, and with respect to Liquidity Facility Bonds, the maximum rate of interest provided in the applicable Credit Support Agreement or Liquidity Support Agreement, but in no event shall such maximum rate of interest exceed 20% per annum.

“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 Authority.

“Notice Parties” means, as and to the extent applicable, the Authority, the Trustee, the Credit Provider, if any, for the Series of Bonds to which the notice being given relates, the Liquidity Provider, if any, for the Series of Bonds to which the notice being given relates, the index agent, 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.

“Obligations” has the meaning given to such term in the definition of “Debt Service.”

“Opinion of Bond Counsel” means a written opinion of a law firm of national standing in the field of public finance selected by the Authority.

“Optional Purchase Date” means each date on which the 2025 Bonds would be subject to optional redemption and therefore are subject to purchase at the option of the Authority pursuant to the First Supplemental Indenture.

“Optional Purchase Price” means, with respect to the purchase of 2025 Bonds to be purchased pursuant to the First Supplemental Indenture on any Optional Purchase Date, the principal amount of the 2025 Bonds to be purchased on such Optional Purchase Date, plus accrued interest to such Optional Purchase Date, plus an amount equal to the premium, if any, that would be payable upon the redemption, at the option of the Authority exercised on such Optional Purchase Date, of the 2025 Bonds to be purchased.

“Ordinance” means Ordinance No. NS-2 adopted by the Issuer on March 29, 1976 and as approved by the voters on March 2, 1976, and any amendments or extensions thereto, together with any future ordinance that is adopted pursuant to the Act from time to time and that is designated as an “Ordinance” under the Indenture pursuant to a Supplemental Indenture, as such future ordinance may be amended or extended pursuant to the Act from time to time.

“Outstanding” when used as of any particular time with reference to Bonds, means (subject to the provisions of Section 12.09) 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 Authority shall have been discharged in accordance with the Indenture, including Bonds (or portions of Bonds) referred to in certain sections of the Indenture; 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 Provider pursuant to 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 Authority and the pledge of Revenues and all covenants, agreements and other obligations of the Authority to the Holders shall continue to exist and shall run to the benefit of such Credit Provider and such Credit Provider shall be subrogated to the rights of such Holders.

“Par Call Date” has the meaning assigned such term in the First Supplemental Indenture.

“Parity Obligations” means (i) any indebtedness, installment sale obligation, lease obligation or other obligation of the Authority for borrowed money (including, without limitation, reimbursement obligations under any Liquidity Facility or Credit Enhancement), (ii) any obligation to pay the Rebate Requirement, or (iii) any Interest Rate Swap Agreement (excluding in each case 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 Sales Tax Revenues subordinate to the lien and charge upon Sales Tax Revenues that secures the Bonds, Parity Obligations and Subordinate Obligations) entered into in connection with a Series of Bonds, in each case incurred in accordance with the Indenture, and in each case having an equal lien and charge upon the Sales Tax Revenues and therefore being payable on a parity with the Bonds (whether or not any Bonds are Outstanding), subject only to the prior lien on the Sales Tax Revenues securing the Existing Bonds.

“Participant” means, with respect to a Securities Depository, each participant listed in such Securities Depository’s book-entry system as having an interest in the 2025 Bonds.

“Participating Underwriter” means any of the original underwriters of a Series of Bonds required to comply with Rule 15c2-12.

“Person” means an association, corporation, firm, partnership, trust, or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

“Principal Fund” means the fund by that name established pursuant to the Indenture.

“Principal Office” means, with respect to the Trustee, the corporate trust office of the Trustee at 1 California Street, Suite 1000, San Francisco, CA 94111, Attention: Global Corporate Trust, or such other or additional offices as may be designated by the Trustee from time to time, and means, with respect to a Credit Provider or a Liquidity Provider, the office designated as such in writing by such party in the related Liquidity Support Agreement or Credit Support Agreement, as may be modified by a notice delivered to the Trustee and the Authority.

“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 or in the administration of transit operations, 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 Authority, and the payment 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 expenses for all proceedings for the authorization, issuance and sale of Bonds.

“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 a portion 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 Date” means any date on which any 2025 Bond is purchased pursuant to the First Supplemental Indenture.

“Purchase Price” means, with respect to any 2025 Bond tendered or deemed tendered pursuant to the First Supplemental Indenture, an amount equal to 100% of the principal amount of any 2025 Bond tendered or deemed tendered to the Trustee for purchase pursuant to the First Supplemental Indenture, provided that if any 2025 Bond so tendered or deemed tendered bears interest at an Index Rate, is subject to payment of a Spread Premium and is purchased prior to its Par Call Date, then the Purchase Price shall be equal to 100% of the Spread Premium that would have been applicable to such 2025 Bond had it been optionally redeemed on the Purchase Date. In addition, if the Purchase Date is not an Interest Payment Date, the Purchase Price for each 2025 Bond tendered or deemed tendered shall be increased to include accrued interest thereon to but not including the Purchase Date; provided, however, if such Purchase Date occurs before an Interest Payment Date, but after the Record Date applicable to such Interest Payment Date, then the Purchase Price shall not include accrued interest, which shall be paid to the Holder as of the applicable Record Date.

“Rate” means, with respect to any 2025 Bond, the interest rate applicable to such 2025 Bond as provided in the First Supplemental Indenture.

“Rate Index” means the Daily Rate Index, the Weekly Rate Index, or both, as the context may require.

“Rate Period” means any Daily Rate Period, Weekly Rate Period, Commercial Paper Rate Period, Term Rate Period, Index Rate Period or Fixed Rate Period.

“Rating Agency” means, as and to the extent applicable to a Series of Bonds, each of KBRA, Fitch, Moody’s and S&P then maintaining a rating on such Series of Bonds at the request of the Authority.

“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.

“Rating Confirmation” means, with respect to any action proposed to be taken, a written confirmation from each Rating Agency then rating the 2025 Bonds that such action would not result in (i) a reduction of its rating on the 2025 Bonds below the then current rating or (ii) withdrawal or suspension of its rating on the 2025 Bonds.

“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 Authority 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, if any, 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, and with respect to the 2025 Bonds, means (a) for any Interest Payment Date in respect of any Daily Rate Period, Weekly Rate Period, Commercial Paper Rate Period or Index Rate Period, the Business Day next preceding such Interest Payment Date; and (b) for any Interest Payment Date in respect of any Term Rate Period or Fixed Rate Period, the fifteenth (15th) day (whether or not a Business Day) of the month preceding the month in which such Interest Payment Date occurs.

“Redemption Date” means the date fixed for redemption of 2025 Bonds of a Series subject to redemption in any notice of redemption given in accordance with the terms of the Indenture.

“Redemption Fund” means the fund by that name established pursuant to the Indenture.

“Redemption Price” means, with respect

“Redemption Price” means, with respect to any Bond (or portion thereof), the Bond Obligation 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, and with respect to any 2025 Bond or a portion thereof, 100% of the principal amount thereof to be redeemed, plus the applicable premium, if any, payable upon redemption thereof pursuant to such 2025 Bond or the First Supplemental Indenture (provided that if such 2025 Bond is a 2025 Bond bearing interest at an Index Rate, the Redemption Price for such 2025 Bond shall be determined pursuant to the First Supplemental Indenture).

“Refunding Bonds” means a Series of Bonds or a portion of a Series of Bonds issued pursuant to the provisions set forth in the Indenture.

“Remarketing Account” means, as applicable, the 2025 Series A Remarketing Account or the 2025 Series B Remarketing Account within the 2025 Bonds Purchase Fund established pursuant to the First Supplemental Indenture.

“Remarketing Agent” means the one or more banks, trust companies or members of the Financial Industry Regulatory Authority, Inc. meeting the qualifications set forth in the First Supplemental Indenture and appointed by an Authorized Representative to serve as a Remarketing Agent for any 2025 Bonds. The initial Remarketing Agent for the 2025 Series A-1 Bonds and 2025 Series B-1 Bonds shall be BofA Securities, Inc. and the initial Remarketing Agent for the 2025 Series B-1 Bonds and 2025 Series B-2 Bonds shall be J.P. Morgan Securities LLC.

“Remarketing Agreement” means any agreement or agreements entered into by and between the Authority and a Remarketing Agent for any Series of the 2025 Bonds.

“Repositories” means the public or private entities designated as Repositories in a Continuing Disclosure Agreement entered into in connection with a Series of 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, 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 Revenue Fund established pursuant to the Indenture.

“Revenues” means: (i) all Sales Tax Revenues; and (ii) any additional revenues or assets of the Authority to be included in the definition of Revenues under the Indenture as may be provided in a Supplemental Indenture.

“Rule 15c2-12” means Securities and Exchange Commission Rule 15c2-12, as supplemented and amended from time to time.

“S&P” means S&P Global Ratings, a division of S&P Global 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 “S&P” shall be deemed to refer to any other nationally recognized securities rating agency selected by the Authority.

“Sales Tax Revenues” means the amounts collected by the CDTFA and distributed to the Authority pursuant to Section 100250 et seq. of the Public Utilities Code of the State and Ordinance No. NS-2 adopted by the Authority on March 29, 1976 and as approved by the voters on March 2, 1976 after deducting amounts payable by the Authority to the CDTFA for costs and expenses for its services in connection with the retail transactions and use taxes collected pursuant to the Act.

“Securities Depository” means DTC, or, in accordance with then-current guidelines of the Securities and Exchange Commission, such other securities depository, or no such depositories, as the Authority may designate in a Request of the Authority delivered to the Trustee.

“Semi-Annual Interest Payment Date” means June 1 and December 1.

“Serial Bonds” means Bonds, maturing in specified years, for which no Mandatory Sinking Account Payments are provided.

“Series,” whenever used herein 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 herein provided.

“Series of Index Bonds” means a Series of 2025 Bonds in the Index Rate Period.

“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 Bloomberg and supervised, published or made available by the Securities Industry and Financial Markets Association (“SIFMA”) or any Person acting in cooperation with or under the sponsorship of SIFMA and acceptable to the Trustee and effective from such date.

“Sinking Account” means an account by that name established in the Principal Fund pursuant to the Indenture for the payment of Term Bonds.

“SOFR” means the Secured Overnight Financing Rate published by the Federal Reserve Bank of New York.

“Spread Premium” has the meaning specified for such term in the First Supplemental Indenture.

“State” means the State of California.

“Subordinate Indenture” means an indenture, between the Authority and the Subordinate Trustee, as supplemented and amended from time to time pursuant to its terms, pursuant to which Subordinate Obligations are issued.

“Subordinate Obligations” means obligations of the Authority issued under the Subordinate Indenture, and any other obligations of the Authority issued or incurred in accordance with the Indenture, secured by a lien on Sales Tax Revenues subordinate to the lien securing the Bonds and Parity Obligations.

“Subordinate Obligations Fund” means the fund by that name established pursuant to the Indenture.

“Subordinate Trustee” means the financial institution selected by the Authority to serve as trustee under the Subordinate Indenture, and any successor.

“Supplemental Indenture” means any indenture hereafter duly executed and delivered, supplementing, modifying or amending the Indenture, but only if and to the extent that such supplemental indenture is authorized specifically under the Indenture, including the First Supplemental Indenture.

“Swap Revenues” means all regularly-scheduled amounts (but not termination payments) owed or paid to the Authority by any Counterparty under any Interest Rate Swap Agreement after offset for the

regularly-scheduled amounts (but not termination payments) owed or paid by the Authority to such Counterparty under such Interest Rate Swap Agreement.

“Tax Certificate” means each Tax Certificate delivered by the Authority at the time of issuance and delivery of a Series of Bonds, the interest on which is intended to be excluded from gross income of the Holders thereof for federal income tax purposes, as the same may be amended or supplemented in accordance with its terms.

“Tax-Exempt” means, with respect to interest on any obligations of a state or local government, that such interest is excluded from the gross income of the holders thereof (other than any holder who is a “substantial user” of facilities financed with such obligations or a “related person” within the meaning of Section 147(a) of the Code) for federal income tax purposes, whether or not such interest is includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating other tax liabilities, including any alternative minimum tax or environmental tax under the Code.

“Tax-Exempt Securities” means bonds, notes or other securities the interest on which is Tax-Exempt.

“Tender Agent” means U.S. Bank Trust Company, National Association, and its successors and assigns and any other corporation or association that may be substituted in its place. The Tender Agent shall be the same as the Trustee named under the First Supplemental Indenture and shall be subject, among other things, to the same removal and resignation requirements as the Trustee.

“Tender Date” means a Mandatory Tender Date or an Optional Tender Date.

“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 rate of interest on 2025 Series A Bonds or 2025 Series B Bonds, as applicable, established in accordance with the First Supplemental Indenture.

“Term Rate Computation Date” means any Business Day during the period from and including the date of receipt of a Conversion Notice relating to a Conversion to a Term Rate for any 2025 Bonds to and including the Business Day next preceding the proposed Term Rate Conversion Date.

“Term Rate Continuation Notice” shall have the meaning given such term in the First Supplemental Indenture.

“Term Rate Conversion Date” means: (i) the Conversion Date on which the interest rate on any 2025 Bonds shall be converted to a Term Rate; and (ii) the date on which a new Term Rate Period and Term Rate are to be established.

“Term Rate Period” means any period during which any 2025 Bonds bear interest at the Term Rate.

“Termination” (and other forms of “terminate”) means, when used with respect to any Credit Enhancement or Liquidity Facility, the replacement, removal, surrender or other termination of such Credit Enhancement or Liquidity Facility other than an Expiration or an extension or renewal thereof; provided, however, that Termination does not include immediate suspension or automatic termination events.

“Trustee” means U.S. Bank Trust Company, 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.

“Treasury Rate” means the interest rate applicable to 13-week United States Treasury bills determined by the Remarketing Agent on the basis of the average per annum discount rate at which such 13-week Treasury bills shall have been sold at the most recent Treasury auction.

“2025 Bonds” means, collectively, the 2025 Series A Bonds and the 2025 Series B Bonds.

“2025 Bonds Purchase Fund” means the 2025 Bonds Purchase Fund established pursuant to the First Supplemental Indenture.

“2025 Bonds Reserve Fund” means the fund by that name established pursuant to the First Supplemental Indenture.

“2025 Bonds Reserve Requirement” means an amount equal to \$0.00.

“2025 Project Fund” means the 2025 Project Fund established pursuant to the First Supplemental Indenture.

“2025 Series A Bonds” means, collectively, the 2025 Series A-1 Bonds and the 2025 Series A-2 Bonds.

“2025 Series A Bonds Tax Certificate” means the Tax Certificate executed on behalf of the Authority in connection with the issuance of the 2025 Series A Bonds.

“2025 Series A-1 Bonds” means the Santa Clara Valley Transportation Authority Sales Tax Revenue Variable Rate Demand Bonds, 2025 Series A-1, authorized by of the First Supplemental Indenture.

“2025 Series A-2 Bonds” means the Santa Clara Valley Transportation Authority Sales Tax Revenue Variable Rate Demand Bonds, 2025 Series A-2, authorized by the First Supplemental Indenture.

“2025 Series B Bonds” means, collectively, the 2025 Series B-1 Bonds and the 2025 Series B-2 Bonds.

“2025 Series B-1 Bonds” means the Santa Clara Valley Transportation Authority Sales Tax Revenue Variable Rate Demand Bonds, 2025 Series B-1 (Taxable), authorized by the First Supplemental Indenture.

“2025 Series B-2 Bonds” means the Santa Clara Valley Transportation Authority Sales Tax Revenue Variable Rate Demand Bonds, 2025 Series B-2 (Taxable), authorized by the First Supplemental Indenture.

“USD-ISDA Swap Rate” shall have the meaning set forth for such term I the First Supplemental Indenture.

“Variable Rate” means any of the Daily Rate, the Weekly Rate, the Commercial Paper Rate, the Term Rate or the Index Rate, as applicable.

“Variable Rate Demand Bonds” means the 2025 Bonds bearing interest at a Daily Rate or a Weekly Rate.

“Variable Rate Indebtedness” means any Bonds (including Liquidity Facility Bonds) and Parity Obligations, 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 Put Bonds” shall have the meaning set forth for such term in the First Supplemental Indenture.

“Weekly Rate” means the variable interest rate on any 2025 Bond established in accordance with the First Supplemental Indenture.

“Weekly Rate Index” means, on any Business Day, the SIFMA Swap Index or, if the SIFMA Swap Index is no longer published, an index or rate agreed upon by the Authority and the Remarketing Agent; provided, however, that if the Remarketing Agent Advises the Trustee and the Authority that the use of such index would not result or no longer results in a market rate of interest on the 2025 Bonds, “Weekly Rate Index” shall mean, subject to a Favorable Opinion of Bond Counsel, an index selected by the Authority after consultation with the Remarketing Agent that would result in a market rate of interest on the 2025 Bonds, which Weekly Rate Index shall in no event exceed the Maximum Rate.

“Weekly Rate Period” means each period during which any 2025 Bonds bear interest at Weekly Rates.

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MASTER INDENTURE

The following is a summary of certain provisions of the Master Indenture. Such summary is only a brief description of limited provisions of such document and is qualified in its entirety by reference to the full text of the Master Indenture.

The Bonds

Terms of the Bonds. The Bonds of each Series shall bear interest, if any, at such rate or rates or determined in such manner and payable at such intervals as may be determined by the Authority at the time of issuance thereof pursuant to the Supplemental Indenture under which issued, and shall mature and become payable on such date or dates and in such year or years as the Authority may determine by the Supplemental Indenture creating such Series. Principal of and interest on such Bonds shall be payable in such manner as may be specified in the Supplemental Indenture creating such Series. The Bonds of each Series shall be issued in such denominations as may be authorized by the Supplemental Indenture creating such Series.

Unless otherwise provided in the Supplemental Indenture delivered in connection with such Series of Bonds, the Bonds of each Series shall be initially registered in the name of “Cede & Co.,” as nominee of the Securities Depository and shall be evidenced by one bond certificate for each maturity of each Series of Bonds. Registered ownership of any Series of Bonds, or any portion thereof, may not thereafter be transferred except as set forth in the Indenture, or in the event the use of the Securities Depository is discontinued, in accordance with the provisions set forth in the Indenture.

Transfer of Bonds. Any Bond may, in accordance with its terms, be transferred, upon the register required to be kept, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form acceptable to the Trustee.

Whenever any Bond or Bonds shall be surrendered for transfer, the Authority shall execute and the Trustee shall authenticate and deliver a new Bond or Bonds, of the same Series, tenor, maturity and interest rate and a like aggregate principal amount; provided that, unless otherwise provided in any Supplemental Indenture, no registration of transfer may occur during the period established by the Trustee for selection of Bonds for redemption, or of any Bond or portion of a Bond, so selected for redemption. The Trustee shall require the Bondholder requesting such transfer to pay any tax or other governmental charge required to be paid with respect to such transfer.

Exchange of Bonds. Bonds may be exchanged at the Principal Office of the Trustee for a like aggregate principal amount of Bonds of other authorized denominations of the same Series, tenor, maturity and interest rate; provided that, unless otherwise provided in any Supplemental Indenture, no exchange may occur during the period established by the Trustee for selection of Bonds for redemption, or of any Bond or portion of a Bond so selected for redemption. The Trustee shall require the Bondholder requesting such exchange to pay any tax or other governmental charge required to be paid with respect to such exchange.

Bond Register. Unless otherwise provided in a Supplemental Indenture delivered in connection with a Series of Bonds, the Trustee will keep or cause to be kept, at its Principal Office sufficient books for the registration and transfer of each Series of Bonds, which shall at all times be open to inspection during normal business hours by the Authority and each Credit Provider upon reasonable prior notice; and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe,

register or transfer or cause to be registered or transferred, on such books, Bonds as provided in the Indenture.

Bonds Mutilated, Lost, Destroyed or Stolen. If any Bond shall become mutilated, the Authority, at the expense of the Holder of said Bond, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like Series, tenor, maturity and interest rate in exchange and substitution for the Bond so mutilated, but only upon surrender to the Trustee of the Bond so mutilated. Every mutilated Bond so surrendered to the Trustee shall be canceled by the Trustee and delivered to, or upon the Order of, the Authority. If any Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Authority and to the Trustee and, if such evidence be satisfactory to both and indemnity satisfactory to both shall be given, the Authority, at the expense of the Holder, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like Series, tenor, maturity and interest rate in lieu of and in substitution for the Bond so lost, destroyed or stolen (or if any such Bond shall have matured or shall have been called for redemption, instead of issuing a substitute Bond, the Trustee may pay the same without surrender thereof upon receipt of the aforementioned indemnity). The Authority may require payment of a sum not exceeding the actual cost of preparing each new Bond issued under the Indenture and of the expenses which may be incurred by the Authority and the Trustee in the premises. Any Bond issued under the provisions of the Indenture in lieu of any Bond alleged to be lost, destroyed or stolen shall constitute an original additional contractual obligation on the part of the Authority whether or not the Bond so alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and shall be entitled to the benefits of the Indenture with all other Bonds secured by the Indenture. Neither the Authority nor the Trustee shall be required to treat both the original Bond and any replacement Bond as being Outstanding for the purpose of determining the principal amount of Bonds which may be issued pursuant to the Indenture or for the purpose of determining any percentage of Bonds Outstanding, but both the original and replacement Bond shall be treated as one and the same.

Issuance of Bonds

Issuance of Additional Bonds. The Authority may by Supplemental Indenture establish one or more Series of Bonds payable from 1976 Sales Tax Revenues and secured by the pledge made under the Indenture equally and ratably with Bonds previously issued, and subordinate only to the pledge of the 1976 Sales Tax Revenues securing the Existing Bonds under the Existing Indenture, 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) Subject to the provisions of the Indenture, in the event a Supplemental Indenture providing for the issuance of such Series 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 Authority or from both such sources or may be made in the form of a Reserve Facility.

(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 Authority shall place on file with the Trustee a Certificate of the Authority certifying that the amount of 1976 Sales Tax Revenues collected during the most recent Fiscal Year for which audited financial statements are available preceding the date on which such additional Series of Bonds will become Outstanding shall have been at least equal to 2.0 times Maximum Annual Debt Service on all Series of Bonds and Parity Obligations then Outstanding under the Indenture, all Existing Bonds then outstanding under the Existing Indenture, 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.

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

Subsequent to the issuance of the 2025 Bonds, before any Series of additional Bonds shall be issued and delivered, the Authority 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 Authority.
- b) A Certificate of the Authority certifying: (i) that no Event of Default has occurred and is then continuing; and (ii) that the requirements specified in the Indenture have been satisfied by the Authority.
- c) A Certificate of the Authority certifying (on the basis of computations made no later than the date of sale of such Series of Bonds) that the requirement of the Indenture 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 Authority and authenticated and delivered by the Trustee, will be valid and binding obligations of the Authority.

Issuance of Refunding Bonds.

Refunding Bonds may be authorized and issued by the Authority without compliance with the provisions of the Indenture; provided that the Trustee shall have been provided with a Certificate of the Authority to the effect that the Authority has determined one of the following: (i) 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, or (ii) that the Authority expects a reduction in Debt Service on all Bonds Outstanding and all Parity Obligations outstanding to result from the refunding to be effected with the proceeds 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) any termination payment owed by the Authority to a Counterparty after offset for any payments made to the Authority from such Counterparty under any Interest Rate Swap Agreement that was entered into in connection with the Bonds or Parity Obligations to be refunded;
- 4) 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;
- 5) 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
- 6) 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 Indenture, the Authority 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 Authority.
- 2) A Certificate of the Authority 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 or that the Authority expects a reduction in Debt Service on all Bonds Outstanding and all Parity Obligations outstanding to result from the refunding to be effected with the proceeds of such Refunding Bonds; and (ii) that the requirements of the Indenture 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 Authority; provided, however, that in lieu of such instructions or waiver or proof of notice of redemption, the Authority 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; and provided further that no provision of the Indenture shall be construed to require the redemption of Bonds prior to their respective maturity dates in connection with the refunding thereof.
- 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 Authority and authenticated and delivered by the Trustee, will be valid and binding obligations of the Authority.
- 5) The proceeds of the sale of the Refunding Bonds shall be applied by the Trustee according to the written direction of the Authority to the defeasance, redemption or retirement of the Outstanding Bonds or Parity Obligations to be defeased, redeemed or retired by said Refunding Bond. All Bonds

or Parity Obligations purchased, redeemed or retired by use of funds received from the sale of Refunding Bonds, and all Bonds surrendered to the Trustee against the issuance of Refunding Bonds, shall be forthwith canceled and shall not be reissued.

Limitations on the Issuance of Obligations Payable from Sales Tax Revenues; Parity Obligations; Subordinate Obligations; Junior Subordinate Obligations. Subsequent to the issuance of the 2025 Bonds, the Authority will not, so long as any Bonds are Outstanding, issue any obligations or securities, howsoever denominated, payable in whole or in part from Sales Tax Revenues except as set forth below.

- 1) Bonds authorized pursuant to the Indenture.
- 2) Refunding Bonds authorized pursuant to the Indenture.
- 3) Parity Obligations, provided that the following conditions to the issuance or incurrence of such Parity Obligations are satisfied:
 - a) Such Parity Obligations have been duly and legally authorized by the Authority for any lawful purpose;
 - b) No Event of Default shall have occurred and then be continuing, or any such Event of Default will be cured by the issuance of such Parity Obligations, as evidenced by the delivery of a Certificate of the Authority to that effect, which Certificate of the Authority shall be filed with the Trustee;
 - c) 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 or (ii) the Authority shall have placed on file with the Trustee a Certificate of the Authority, 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 set forth in the Indenture 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;
 - d) The Authority 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).
- 4) Subordinate Obligations, that are payable as to principal, premium, interest and reserve fund requirements, if any, only out of Sales Tax Revenues after the prior payment of all amounts then required to be paid under the Existing Indenture and under the Indenture from Sales Tax Revenues for principal, premium, interest and reserve fund requirements, if any, for all outstanding Existing Bonds, all Bonds Outstanding, and all Parity Obligations outstanding, as the same become due and payable, and at the times and in the amounts as required in the Existing Indenture, the Indenture and in the instrument or instruments pursuant to which any Parity Obligations were issued or incurred, provided that the following conditions to issuance or incurrence of such Subordinate Obligations are satisfied:
 - a) Such Subordinate Obligations have been duly and legally authorized by the Authority for any lawful purpose;

- b) No Event of Default shall have occurred and then be continuing, or such Event of Default will be cured by the issuance of such Subordinate Obligations, as evidenced by the delivery to the Trustee of a Certificate of the Authority to that effect;
 - c) The Authority shall deliver to the Trustee a transcript of the proceedings providing for the issuance of such Subordinate Obligations (but the Trustee shall not be responsible for the validity or sufficiency of such proceedings or such Subordinate Obligations).
- 5) Termination payments and fees and expenses on Interest Rate Swap Agreements, Liquidity Provider or Credit Provider fees and expenses and other obligations that shall be secured by a lien and charge on the Revenues subordinate to the lien and charge upon the Revenues that secures the Bonds, Parity Obligations and Subordinate Obligations.
- 6) Junior Subordinate Obligations that are payable as to principal, premium, interest and reserve fund requirements, if any, only out of Sales Tax Revenues after the prior payment of all amounts then required to be paid under the Existing Indenture and under the Indenture from Sales Tax Revenues for principal, premium, interest and reserve fund requirements, if any, for all outstanding Existing Bonds, all Bonds Outstanding, all Parity Obligations and all Subordinate Obligations outstanding, as the same become due and payable, and at the times and in the amounts as required in the Existing Indenture, the Indenture, the Subordinate Indenture and in the instrument or instruments pursuant to which any Parity Obligations or Subordinate Obligations were issued or incurred, provided that the following conditions to issuance or incurrence of such Junior Subordinate Obligations are satisfied:
- a) Such Junior Subordinate Obligations have been duly and legally authorized by the Authority for any lawful purpose;
 - b) No Event of Default shall have occurred and then be continuing, or such Event of Default will be cured by the issuance of such Junior Subordinate Obligations, as evidenced by the delivery to the Trustee of a Certificate of the Authority to that effect;
 - c) The Authority shall deliver to the Trustee a transcript of the proceedings providing for the issuance of such Junior Subordinate Obligations (but the Trustee shall not be responsible for the validity or sufficiency of such proceedings or such Junior Subordinate Obligations).

Calculation of Maximum Annual Debt Service with Respect to Bonds and Parity Obligations. Maximum Annual Debt Service with respect to Bonds shall be determined by the Authority no later than the date of delivery of such Bonds, and no earlier than the sixtieth (60th) day preceding the date of pricing or sale of such Bonds, utilizing the assumptions set forth in the definition of Debt Service. 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, at 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.

Termination of Issuances Under Existing Indenture. The Authority will not, as long as any of the Bonds or Parity Obligations are Outstanding, issue any additional obligations or securities under the provisions of the Existing Indenture. The Authority will terminate the Existing Indenture pursuant to its terms upon or promptly after payment of the final maturity of the Existing Bonds.

Funds and Accounts; Sales Tax Revenues

Pledge of Revenues; Revenue Fund.

As security for the payment of all amounts owing on the Bonds and Parity Obligations, and subject only to the prior lien on Sales Tax Revenues for the Existing Bonds under the Existing Indenture, there are irrevocably pledged to the Trustee: (i) all Revenues; and (ii) all amounts, including proceeds of the Bonds, held on deposit in the funds and accounts established under the Indenture (except for amounts held in the Rebate Fund, any Letter of Credit Account and any Purchase Fund), subject to the provision of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth there. The collateral identified above shall immediately be subject to this pledge, and this pledge shall constitute a lien and charge on and security interest in such collateral which shall immediately attach to the collateral and be effective, binding and enforceable against the Authority and all others asserting the rights therein, to the extent set forth, and in accordance with, the Indenture irrespective of whether those parties have notice of this pledge and without the need for any physical delivery, recordation, filing or further act. The pledge of Revenues and all amounts held on deposit in the funds and accounts established under the Indenture (except for amounts held in the Rebate Fund, any Letter of Credit Account and any Purchase Fund) therein made 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.

All Bonds and Parity Obligations shall be of equal rank without preference, priority or distinction of any Bonds and Parity Obligations over any other Bonds and Parity Obligations.

As long as the Existing Bonds are Outstanding and remain unpaid, the Authority has assigned and caused the Sales Tax Revenues to be transmitted by the CDTFA directly to the Existing Trustee. The Authority assigns all Sales Tax Revenues remaining after the Existing Trustee makes the required deposits in each month under the Existing Indenture, directly for transfer from the Existing Trustee to the Trustee so long as any Bonds are Outstanding or any Parity Obligations remain unpaid. Following payment in full of the Existing Bonds, so long as any Bonds are Outstanding or any Parity Obligations remain unpaid, the Authority assigns and shall cause Sales Tax Revenues to be transmitted by the CDTFA directly to the Trustee.

Subject to the deposits of Sales Tax Revenues required under the Existing Indenture, the Trustee shall forthwith deposit in a trust fund, designated as the "Revenue Fund," which fund the Trustee shall establish and maintain, all Sales Tax Revenues, when and as received by the Trustee. Such 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. 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.

The Bonds are limited obligations of the Authority and are payable as to both principal and interest, and any premium upon redemption thereof, exclusively from the Revenues and other funds pledged under the Indenture.

Application of Interest Fund. All amounts in the Interest Fund shall be used and withdrawn by the Trustee solely for the purposes of: (a) 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), or for reimbursing the Credit Provider for a drawing for such purposes made on Credit

Enhancement provided in the form of an irrevocable, direct-pay letter of credit, and (b) making periodic payments on Interest Rate Swap Agreements, as provided in the Indenture.

Application of 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 (including Liquidity Facility 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 and Liquidity Facility Bonds, as provided in the Indenture, or for reimbursing the Credit Provider for a drawing for such purposes made on Credit Enhancement provided in the form of an irrevocable, direct-pay letter of credit.

The Trustee shall establish and maintain within the Principal Fund a separate account for the Term Bonds of each Series and maturity, 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 Authority, 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 Authority, 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 Authority 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 this subsection shall be cancelled by the Trustee and destroyed by the Trustee and a certificate of destruction shall be delivered to the Authority by the Trustee. Any amounts remaining in a Sinking Account on June 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 practicable to the Authority to be used for any lawful purpose. All Term Bonds purchased from a Sinking Account or deposited by the Authority with the Trustee in a twelve month period ending May 31 (or in a six-month period ending May 31 or November 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 June 1 or December 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 Authority. 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 Authority.

Establishment, Funding and Application of Bond Reserve Funds. The Authority 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 Authority shall be available to secure one or more Series of Bonds as the Authority shall determine and shall specify in the Supplemental Indenture establishing such Bond Reserve Fund or, if the Supplemental Indenture establishing any Bond Reserve Fund also establishes a pooled Bond Reserve Requirement that is applicable to an initial Series of Bonds together with anyone or more subsequently-issued eligible Series of Bonds with the same pooled Reserve Requirement, in subsequent Supplemental Indentures. Any Bond Reserve Fund established by the Authority shall be held by the Trustee.

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 Authority), or in substitution of any Reserve Facility comprising part of the Bond Reserve Requirement relating to one or more Series of Bonds, the Authority 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 two of the three highest Rating Categories of both Moody's and S&P, in an amount, which, together with cash, Investment Securities or other Reserve Facilities, as described in the Indenture, 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 the Indenture. At least one (1) year prior to the stated expiration of such letter of credit, the Authority 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. Upon delivery of such replacement Reserve Facility, the Trustee shall deliver the then-effective letter of credit to or upon the order of the Authority. If the Authority shall fail to deposit a replacement Reserve Facility with the Trustee, the Authority 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 Authority) or in substitution of any Reserve Facility comprising part of a Bond Reserve Requirement for any Bonds, the Authority 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 two of the three highest Rating Categories of both Moody's and S&P. 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 Authority shall immediately implement (i) or (iii) of the preceding paragraph or make twelve equal monthly

deposits to such Bond Reserve Fund so that the Bond Reserve Fund is replenished to the required level after a year.

Subject to the Indenture, all amounts in any Bond Reserve Fund (including all amounts which may be obtained from a Reserve Facility on deposit in such Bond Reserve Fund) shall be used and withdrawn by the Trustee, as hereinafter provided: (i) for the purpose of making up any deficiency in the Interest Fund or the Principal Fund relating to the Bonds of the Series to which such Bond Reserve Fund relates; or (ii) together with any other moneys available therefor, (x) for the payment or redemption of all Bonds then Outstanding of the Series to which such Bond Reserve Fund relates, (y) for the defeasance or redemption of all or a portion of the Bonds then Outstanding of the Series to which such Bond Reserve Fund relates, provided, however, that if funds on deposit in any Bond Reserve Fund are applied to the defeasance or redemption of a portion of the Series of Bonds to which such Bond Reserve Fund relates, the amount on deposit in the Bond Reserve Fund immediately subsequent to such partial defeasance or redemption shall equal the Bond Reserve Requirement applicable to all Bonds of such Series Outstanding immediately subsequent to such partial defeasance or redemption, or (z) for the payment of the final principal and interest payment of the Bonds of such Series. 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 of the Series 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 the terms of, and if so provided by, the terms of the Reserve Facility, if any, securing the Bonds of such Series, 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 and interest so recovered.

The Trustee shall notify the Authority 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 of the Series 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 Indenture and shall request that the Authority 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 Authority shall instruct the Trustee to commence setting aside in each month following receipt of 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 pursuant to the Indenture 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 of the Series 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 Sales Tax Revenues each month, commencing with the month following the Authority'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 Bonds of the Series to which such Bond Reserve Fund relates.

Unless the Authority shall otherwise direct in writing, any amounts in any Bond Reserve Fund in excess of the Bond Reserve Requirement relating to the Bonds of the Series to which such Bond Reserve Fund relates shall be transferred by the Trustee to the Authority on the Business Day following October 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 Authority 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 Indenture. The Bond Reserve Requirement shall be calculated upon the issuance or retirement of a Series of Bonds or upon the defeasance of all or a portion of a Series of Bonds.

Application of Subordinate Obligations Fund. All moneys in the Subordinate Obligations Fund shall be applied to the payment of Subordinate Obligations in accordance with the Indenture.

Application of 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 Authority in connection with the Bonds, any Parity Obligations or Subordinate Obligations as such amounts shall become due and payable.

Application of Redemption Fund. The Trustee shall establish, maintain and hold in trust a special fund designated as the "Redemption Fund." All moneys deposited by the Authority with the Trustee for the purpose of optionally redeeming Bonds of any Series shall, unless otherwise directed by the Authority, 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 Authority 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 Authority, 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 Authority, 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 Authority.

Rebate Fund.

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 Authority. Subject to the transfer provisions provided in paragraph (C) below, 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 the applicable Tax Certificates. The Authority hereby covenants to comply with the directions contained in

each Tax Certificate and the Trustee hereby covenants to comply with all written instructions of the Authority 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).

Pursuant to each Tax Certificate, an amount shall be deposited in the Rebate Fund by the Authority so that the balance of the amount on deposit thereto shall be equal to the Rebate Requirement applicable to the Series of Bonds to which such Tax Certificate relates. Computations of each Rebate Requirement shall be furnished by or on behalf of the Authority to the Trustee in accordance with the applicable Tax Certificate.

The Trustee shall invest all amounts held in the Rebate Fund, pursuant to written instructions of the Authority, in Investment Securities, subject to the restrictions set forth in the applicable Tax Certificate. Upon receipt of Rebate Instructions, the Trustee shall remit part or all of the balances in the Rebate Fund to the United States of America, as so directed. In addition, if the Rebate Instructions so direct, the Trustee will deposit moneys into or transfer moneys out of the Rebate Fund from or into such accounts or funds as directed by the Rebate Instructions. Any funds remaining in the Rebate Fund after redemption and payment of all of a Series of Bonds and payment and satisfaction of any Rebate Requirement applicable to such Series of Bonds, shall be withdrawn and remitted to the Authority in accordance with a Request of the Authority.

Payment Provisions Applicable to Interest Rate Swap Agreement. In the event the Authority shall enter into an Interest Rate Swap Agreement in connection with a Series of Bonds, the amounts received by the Authority, if any, pursuant to such Interest Rate Swap Agreement may be applied to the deposits required under the Indenture. If the Authority so designates in a Supplemental Indenture establishing the terms and provisions of such Series of Bonds (or if such Interest Rate Swap Agreement is entered into subsequent to the issuance of such Series of Bonds, if the Authority so designates in a Certificate of the Authority 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 incurred in connection with Interest Rate Swap Agreements which shall in all cases be payable from, and secured by, Sales Tax Revenues on a subordinate basis to Bonds, Parity Obligations and payment of principal of and interest on Subordinate Obligations) shall constitute Parity Obligations under the Indenture, and, in such event, the Authority shall pay or cause to be paid to the Trustee for deposit in the Interest Fund, at the times and in the manner provided by 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, from 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 Authority, solely in Investment Securities. All Investment Securities shall, as directed by the Authority in writing or by telephone, promptly confirmed in writing, be acquired subject to the limitations set forth in the Indenture, the limitations as to maturities hereinafter in this section set forth and such additional limitations or requirements consistent with the foregoing as may be established by Request of the Authority. If and to the extent the Trustee does not receive investment instructions from the Authority 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 (12) of the definition thereof and the Trustee shall thereupon request investment instructions from the Authority 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.

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 Costs of Issuance Fund shall be transferred to the Revenue Fund; (iv) 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 Authority shall direct that such earnings be transferred to the Rebate Fund; (v) 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, (vi) all interest, profits and other income received from the investment of moneys in any Purchase Fund shall be retained in such Purchase Fund; and (vii) 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. Notwithstanding anything to the contrary contained in this paragraph, an amount of interest received with respect to any Investment Security equal to the amount of accrued interest, if any, paid as part of the purchase price of such Investment Security shall be credited to the fund or account from which such accrued interest was paid.

All Investment Securities credited to any Bond Reserve Fund shall be valued (at market value) as of June 1 and December 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 thereunder, 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 Authority 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 Indenture.

Certain Covenants of the Authority

Punctual Payment. The Authority 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 Revenues as provided in the Indenture.

Extension of Payment of Bonds. The Authority will not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any Bonds or claims for interest by the purchase or funding of such Bonds or claims for interest or by any other arrangement and in case the maturity of any of the Bonds or the time of payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default under the Indenture, to the benefits of the Indenture, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest thereon which shall not have been so extended. Nothing in the Indenture shall be deemed to limit the right of the Authority to issue bonds for the purpose of refunding any Outstanding Bonds, and such issuance shall not be deemed to constitute an extension of maturity of Bonds.

Against Encumbrances. The Authority will not create or permit to exist any pledge, lien or charge upon any of the Sales Tax Revenues having priority over or having parity with the lien of the Bonds other than (i) the pledge, lien and charge established by the Existing Indenture to secure the Existing Bonds and (ii) any pledge, lien and charge permitted in the Indenture.

Accounting Records and Financial Statements. The Authority 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 Authority will furnish the Trustee, with copies to each Credit Provider and each Liquidity Provider, within two hundred ten (210) days after the end of each Fiscal Year, or as soon thereafter as they can practically be furnished, the financial statements of the Authority 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 an Authorized Representative 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 Authority to cure such default. Thereafter, a copy of such financial statements will be furnished to any Holder upon written request to the Authority, which copy of the financial statements may, at the sole discretion of the Authority, be provided by means of posting such financial statements on an internet site that provides access to the Holders.

Collection of Sales Tax Revenues. The Authority covenants and agrees that it has duly levied a retail transactions and use tax in accordance with the Act, pursuant to and in accordance with the Ordinance, duly passed and adopted by the Authority. 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 Sales Tax Revenues, and the Authority will continue to levy and collect such retail transactions and use tax to the full amount permitted by law. The Authority further covenants that the Santa Clara County Transit District, predecessor to the Authority, has entered into an Amended and Restated Agreement for State Administration of District Transactions and Use Tax with the California State Board of Equalization, predecessor to the CDTFA (the "Existing CDTFA Agreement"), under and pursuant to which the CDTFA will process and supervise collection of said retail transactions and use tax and will transmit Sales Tax Revenues directly to the Existing Trustee, and further covenants to cause the Existing Trustee to transfer immediately to the Trustee all Sales Tax Revenues remaining after making required deposits in each month under the Existing Indenture. The Authority further covenants that prior to the payment in full of the Existing Bonds, the Authority will enter into an Agreement for State Administration of District Transactions and Use Tax with the CDTFA (the "Future CDTFA Agreement") under and

pursuant to which the CDTFA will process and supervise collection of said retail transactions and use tax and will transmit Sales Tax Revenues directly to the Trustee, said agreement to become effective upon payment of the final maturity of the Existing Bonds. So long as any of the Existing Bonds are Outstanding, the Authority covenants that it shall not amend, modify, alter, substitute or terminate the Existing CDFTA Agreement without the written consent of the Trustee. So long as any of the Bonds are Outstanding, the Future CDFTA Agreement will be continued in effect and shall not be amended, modified, altered, substituted or terminated without the written consent of the Trustee. So long as any of the Bonds are Outstanding, should the Authority receive any Sales Tax Revenues directly from the CDTFA, the Authority shall hold such Sales Tax Revenues in trust for (and remit immediately to) the Existing Trustee or the Trustee, as applicable.

Sales Tax Revenues received by the Trustee shall be transmitted to the Authority pursuant to the Indenture; provided that, during the continuance of an Event of Default, any Sales Tax Revenues received by the Trustee shall be applied as set forth in the Indenture. The Authority 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 Authority 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 Authority 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 Authority may exclude the application of the covenants contained in the Indenture to such Series of Bonds. The Authority will not directly or indirectly use or permit the use of any proceeds of the Bonds or any other funds of the Authority, 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 Authority will comply with all requirements of the Tax Certificate relating to each Series of the Bonds. In the event that at any time the Authority is of the opinion that for purposes of the Indenture it is necessary to restrict or limit the yield on the investment of any moneys held by the Trustee under the Indenture, the Authority 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 Authority 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 Authority 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 the Indenture and any Tax Certificate, if the Authority shall receive an Opinion of Bond Counsel to the effect that any action required under the Indenture 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 Authority and the Trustee may rely conclusively on such opinion in complying with the provisions of the Indenture, and the covenants in 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 Indenture 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 Authority hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Agreement executed and delivered in connection with such Series of Bonds. Notwithstanding any other provision of the Indenture, failure of the Authority to comply with the provisions of any Continuing Disclosure Agreement 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 Authority to comply with its obligations under the Indenture.

Events of Default and Remedies

Events of Default. The following events shall be Events of Default.

- A. default in the due and punctual payment of the principal or Redemption Price of any Bonds 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 Bonds when and as such interest installment shall become due and payable;
- C. if the Authority 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), for a period of sixty (60) days after written notice, specifying such failure and requesting that it be remedied, has been given to the Authority by the Trustee or by any Credit Provider; except that, if such failure can be remedied but not within such sixty (60) day period and if the Authority 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 Authority 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 Authority 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 Authority insolvent, or adjudging it bankrupt, or appointing a trustee or receiver of the Authority, or approving a petition filed against the Authority seeking reorganization of the Authority 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 Authority 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;
- H. if the Legislature of the State shall repeal or amend all or any portion of the provisions of the Act relating to the retail transactions and use tax, being Sections 100250 to 100256, inclusive, of the Public Utilities Code of the State unless the Authority has reasonably determined that said repeal or amendment does not materially and adversely affect the rights of Bondholders;
- I. if any event of default occurs and is continuing under the Existing Indenture; or
- J. if any other event of default with respect to a Series of Bonds or Parity Obligations occurs and is continuing under any Supplemental Indenture.

No Acceleration. Notwithstanding anything in the Indenture to the contrary, in no event are the Bonds subject to acceleration if an Event of Default occurs and is continuing.

Application of the Revenues and Other Funds After Default. The Bonds shall not be subject to acceleration under any circumstances, including without limitation upon the occurrence and continuance of an Event of Default under the Indenture. If an Event of Default shall occur and be continuing, the Authority shall immediately transfer to the Trustee all Revenues held by it, subject to the terms and provisions of the Existing Indenture, 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 extent Revenues are available therefor, 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 extent Revenues are available therefor, 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 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;

(3) to the extent Revenues are available therefor, to be transferred to the Trustee in the amount necessary for fees and expenses of any Credit Provider or Liquidity Provider and payment of amounts due and owing under the Credit Enhancement or Liquidity Facility;

(4) to the extent Revenues are available therefor, to be transferred to the trustee for the Subordinate Obligations, if any, in the amount necessary for payment of outstanding Subordinate Obligations;

(5) to the extent Revenues are available therefor, to be transferred to the Trustee to pay any Hedging Termination Obligations then due and payable on Interest Rate Swap Agreements;

(6) to the extent Revenues are available therefor, to be transferred to the trustee for the Junior Subordinate Obligations, if any, in the amount necessary for payment of outstanding Junior Subordinate Obligations; and

(7) to the payment of all other obligations payable under the Indenture.

Upon any distribution to creditors of the Authority following an Event of Default under (E), (F) or (G) in “Events of Default” above:

(A) Holders of the Bonds and Parity Obligations shall be entitled to receive payment, pursuant to the Indenture, in cash, of the interest on and principal or Redemption Price, if applicable, of such Bonds and Parity Obligations then due and payable and other amounts then payable with respect thereto, after all such payments are made, then holders of the Subordinate Obligations shall be entitled to receive payment, pursuant to the Indenture, in cash, of the interest on and principal or Redemption Price, if applicable, of such Subordinate Obligations then due and payable and other amounts then payable with respect thereto, then any deposits required to be paid into the Fees and Expenses Fund or the Hedging Obligations Termination Fund must be made, in each case before any Holder of Junior Subordinate Obligations shall be entitled to receive any payment of principal of or interest on such Junior Subordinate Obligations, pursuant to the Indenture; and

(B) until the interest and principal or Redemption Price, if applicable, of the Bonds, Parity Obligations and Subordinate Obligations then due and payable are paid, and any deposits required to be paid into the Fees and Expenses Fund or the Hedging Obligations Termination Fund are made, in accordance with the Indenture, in cash, any distribution to which Holders of Junior Subordinate Obligations would be entitled but for this section shall be made to the Trustee for the benefit of the Holders of the Bonds and Parity Obligations and holders of Subordinate Obligations and creditors of the Fees and Expenses Fund or the Hedging Obligations Termination Fund as their interests may appear.

For purposes of this section, a distribution may consist of cash, securities or other property, by set-off or otherwise.

Trustee to Represent Holders. The Trustee is 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 Law 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 Holders of Bonds, 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 Provider providing such Credit Enhancement, or if such Credit 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 Bonds then Outstanding, and upon being indemnified to its commercially reasonable 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 herein, or in aid of the execution of any power granted in the Indenture, 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 Law 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 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 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.

Holders' Direction of Proceedings. Anything in the Indenture to the contrary (except provisions relating to the rights of a Credit Provider or Liquidity Provider to direct proceedings as set forth in the Indenture) notwithstanding, the Holders of a majority in aggregate amount of 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, 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 Holders or holders of Parity Obligations not parties to such direction.

Limitations on Holders' 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 Law 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 Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers 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 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 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 hereby declared, in every case, to be conditions precedent to the exercise by any Holder of Bonds of any remedy in 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 Law or other applicable law with respect to the Bonds, except in the manner provided in the Indenture, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner provided in the Indenture and for the benefit and protection of all Holders of the Outstanding Bonds, subject to the provisions of the Indenture.

Credit 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 as defined therein, the Credit 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 Provider's consent shall not be required as otherwise provided therein if such Credit Provider is in default of any of its payment obligations as set forth in the Credit Enhancement provided by such Credit Provider.

The Trustee

Appointment; Duties Immunities and Liabilities of Trustee. U.S. Bank Trust Company, National Association, is appointed as Trustee under the Indenture and accepts the trust imposed upon it as Trustee pursuant to the Indenture and to perform all the functions and duties of the Trustee pursuant to the Indenture, subject to the terms and conditions set forth in the Indenture. The Trustee shall, prior to an Event of Default, and after the curing of all Events of Default which may have occurred, perform such duties and only such duties as are specifically set forth in the Indenture and no implied covenants shall be read into the Indenture against the Trustee. The Trustee shall, during the existence of any Event of Default (which has not been cured), exercise such of the rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs.

The Authority may remove the Trustee at any time unless an Event of Default shall have occurred and then be continuing, and shall remove the Trustee if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Holders of not less than a majority in aggregate amount of Bond Obligation of the Bonds then Outstanding (or their attorneys duly authorized in writing) or if at any time the Trustee shall cease to be eligible in accordance with the Indenture, or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property shall be appointed, or any public officer shall take control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, in each case by giving written notice of such removal to the Trustee each Credit Provider then providing a Credit Enhancement for any Series of Bonds, and thereupon shall appoint a successor Trustee by an instrument in writing.

The Trustee may at any time resign by giving written notice of such resignation to the Authority and each Credit Provider then insuring any Series of Bonds and by giving the Bondholders notice of such resignation by mail at the addresses shown on the registration books maintained by the Trustee. Upon receiving such notice of resignation, the Authority shall promptly appoint a successor Trustee by an instrument in writing.

Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee. If no successor Trustee shall have been appointed and shall have accepted appointment within forty-five (45) days of giving notice of removal or notice of resignation as aforesaid, the resigning Trustee or any Bondholder (on behalf of himself and all other Bondholders) may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under the Indenture, shall signify its acceptance of such appointment by executing and delivering to the Authority, each Credit Provider then insuring any Series of Bonds and to its predecessor Trustee a written acceptance thereof, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if

originally named Trustee in the Indenture; but, nevertheless at the Request of the Authority or the request of the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title and interest of such predecessor Trustee in and to any property held by it under the Indenture and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions. Upon request of the successor Trustee, the Authority shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee as provided in the provisions of the Indenture described in these paragraphs the Authority shall give notice of the succession of such Trustee to the trusts by mail to the Bondholders at the addresses shown on the registration books maintained by the Trustee. If the Authority fails to mail such notice within fifteen (15) days after acceptance of appointment by the successor Trustee, the successor Trustee shall cause such notice to be mailed at the expense of the Authority.

Any Trustee appointed under the provisions of the Indenture in succession to the Trustee shall be a trust company or bank having the powers of a trust company having (or, if such trust company or bank is a member of a bank holding company system, the related bank holding company shall have) a combined capital and surplus of at least one hundred million dollars (\$100,000,000), and subject to supervision or examination by federal or state authority. If such bank or trust company or bank holding company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of the provisions of the Indenture described in these paragraphs the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of the Indenture, the Trustee shall resign immediately in the manner and with the effect specified in the Indenture.

Modification and Amendment of the Indenture

Amendment Permitted.

(a) (1) The Indenture and the rights and obligations of the Authority, 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 Authority and the Trustee may enter into when the written consent of 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.

(2) No such modification or amendment shall a) extend the 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. Promptly after the execution and delivery by the Authority and the Trustee of any Supplemental Indenture pursuant to the Indenture, the Trustee shall mail a notice, setting forth in general terms the substance of such Supplemental Indenture to the Holders of the Bonds at the addresses shown on the registration books of the Trustee. Any failure to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such Supplemental Indenture.

(b) The Indenture and the rights and obligations of the Authority, 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 Authority and the Trustee may enter into without the consent of any Bondholders, but with the written consent of each Credit 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 Provider is in full force and effect and if the Credit 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 Authority 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 reserved to or conferred upon the Authority;

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 Authority 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 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;

5) to make modifications or adjustments necessary, appropriate or desirable to provide for the issuance or incurrence, as applicable, of Capital Appreciation Bonds, Senior Obligations, Subordinate Obligations or Variable Rate Indebtedness, with such interest rate, payment, maturity and other terms as the Authority may deem desirable; subject to the provisions of the Indenture;

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 Authority 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 that would otherwise be described in the Indenture, 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 Indenture shall be deemed not to materially adversely affect the interest of the Holders so long as (i) all Bonds are secured or supported by a Credit Enhancement and (ii) each Credit Provider shall have given its written consent to such Supplemental Indenture as provided in 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 Authority, the Trustee and all Holders of Bonds Outstanding shall thereafter be determined, exercised and enforced 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 Authority in any of the following ways:

(a) by paying or causing to be paid the Bond Obligation of and interest on such Outstanding Bonds, as and when they become due and payable;

(b) by depositing with the Trustee, an escrow agent or other fiduciary, in trust, in a separate escrow fund or account, at or before maturity, money or securities in the necessary amount to pay or redeem such Outstanding Bonds; or

(c) by delivering to the Trustee, for cancellation by it, such Outstanding Bonds.

If the Authority shall pay all Series for which any Bonds are Outstanding also pay or cause to be paid all other sums payable by the Authority, then and in that case, at the election of the Authority (evidenced by a Certificate of the Authority, filed with the Trustee, signifying the intention of the Authority 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 Sales Tax Revenues and other assets made under the Indenture and all covenants, agreements and other obligations of the Authority under the Indenture shall cease, terminate, become void and be completely discharged and satisfied. In such event, upon Request of the Authority, the Trustee shall cause an accounting for such period or periods as may be requested by the Authority to be prepared and filed with the Authority and shall execute and deliver to the Authority all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee shall pay over, transfer, assign or deliver to the Authority 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 an independent certified public accountant, a firm of independent 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 of Bonds. Upon the deposit with the Trustee, escrow agent or other fiduciary, in trust, in a separate escrow fund or account, at or before maturity, of money or securities in the necessary amount 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 Article IV provided or provision satisfactory to the Trustee shall have been made for the giving of such notice, then all liability of the Authority 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 Authority shall remain liable for such payment, but only out of such money or securities deposited with the Trustee as aforesaid for their payment.

If the Bonds being discharged are Variable Rate Indebtedness, (i) the Bonds shall be redeemed at the first possible redemption date or purchase date applicable to such Bonds and to the extent the rate of interest payable on such Bonds prior to such redemption or purchase date is not known, such rate of interest shall be assumed to be the maximum rate payable thereon or (ii) the Trustee shall receive a confirmation from the Rating Agency then rating the Bonds that the defeasance will not result in the reduction or withdrawal of the then-current ratings on the Bonds.

The Authority may at any time surrender to the Trustee for cancellation by it any Bonds previously issued and delivered, which the Authority may have acquired in any manner whatsoever, and such Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired.

Notwithstanding anything in the Indenture to the contrary, if the principal of or interest on a Series of Bonds shall be paid by a Credit Provider pursuant to the Credit Enhancement issued in connection with such Series of Bonds, the obligations of the Authority shall not be deemed to be satisfied or considered paid by the Authority by virtue of such payments, and the right, title and interest of the Authority and the obligations of the Authority pursuant to the Indenture shall not be discharged and shall continue to exist

and to run to the benefit of such Credit Provider, and such Credit Provider shall be subrogated to the rights of the Holders of the Bonds of such Series.

Deposit of Money or Securities. Whenever in the Indenture it is provided or permitted that there be deposited with or held in trust in a separate escrow fund or account 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) Defeasance Securities the principal of and interest on which when due will, in the opinion of an independent certified public accountant, a firm of independent certified public accountants or other independent consulting firm 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 Authority) 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 the 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 Authority free from the trusts created by the 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 Authority as aforesaid, the Trustee may (at the cost of the Authority) 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 Authority 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 Authority) for interest earned on, moneys so held. Any interest earned thereon shall belong to the Authority and shall be deposited upon receipt by the Trustee into the Revenue Fund.

FIRST SUPPLEMENTAL INDENTURE

The following is a summary of certain provisions of the First Supplemental. Such summary is only a brief description of limited provision of such documents and is qualified in its entirety by reference to the full text of the First Supplemental.

Terms of the 2025 Bonds

The First Supplemental sets forth the terms of the 2025 Bonds, most of which terms are described earlier in the Official Statement under the caption “DESCRIPTION OF THE 2025 BONDS.”

Establishment of Funds and Accounts

The following funds and accounts are established in connection with the 2025 Bonds:

(1) To ensure the proper application of such portion of proceeds from the sale of the 2025 Bonds to be applied to pay Costs of the Project and Costs of Issuance of the 2025 Bonds, there is established the 2025 Project Fund, and within the 2025 Project Fund the 2025 Costs of Issuance Account, such fund and such account to be held by the Trustee.

(2) No reserve fund shall be established for the 2025 Bonds.

(3) To ensure proper application of funds to be applied to the purchase of 2025 Bonds tendered or deemed tendered for purchase pursuant to the First Supplemental Indenture, there is established the 2025 Bonds Purchase Fund, such fund to be held by the Tender Agent. There shall also be created and established six separate accounts in the 2025 Bonds Purchase Fund designated the “2025 Series A-1/B-1 Remarketing Account,” the “2025 Series A-2/B-2 Remarketing Account,” the “2025 Series A Bank Purchase Account,” the “2025 Series B Bank Purchase Account,” the “2025 Series A Authority Account” and the “2025 Series B Authority Account.”

2025 Project Fund. The monies set aside and placed in the 2025 Project Fund shall remain therein until from time to time expended for the purpose of paying the Costs of the Project and Costs of Issuance of the 2025 Bonds and shall not be used for any other purpose whatsoever.

Before any payment from the 2025 Project Fund (including the 2025 Costs of Issuance Account therein) shall be made by the Trustee, the Authority shall file or cause to be filed with the Trustee a Requisition of the Authority, such Requisition to be signed by an Authorized Representative and to include: (i) the item number of such payment; (ii) the name and address of the person to whom each such payment is due, which may be the Authority in the case of reimbursement for costs theretofore paid by the Authority; (iii) the respective amounts to be paid; (iv) the purpose by general classification for which each obligation to be paid was incurred; (v) that obligations in the stated amounts have been incurred by the Authority and are presently due and payable and that each item thereof is a proper charge against the 2025 Project Fund or the 2025 Costs of Issuance Account and has not been previously paid from said fund or account; and (vi) that there has not been filed with or served upon the Authority notice of any lien, right to lien or attachment upon, or claim affecting the right to receive payment of, any of the amounts payable to any of the persons named in such Requisition, which has not been released or will not be released simultaneously with the payment of such obligation, other than materialmen’s or mechanics’ liens accruing by mere operation of law. The Trustee shall not be responsible for the representations made in such Requisitions of the Authority and may conclusively rely thereon and shall be under no duty to investigate or verify any statements made therein.

The 2025 Costs of Issuance Account shall be closed ninety (90) days after the Issue Date and any remaining amounts credited to the 2025 Costs of Issuance Account at that time shall thereupon be credited to the 2025 Project Fund.

When the Authority determines that that portion of the Project funded with the 2025 Bonds has been completed, a Certificate of the Authority shall be delivered to the Trustee by the Authority stating: (i) the fact and date of such completion; (ii) that all of the costs thereof have been determined and paid (or that all of such costs have been paid less specified claims that are subject to dispute and for which a retention in the 2025 Project Fund is to be maintained in the full amount of such claims until such dispute is resolved); and (iii) that the Trustee is to transfer the remaining balance in the 2025 Project Fund, less the amount of any such retention, to the 2025 Bonds Reserve Fund, to the extent of any deficiency therein, and then to the Revenue Fund or, if so directed by the Authority, to the Rebate Fund.

2025 Bonds Purchase Fund. Moneys in the 2025 Bonds Purchase Fund shall be applied as provided in the Indenture.

(a) Remarketing Accounts. All moneys received by the Trustee on behalf of purchasers of 2025 Bonds, other than the Authority, shall be (i) deposited in the applicable Remarketing Account within the 2025 Bonds Purchase Fund, (ii) held in trust in accordance with the provisions of the Indenture and (iii) paid out in accordance therewith.

(b) Bank Purchase Accounts. All moneys received by the Trustee as payments under any Credit Enhancement or Liquidity Facility for the purchase of 2025 Bonds shall be (i) deposited in the applicable Bank Purchase Account within the 2025 Bonds Purchase Fund, (ii) held in trust in accordance with the provisions of the Indenture and (iii) paid out in accordance therewith.

(c) Authority Accounts. All moneys received by the Trustee from the Authority for the purchase of 2025 Bonds shall be (i) deposited in the applicable Authority Account within the 2025 Bonds Purchase Fund, (ii) held in trust in accordance with the provisions of the Indenture and (iii) paid out in accordance therewith.

The moneys in the 2025 Bonds Purchase Fund shall be used solely to pay the Purchase Price of 2025 Bonds as provided in the First Supplemental Indenture (or to reimburse a Credit Provider or Liquidity Provider for payments made under the applicable Credit Enhancement or Liquidity Facility for such purpose) and may not be used for any other purposes. All amounts held in the 2025 Bonds Purchase Fund, including the Remarketing Accounts, the Bank Purchase Accounts and Authority Accounts therein, shall be held in trust by the Trustee for the benefit of the Holders or Beneficial Owners of 2025 Bonds to which such account relates tendered or deemed tendered for purchase pursuant to the First Supplemental Indenture (provided that any amounts held in a Remarketing Account that are derived from the remarketing of Liquidity Facility Bonds shall be held in trust for the benefit of the applicable Credit Provider or Liquidity Provider).

Moneys in the 2025 Bonds Purchase Fund shall be held, in Eligible Accounts, uninvested pending application thereof as provided in the Indenture. In the event that an account required to be an “Eligible Account” no longer complies with the requirement, the Trustee shall promptly (and, in any case, within not more than 30 calendar days) move such account to another financial institution such that the Eligible Account requirement will again be satisfied.

Credit Enhancement. The Trustee shall establish, maintain and hold in trust under the First Supplemental Indenture for the benefit of the Credit Provider special funds designated as the “Credit Enhancement Account” and the “Credit Enhancement Prepayment Account.” There shall be deposited in the Credit Enhancement Account all amounts drawn under the Credit Enhancement, except for amounts drawn thereunder with respect to Prepayments which shall be deposited in the Credit Enhancement Prepayment Account and amounts drawn thereunder with respect to the payment of the purchase price of tendered 2025 Bonds.

During the term of the Credit Enhancement, on each Bond Payment Date, following a draw on the Credit Enhancement and receipt of the proceeds of such draw, the Trustee shall withdraw the amounts, if any, on deposit in the Interest Fund and the Principal Fund, as applicable, and, to the extent moneys are owed to the Credit Provider under the Credit Support Agreement, pay such amounts to the Credit Provider; provided, however, the Trustee shall not be required to pay amounts to the Credit Provider in excess of the amount drawn on the Credit Enhancement.

Sources of funds for the payment of the 2025 Bonds (other than Liquidity Facility Bonds and 2025 Bonds not secured by a Credit Enhancement) shall be applied in the following order of priority to pay principal of and interest on the 2025 Bonds:

- (i) moneys deposited in the Credit Enhancement Account or the Credit Enhancement Prepayment Account, as appropriate;
- (ii) moneys on deposit in the Bond Reserve Fund;
- (iii) other Available Moneys furnished to the Trustee; and
- (iv) any other money made available to the Trustee for such purpose.

Payment of Liquidity Facility Bonds shall be made from amounts on deposit in the Interest Fund, the Principal Fund and the Bonds Reserve Fund, and other Available Moneys furnished to the Trustee and any other money made available to the Trustee for such purpose, as applicable.

Notwithstanding anything in the First Supplemental Indenture or in the Indenture to the contrary, 2025 Bonds which are Liquidity Facility Bonds shall be payable on the dates and in the amounts and mature and shall be subject to prepayment as provided in the applicable Liquidity Facility or Credit Support Agreement.

On or before each Bond Payment Date, the Trustee shall transfer from the Interest Fund and the Principal Fund, as applicable, and deposit into the following respective accounts, the following amounts in the following order of priority, the requirements of each such account (including the making up of any deficiencies in any such account resulting from lack of Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any account subsequent in priority, to the extent that draws on the Credit Enhancement are not sufficient for such purpose or if the 2025 Bonds are not supported or secured by a Credit Enhancement. The Trustee shall provide the Authority with immediate notice by telephone, confirmed in writing, if a draw on the Credit Enhancement has not produced sufficient funds to pay the principal of and interest on the 2025 Bonds when due, and that the Trustee will be applying funds in the Interest Fund and the Principal Fund, as applicable, to make such payment.

On or before each Bond Payment Date, the Trustee shall deposit in the Interest Fund an amount required to cause the aggregate amount on deposit therein to equal the amount of interest becoming due and payable on such Bond Payment Date on all Outstanding 2025 Bonds and reimbursement under any Credit Support Agreement. No deposit shall be made into the Interest Fund if the amount contained therein is at least equal to the interest becoming due and payable upon all Outstanding 2025 Bonds on each succeeding Bond Payment Date within the then current Bond Year. All moneys in the Interest Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the 2025 Bonds as it shall become due and payable (including accrued interest on any 2025 Bonds redeemed prior to maturity) in the event a Credit Enhancement is not supporting the 2025 Bonds or a draw on such Credit Enhancement has not produced sufficient funds.

On or before each Bond Payment Date, the Trustee shall deposit in the Principal Fund an amount required to cause the aggregate amount on deposit therein to equal the principal amount of the 2025 Bonds payable or otherwise maturing on such Bond Payment Date. All moneys in the Principal Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of the 2025 Bonds in the event a Credit Enhancement is not securing the 2025 Bonds or a draw on such Credit Enhancement has not produced sufficient funds.

The Trustee shall draw under the Credit Enhancement in accordance with the terms thereof prior to 3:00 p.m., New York City time, on the Business Day prior to the day such funds are required by the Trustee under the First Supplemental Indenture at the times, in the manner and in an amount equal to the full amount of the installments of principal and interest coming due on each Bond Payment Date and each date that 2025 Bonds are to be redeemed under the Indenture. The Trustee shall deposit the amounts so drawn: (i) in the Credit Enhancement Account and shall use the amounts therein solely to pay such principal and interest as it comes due and (ii) in the Credit Enhancement Prepayment Account and shall use the amounts therein solely to pay such redemption of 2025 Bonds in advance of their maturity, as appropriate; provided, however, the Trustee shall not draw on the Credit Enhancement to make payments due with respect to Liquidity Facility Bonds.

Credit Enhancement and Liquidity Facility; Liquidity Facility Bonds.

(a) Unless all the Outstanding Bonds of any Series of 2025 Bonds are Liquidity Facility Bonds or are in an Index Rate Period, a Term Rate Period or a Fixed Rate Period, the Authority shall provide, or cause to be provided, to the Trustee a Credit Enhancement or Liquidity Facility for such Series of 2025 Bonds. The Authority shall not reduce the amount of a Credit Enhancement or Liquidity Facility or permit a substitution of a Credit Provider or Liquidity Provider thereunder without obtaining a Rating Confirmation with respect to such action unless such action is considered a substitution of a Credit Enhancement or Liquidity Facility subjecting the 2025 Bonds affected thereby to mandatory purchase pursuant to the First Supplemental Indenture. The Authority shall have the right at any time to provide, pursuant to Section 15.14, an Alternate Credit Enhancement or Alternate Liquidity Facility for any Credit Enhancement or Liquidity Facility then in effect. If there shall have been delivered to the Trustee (i) an Alternate Credit Enhancement or Alternate Liquidity Facility meeting the requirements of Section 15.14(b) and (ii) the opinions and documents required by Section 15.14(c), then the Trustee shall accept such Alternate Credit Enhancement or Alternate Liquidity Facility and, if so directed by the Authority, on or after the effective date of such Alternate Credit Enhancement promptly surrender the Credit Enhancement or Liquidity Facility being so substituted in accordance with the respective terms thereof for cancellation; provided the Trustee shall not surrender any Credit Enhancement or Liquidity Facility until all draws or requests to purchase 2025 Bonds made under such Credit Enhancement or Liquidity Facility have been honored in accordance with the terms thereof, including all draws required to be made in connection with such substitution. In the event that the Authority elects to provide an Alternate Credit Enhancement or

Alternate Liquidity Facility with respect to one or more Series of 2025 Bonds, the affected 2025 Bonds shall be subject to the mandatory tender provisions of the First Supplemental Indenture. Notwithstanding the foregoing, if at any time there shall cease to be any Bonds of any Series of 2025 Bonds Outstanding or if all the Outstanding Bonds of any Series of 2025 Bonds have been converted to a Fixed Rate Period, an Index Rate Period or a Term Rate Period for which a Credit Enhancement or Liquidity Facility is not required to be in effect, or a Credit Enhancement or Liquidity Facility shall be terminated pursuant to its terms, the Trustee shall promptly surrender such Credit Enhancement or Liquidity Facility in accordance with its terms for cancellation. The Trustee shall comply with the procedures set forth in each Credit Enhancement or Liquidity Facility relating to the termination thereof. If any successor Trustee shall be selected pursuant to the Indenture, any Credit Enhancement or Liquidity Facility then in effect shall forthwith be transferred to such successor Trustee.

(b) In the event that a Credit Enhancement or Liquidity Facility is in effect with respect to a Series of 2025 Bonds, the Trustee shall make a demand for payment under such Credit Enhancement or Liquidity Facility, subject to and in accordance with its terms, in order to receive payment thereunder on each Purchase Date for such Series of 2025 Bonds as provided in the First Supplemental Indenture.

(c) Each such demand for payment shall be made pursuant to and in accordance with the First Supplemental Indenture and the applicable Credit Enhancement or Liquidity Facility. The Trustee shall give notice of each such demand for payment to the Authority at the time of each such demand. The proceeds of each such demand shall be deposited in the applicable Bank Purchase Account within the 2025 Bonds Purchase Fund and used in the order of priority established by the First Supplemental Indenture. At the time of making any demand under a Credit Enhancement or Liquidity Facility pursuant to the First Supplemental Indenture, the Trustee shall direct the applicable Credit Provider or Liquidity Provider to pay the proceeds of such demand directly to the Trustee for deposit in the applicable Bank Purchase Account. The Trustee shall comply with all provisions of each Credit Enhancement or Liquidity Facility in order to realize upon any demand for payment thereunder, and will not demand payment under any Credit Enhancement or Liquidity Facility of any amounts for payment of: (i) Liquidity Facility Bonds; or (ii) 2025 Bonds held by the Authority or held by any affiliate of the Authority or any nominee of the Authority unless the related Credit Support Agreement or such Liquidity Facility specifically permits such demand.

(d) Any 2025 Bonds purchased with payments made under a Credit Enhancement or Liquidity Facility pursuant to the First Supplemental Indenture shall constitute Liquidity Facility Bonds and shall be registered in the name of, or as otherwise directed by, the applicable Credit Provider or Liquidity Provider and delivered to or upon the order of, or as otherwise directed by, such Credit Provider or Liquidity Provider. At the option of the Authority, it may provide funds to the Credit Provider or Liquidity Provider to purchase Liquidity Facility Bonds, in which event such 2025 Bonds shall be held by the Trustee in accordance with instructions by the Authority.

(e) Unless otherwise provided in a Credit Support Agreement or Liquidity Support Agreement, Liquidity Facility Bonds shall be remarketed by the applicable Remarketing Agent prior to any other 2025 Bonds of such Series tendered for purchase pursuant to the First Supplemental Indenture and shall be remarketed in accordance with the terms of the applicable Remarketing Agreement. Upon (i) receipt by the Authority and the Trustee of written notification from the Credit Provider or Liquidity Provider that the Credit Enhancement or Liquidity Facility, as applicable, has been fully reinstated with respect to principal and interest or purchase price, as applicable, and (ii) release by the applicable Credit Provider or Liquidity Provider of any Liquidity Facility Bonds that the Remarketing Agent has remarketed, such 2025 Bonds shall be made available to the purchasers thereof and shall no longer constitute Liquidity Facility Bonds for purposes of the First Supplemental Indenture. The proceeds of any remarketing of Liquidity Facility Bonds shall be paid to the applicable Credit Provider or Liquidity Provider by the Trustee on such remarketing

date in immediately available funds with interest on the sale price being calculated as if such 2025 Bond were not a Liquidity Facility Bond; provided, however, if all such 2025 Bonds are Liquidity Facility Bonds, at the principal amount thereof plus accrued interest, and the remarketing date will be considered an Interest Payment Date.

(f) The Trustee agrees that it will, promptly upon receipt, send (by Electronic Means) to the applicable Credit Provider or Liquidity Provider a copy of every notice received by it under the First Supplemental Indenture relating to any Liquidity Facility Bonds.

Notwithstanding anything to the contrary in the First Supplemental Indenture or in the 2025 Bonds, all obligations of the Authority under or in connection with any Credit Support Agreement or Liquidity Support Agreement (including, without limitation, the payment of any reimbursement obligations to any Credit Provider or Liquidity Provider and the payment of any Liquidity Facility Bonds) shall be governed by the terms of the applicable Credit Support Agreement or Liquidity Support Agreement.

(g) The Trustee shall provide to the applicable Remarketing Agent and to each Rating Agency then rating any Series of 2025 Bonds written notice of the extension of any Credit Enhancement or Liquidity Facility in effect with respect to such Series of 2025 Bonds.

(h) Whenever requested in writing by the Authority, the Trustee shall submit to the applicable Credit Provider or Liquidity Provider a reduction certificate or other appropriate documentation necessary under the applicable Credit Enhancement or Liquidity Facility to reduce the principal amount of any Series of 2025 Bonds and related interest to reflect any purchase or redemption of such 2025 Bonds by the Authority and the cancellation of such 2025 Bonds.

(i) If the Trustee shall receive a written notice from the applicable Credit Provider or Liquidity Provider that an “event of default” has occurred under the applicable Credit Enhancement or Liquidity Facility, it shall be an Event of Default under and pursuant to the Indenture.

Limitations on Defeasance of the 2025 Bonds

The provisions for discharge and defeasance of Bonds set forth in certain sections of the Indenture shall not apply to the 2025 Bonds while bearing interest at a Daily Rate or a Weekly Rate as provided in the First Supplemental Indenture.

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this “Disclosure Certificate”) is executed and delivered by the Santa Clara Valley Transportation Authority (the “Authority”) in connection with the issuance of its \$54,255,000 Sales Tax Revenue Variable Rate Demand Bonds, 2025 Series A-1 (the “2025 Series A-1 Bonds”), \$54,255,000 Sales Tax Revenue Variable Rate Demand Bonds, 2025 Series A-2 (the “2025 Series A-2 Bonds,” and together with the 2025 Series A-1 Bonds, the “2025 Series A Bonds”), \$25,745,000 Sales Tax Revenue Variable Rate Demand Bonds, 2025 Series B-1 (Taxable) (the “2025 Series B-1 Bonds”), and \$25,745,000 Sales Tax Revenue Variable Rate Demand Bonds, 2025 Series B-2 (Taxable) (the “2025 Series B-2 Bonds,” and together with the 2025 Series B-1 Bonds, the “2025 Series B Bonds”) (the 2025 Series A Bonds and the 2025 Series B Bonds are herein referred to collectively as the “2025 Bonds”). The 2025 Bonds are being issued pursuant to an Indenture, dated as of May 1, 2025 (the “Master Indenture”), between the Authority and U.S. Bank Trust Company, National Association, as trustee (the “Trustee”), and a First Supplemental Indenture, dated as of May 1, 2025, between the Authority and the Trustee (the “First Supplemental Indenture” and, together with the Master Indenture and all other supplements thereto, the “Indenture”). The 2025 Bonds are special limited obligations of the Authority payable solely from and secured solely by the Revenues (as defined in the Indenture), consisting primarily of revenues from a sales tax imposed pursuant to the California Transactions and Use Tax Law, being Sections 7251 *et seq.* of the California Revenue and Taxation Code. The Authority covenants and agrees as follows:

SECTION 1. Purpose of this Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Authority for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with the Rule.

SECTION 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the Authority pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Beneficial Owner” shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

“Dissemination Agent” shall mean an entity selected and retained by the Authority, or any successor thereto selected by the Authority. The initial Dissemination Agent shall be Digital Assurance Certification LLC.

“EMMA” shall mean the Electronic Municipal Market Access system, maintained on the internet at <http://emma.msrb.org> by the MSRB.

“Fiscal Year” shall mean the period beginning on July 1 of each year and ending on the next succeeding June 30, or any twelve-month or fifty-two week period hereafter selected by the Authority, with notice of such selection or change in fiscal year to be provided as set forth herein.

“Listed Events” shall mean any of the events listed in Section 5 of this Disclosure Certificate and any other event legally required to be reported pursuant to the Rule.

“MSRB” shall mean the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934 or any other entity designated or authorized by the SEC to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the SEC, filings with the MSRB are to be made through EMMA

“Official Statement” shall mean the Official Statement, dated April 23, 2025, relating to the 2025 Bonds.

“Participating Underwriters” shall mean any of the original underwriter or underwriters of the 2025 Bonds required to comply with the Rule in connection with the offering of the 2025 Bonds.

“Repository” shall mean, until otherwise designated by the SEC, EMMA.

“Rule” shall mean Rule 15c2-12 adopted by the SEC pursuant to the Securities Exchange Act of 1934, as amended.

“SEC” shall mean the United States Securities and Exchange Commission.

SECTION 3. Provision of Annual Reports.

(a) The Authority shall provide, or shall cause the Dissemination Agent to provide, to MSRB, through EMMA, not later than 210 days after the end of the Authority's fiscal year, commencing with the fiscal year ending June 30, 2025, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Official Statement shall serve as the first Annual Report. The Annual Report must be submitted in electronic format, accompanied by such identifying information as provided by the MSRB. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate. Not later than 15 Business Days prior to such date, the Authority shall provide the Annual Report to the Dissemination Agent. If the Fiscal Year changes for the Authority, the Authority shall give notice of such change in the manner provided under Section 5(e) hereof.

(b) If by 15 Business Days prior to the date specified in subsection (a) for providing the Annual Report to the MSRB, through EMMA, the Dissemination Agent has not received a copy of the Annual Report the Dissemination Agent shall contact the Authority to determine if the Authority is in compliance with subsection (a). The Authority shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by it hereunder. The Dissemination Agent may conclusively rely upon such certification of the Authority and shall have no duty or obligation to review such Annual Report.

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the MSRB by the date required in subsection (a), the Dissemination Agent shall send a notice to the MSRB in substantially the form attached as Exhibit A.

(d) The Dissemination Agent shall:

(i) determine the electronic filing address of, and then-current procedures for submitting Annual Reports to, the MSRB each year prior to the date for providing the Annual Report; and

(ii) (if the Dissemination Agent is other than the Authority), to the extent appropriate information is available to it, file a report with the Authority certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided.

SECTION 4. Content of Annual Reports. The Authority's Annual Report shall contain or include by reference the following:

(a) The audited financial statements of the Authority for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the Authority's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement relating to the 2025 Bonds (the "Official Statement"), and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) The amount of 1976 Sales Tax Revenues (as such term is defined in the Official Statement) received as of the most recently ended fiscal year of the Authority).

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues with respect to which the Authority is an "obligated person" (as defined by the Rule), which are available to the public on EMMA or filed with the SEC. The Authority shall clearly identify each such document to be included by reference.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Authority shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the 2025 Bonds, in a timely manner not more than ten (10) Business Days after the event:

- (1) Principal and interest payment delinquencies;
- (2) Nonpayment related defaults, if material;
- (3) Unscheduled draws on any debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the 2025 Series A Bonds, or other material events affecting the tax status of the 2025 Series A Bonds;
- (7) Modifications to the rights of Bondholders, if material;
- (8) Bond calls, if material, and tender offers;
- (9) Defeasances;

- (10) Release, substitution, or sale of property securing repayment of the 2025 Bonds, if material;
- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership or similar event of the obligated person;
- (13) Consummation of a merger, consolidation or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (14) Appointment of a successor or additional trustee or the change of name of a trustee;
- (15) Incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material;
- (16) Default, event of acceleration, termination event, modification of terms or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties.

For these purposes, any event described in the immediately preceding paragraph (9) is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Authority in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Authority, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Authority.

(b) The term “financial obligation” as used in Listed Events (15) and (16) means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with S.E.C. Rule 15c2-12

(c) Whenever the Authority obtains knowledge of the occurrence of a Listed Event, the Authority will, in a timely manner not in excess of ten business days after the occurrence of the Listed Event, file a notice of such occurrence with the MSRB in electronic format, accompanied by such identifying information as is prescribed by the MSRB. Notwithstanding the foregoing, notice of a Listed Event described in Section 5(a)(8) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders and Beneficial Owners of affected 2025 Bonds pursuant to the Indenture.

(d) Any information received by the Dissemination Agent before 6:00 p.m. Eastern time on any business day that it is required to file with the MSRB pursuant to the terms of this Disclosure Certificate

and that is accompanied by a Certification and all other information required by the terms of this Disclosure Agreement will be filed by the Dissemination Agent with the MSRB no later than 11:59 p.m. Eastern time on the same business day; provided, however, the Dissemination Agent shall have no liability for any delay in filing with the MSRB if such delay is caused by a *force majeure* event provided that the Dissemination Agent uses reasonable efforts to make any such filing as soon as possible.

SECTION 6. Filings with the MSRB. All information, operating data, financial statements, notices and other documents provided to the MSRB in accordance with this Disclosure Certificate shall be provided in an electronic format prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

SECTION 7. Termination of Reporting Obligation. The obligations of the Authority and the Dissemination Agent under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the 2025 Bonds. If such termination occurs prior to the final maturity of the 2025 Bonds, the Authority shall give notice of such termination in the same manner as for a Listed Event under Section 5.

SECTION 8. Dissemination Agent. The Authority may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign at any time by providing at least 30 days' notice in writing to the Authority. The Authority hereby appoints Digital Assurance Certification LLC as initial Dissemination Agent hereunder. Notwithstanding any other provision to this Disclosure Certificate to the contrary, the Authority may provide any Annual Report to Beneficial Owners by means of posting such Annual Report on an internet site that provides open access to Beneficial Owners.

SECTION 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Authority may amend this Disclosure Certificate, provided no amendment increasing or affecting the obligations or duties of the Dissemination Agent shall be made without the consent of such party, and any provision of this Disclosure Certificate may be waived if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws acceptable to the Authority and the Dissemination Agent to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule.

SECTION 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Authority from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Authority chooses to include any information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Disclosure Certificate, the Authority shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 11. Default. In the event of a failure of the Authority to comply with any provision of this Disclosure Certificate, any Holder or Beneficial Owner of the 2025 Bonds may take such actions, as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Authority to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy

under this Disclosure Certificate in the event of any failure of the Authority to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 12. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Authority agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of their respective powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall be paid compensation by the Authority for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for the Authority, the Bondholders, or any other party. The obligations of the Authority under this Section shall survive resignation or removal of the Dissemination Agent and payment of the 2025 Bonds.

SECTION 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Authority, the Dissemination Agent, the Participating Underwriters and Holders and Beneficial Owners from time to time of the 2025 Bonds, and shall create no rights in any other person or entity.

Dated: _____, 2025

SANTA CLARA VALLEY TRANSPORTATION
AUTHORITY

By: _____
Deputy General Manager

DIGITAL ASSURANCE CERTIFICATION LLC,
as Dissemination Agent

By: _____
Authorized Representative

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Santa Clara Valley Transportation Authority

Name of Bond Issue: \$54,255,000 Santa Clara Valley Transportation Authority Sales Tax Revenue Variable Rate Demand Bonds, 2025 Series A-1;
\$54,255,000 Santa Clara Valley Transportation Authority Sales Tax Revenue Variable Rate Demand Bonds, 2025 Series A-2;
\$25,745,000 Santa Clara Valley Transportation Authority Sales Tax Revenue Variable Rate Demand Bonds, 2025 Series B-1 (Taxable); and
\$25,745,000 Santa Clara Valley Transportation Authority Sales Tax Revenue Variable Rate Demand Bonds, 2025 Series B-2 (Taxable)

Date of Issuance: May 1, 2025

NOTICE IS HEREBY GIVEN that the Santa Clara Valley Transportation Authority (the "Authority") has not provided an Annual Report with respect to the above-named 2025 Bonds as required by that certain Indenture, dated as of May 1, 2025, as amended and supplemented, including as amended and supplemented by the First Supplemental Indenture, dated as of May 1, 2025, each by and between the Authority and U.S. Bank Trust Company, National Association, as trustee. The Authority anticipates that the Annual Report will be filed by _____.

Dated: _____, 20__

SANTA CLARA VALLEY TRANSPORTATION
AUTHORITY

By: _____

Its: _____

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APPENDIX F

BOOK-ENTRY SYSTEM

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Santa Clara Valley Transportation Authority Sales Tax Revenue Variable Rate Demand Bonds, 2025 Series A-1, 2025 Series A-2, 2025 Series B-1 (Taxable) and 2025 Series B-2 (Taxable) (collectively, the “2025 Bonds”). The 2025 Bonds will be 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 the 2025 Bonds in the aggregate principal amount of such Series of the 2025 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 Official Statement 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”), the Remarketing Agents or the Underwriters makes 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 an S&P Global Ratings 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 2025 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2025 Bonds on DTC’s records. The ownership interest of each actual purchaser of each 2025 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 2025 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 2025 Bonds, except in the event that use of the book-entry system for the 2025 Bonds is discontinued.

To facilitate subsequent transfers, all 2025 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 2025 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2025 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2025 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 2025 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2025 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the bond documents. For example, Beneficial Owners of 2025 Bonds may wish to ascertain that the nominee holding the 2025 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 2025 Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such 2025 Bonds to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2025 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 2025 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments, redemption proceeds, distributions and dividend payments, 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 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 the Authority, DTC, or the Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest, redemption proceeds, distributions and dividends, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of 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 Beneficial Owner shall give notice to elect to have its 2025 Bonds purchased or tendered, through its Participant, to the applicable remarketing agent, and shall effect delivery of such 2025 Bonds by causing the Direct Participant to transfer the Participant's interest in the 2025 Bonds, on DTC's

records, to the applicable remarketing agent. The requirement for physical delivery of 2025 Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the 2025 Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered 2025 Bonds to the applicable remarketing agent's DTC account.

DTC may discontinue providing its services as depository with respect to the 2025 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, bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered in accordance with the provisions of the Indenture.

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APPENDIX G

FORM OF BOND COUNSEL OPINION

[Closing Date]

Santa Clara Valley Transportation Authority
3331 North First Street, Building C
San Jose, California 95134

\$160,000,000
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
SALES TAX REVENUE VARIABLE RATE DEMAND BONDS
2025 SERIES

\$54,255,000 2025 Series A-1	\$54,255,000 2025 Series A-2
\$25,745,000 2025 Series B-1 (Taxable)	\$25,745,000 2025 Series B-2 (Taxable)

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance of \$54,255,000 aggregate principal amount of Santa Clara Valley Transportation Authority Sales Tax Revenue Variable Rate Demand Bonds, 2025 Series A-1 (the “2025 Series A-1 Bonds”), \$54,255,000 Santa Clara Valley Transportation Authority Sales Tax Revenue Variable Rate Demand Bonds, 2025 Series A-2 (the “2025 Series A-2 Bonds,” and together with the 2025 Series A-1 Bonds, the “2025 Series A Bonds”), the \$25,745,000 aggregate principal amount of Santa Clara Valley Transportation Authority Sales Tax Revenue Variable Rate Demand Bonds, 2025 Series B-1 (Taxable) (the “2025 Series B-1 Bonds”), and \$25,745,000 Santa Clara Valley Transportation Authority Sales Tax Revenue Variable Rate Demand Bonds, 2025 Series B-2 (Taxable) (the “2025 Series B-2 Bonds,” and together with the 2025 Series B-1 Bonds, the “2025 Series B Bonds”) (together, the 2025 Series A Bonds and the 2025 Series B Bonds are referred to herein as the “2025 Bonds”), issued by the Santa Clara Valley Transportation Authority (the “Authority”), a county transit district duly organized and existing under the Santa Clara Valley Transportation Authority Act, being Part 12 of Division 10 of the Public Utilities Code of the State of California (Sections 100000 et seq.) (the “Santa Clara Valley Transportation Authority Act”).

The 2025 Bonds are being issued by the Authority under and pursuant to Santa Clara Valley Transportation Authority Act 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”), and a Master Indenture, dated as of May 1, 2025, between the Authority and U.S. Bank Trust Company, National Association, as trustee (the “Trustee”), as supplemented and amended by a First Supplemental Indenture, dated as of May 1, 2025 (the “First Supplemental Indenture”), 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.”

The 2025 Bonds are limited obligations of the Authority secured by a pledge of sales tax revenues (herein called the “1976 Sales Tax Revenues”) derived from a one-half of one percent (0.5%) retail transactions and use tax (the “1976 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 in connection with the collection and disbursement of the 1976 Sales Tax. The 1976 Sales Tax was approved by a majority of the electorate of the County of Santa Clara voting on the ballot measure by special election in 1976 and does not expire. The 2025 Bonds are further secured by a pledge of certain amounts held by the Trustee under the Indenture.

As Bond Counsel, we have examined copies certified to us as being true and complete copies of the proceedings of the Authority in connection with the issuance of the 2025 Bonds. We have also examined such certificates of officers of the Authority and others as we have considered necessary for the purposes of this opinion.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The 2025 Bonds constitute valid and binding limited obligations of the Authority as provided in the Indenture, and are entitled to the benefits of the Indenture. The 2025 Bonds are payable from 1976 Sales Tax Revenues and the pledge of certain amounts held by the Trustee under the Indenture.

2. The Indenture has been duly and validly authorized, executed and delivered by the Authority and, assuming the enforceability thereof against the Trustee, constitutes the legally valid and binding obligation of the Authority, enforceable against the Authority in accordance with its terms. The Indenture creates a valid pledge, to secure the payment of principal of and interest on the 2025 Bonds, of the 1976 Sales Tax Revenues and other amounts held by the Trustee in certain funds and accounts established pursuant to the Indenture, subject to the provisions of the Indenture permitting the application thereof for other purposes and on the terms and conditions set forth therein.

3. Under existing law, and assuming compliance with the covenants mentioned below after the date hereof and applicable requirements of the Internal Revenue Code of 1986 (the “Code”), interest on the 2025 Series A Bonds is excluded from the gross income of the owners thereof for federal income tax purposes.

4. Under existing law, interest on the 2025 Series A Bonds is not an item of tax preference for purposes of the federal alternative minimum tax on individuals. We express no opinion regarding the applicability of the corporate alternative minimum tax to the adjusted financial statement income of any owner of the 2025 Series A Bonds. We further express no opinion regarding any other federal income tax consequences caused by the ownership of, or the receipt or accrual of interest on, the 2025 Series A Bonds.

5. Under existing law, interest on the 2025 Bonds is exempt from personal income taxes of the State of California.

The Code imposes certain requirements that must be met subsequent to the issuance and delivery of the 2025 Series A Bonds for interest thereon to be and remain excluded from gross income for federal income tax purposes. Noncompliance with such requirements could cause the interest on the 2025 Series A Bonds to fail to be excluded from the gross income of the owners

thereof retroactive to the date of issuance of the 2025 Series A Bonds. Pursuant to the Indenture and the Tax Certificate being delivered by the Authority in connection with the issuance of the 2025 Series A Bonds, the Authority is making representations relevant to the determination of, and are undertaking certain covenants regarding or affecting, the exclusion of interest on the 2025 Series A Bonds from the gross income of the owners thereof for federal income tax purposes.

In reaching our opinions described in paragraphs 3, 4 and 5, we have assumed the accuracy of such representations and the present and future compliance by the Authority with the covenants in the immediately preceding paragraph. Further, except as stated above, we express no opinion as to any federal or state tax consequence of the receipt or accrual of interest on, or the ownership or disposition of, the 2025 Bonds.

Certain requirements and procedures contained or referred to in the Indenture or the Tax Certificate may be changed, and certain actions may be taken or not taken, under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with the approving opinion of counsel nationally recognized in the area of tax-exempt obligations. With respect to the exclusion from gross income of the interest on the 2025 Series A Bonds for federal income tax purposes, we express no opinion as to the effect of any change to any document pertaining to the 2025 Series A Bonds or of any action taken or not taken where such change is made or action is taken or not taken without our approval or in reliance on the advice of counsel other than Norton Rose Fulbright US LLP.

The opinions expressed in paragraphs 1 and 2 above are qualified to the extent the enforceability of the 2025 Bonds and the Indenture may be limited by applicable bankruptcy, insolvency, debt adjustment, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors' rights generally or as to the availability of any particular remedy. The enforceability of the 2025 Bonds and the Indenture is subject to the effect of general principles of equity, including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing, to the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law, and to the limitations on legal remedies against governmental entities in California.

No opinion is expressed herein on the accuracy, completeness or fairness of the Official Statement or other offering material relating to the 2025 Bonds.

Our opinions are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

Respectfully submitted,

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APPENDIX H

INFORMATION REGARDING THE LIQUIDITY PROVIDER

SUMITOMO MITSUI BANKING CORPORATION

Sumitomo Mitsui Banking Corporation (*Kabushiki Kaisha Mitsui Sumitomo Ginko*) (“SMBC”) is a joint stock corporation with limited liability (*Kabushiki Kaisha*) under the laws of Japan. The registered head office of SMBC is located at 1-1-2, Marunouchi, Chiyoda-ku, Tokyo, 100-0005, Japan.

SMBC was established in April 2001 through the merger of two leading banks, The Sakura Bank, Limited and The Sumitomo Bank, Limited. In December 2002, Sumitomo Mitsui Financial Group, Inc. (“SMFG”) was established through a statutory share transfer (*kabushiki-iten*) as a holding company under which SMBC became a wholly-owned subsidiary.

SMBC is one of the world’s leading commercial banks and provides an extensive range of banking services to its customers in Japan and overseas. In Japan, SMBC accepts deposits, makes loans and extends guarantees to corporations, individuals, governments and governmental entities. It also offers financing solutions such as syndicated lending, structured finance and project finance. SMBC also underwrites and deals in bonds issued by or under the guarantee of the Japanese government and local government authorities, and acts in various administrative and advisory capacities for certain types of corporate and government bonds. Internationally, SMBC operates through a network of branches, representative offices, subsidiaries and affiliates to provide many financing products, including syndicated lending and project finance.

The New York Branch of SMBC is licensed by the New York State Department of Financial Services to conduct branch banking business at 277 Park Avenue, New York, New York, and is subject to examination by the New York State Department of Financial Services and the Federal Reserve Bank of New York.

Financial and Other Information

Audited consolidated financial statements for SMFG and its consolidated subsidiaries, as well as other corporate data, financial information and analyses, are available in English on SMFG's website at www.smfg.co.jp/english. The information on SMFG’s website does not form part of this Official Statement and is not incorporated herein by reference. SMBC does not accept any responsibility for any information contained in this Official Statement other than the information relating to SMBC, acting through its New York Branch.

The delivery of the Official Statement shall not create any implication that there has been no change in the affairs of SMBC since the date hereof, or that the information contained or referred to herein is correct as of any time subsequent to its date.

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