

NEW ISSUE—BOOK-ENTRY ONLY

Ratings:
S&P: “AAA”
Moody’s: “Aa2”
See “RATINGS” herein

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 2023 Series A Bonds and requirements of the Internal Revenue Code of 1986, as described herein, interest on the 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 2023 Series A Bonds is not treated as an item of tax preference for purposes of the federal alternative minimum tax on individuals. Bond Counsel is also of the opinion that, under existing law, interest on the 2023 Series A Bonds is exempt from personal income taxes of the State of California. See “TAX MATTERS” herein.



\$559,535,000

**SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
2000 MEASURE A SALES TAX REVENUE
REFUNDING BONDS, 2023 SERIES A**

DAC Bond®

Dated: Date of Delivery

Due: April 1, as set forth on the inside cover page

The \$559,535,000 Santa Clara Valley Transportation Authority 2000 Measure A Sales Tax Revenue Refunding Bonds, 2023 Series A (the “2023 Series A Bonds”) are being issued by the Santa Clara Valley Transportation Authority (the “Authority”) pursuant to an Indenture, dated as of August 1, 2006 (as supplemented, the “Indenture”), between the Authority and U.S. Bank Trust Company, National Association, as successor trustee (the “Trustee”) to (i) refund all of the Authority’s 2000 Measure A Sales Tax Revenue Refunding Bonds, 2008 Series A-D (the “2008 Series Bonds”), (ii) pay termination payments in connection with the full termination of the interest rate swap agreements with respect to the 2008 Series Bonds, (iii) refund all of the Authority’s 2000 Measure A Sales Tax Revenue Bonds, 2010 Series A (Taxable Build America Bonds) (the “2010 Series A Bonds” and, together with the 2008 Series Bonds, the “Refunded Bonds”), and (iv) pay certain costs of issuing the 2023 Series A Bonds. See “PLAN OF REFUNDING” and “SOURCES AND USES OF FUNDS” herein.

Interest on the 2023 Series A Bonds will be payable on April 1 and October 1 of each year, commencing October 1, 2023. The Series A Bonds will be issued as fully registered bonds, without coupons, in the denomination of \$5,000 or any integral multiple thereof. The 2023 Series A Bonds will be registered in the name of Cede & Co., as holder of the 2023 Series A Bonds and nominee for The Depository Trust Company, New York, New York (“DTC”). Purchasers will not receive physical certificates representing their interest in the 2023 Series A Bonds purchased. The principal or redemption price of and interest on the 2023 Series A Bonds is payable by wire transfer to DTC which, in turn, will remit such principal, redemption price or interest to the DTC Participants for subsequent disbursement to the beneficial owners of the 2023 Series A Bonds. See APPENDIX E – “BOOK-ENTRY SYSTEM” herein.

The 2023 Series A Bonds are subject to optional redemption prior to maturity as more fully described herein. See “THE 2023 SERIES A BONDS – Redemption” herein.

The 2023 Series A Bonds are limited obligations of the Authority secured solely by a pledge of Revenues (as defined in the Indenture), which consist of the receipts from the imposition in the County of Santa Clara of a one-half of one percent retail transactions and use tax authorized in 2000 which took effect April 1, 2006 (the “2000 Measure A Sales Tax”), less certain administrative fees paid to the California Department of Tax and Fee Administration, as described herein, plus amounts held by the Trustee in certain funds and accounts established under the Indenture. The 2000 Measure A Sales Tax was approved by more than 70% of the electorate of the County of Santa Clara voting on the ballot measure in November 2000 and is scheduled to expire March 31, 2036. The 2023 Series A Bonds are being issued on a parity with certain other bonds and obligations of the Authority. The Authority may also issue additional bonds and incur other obligations secured by the 2000 Measure A Sales Tax on a parity with the 2023 Series A Bonds, subject to compliance with the provisions set forth in the Indenture. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2023 SERIES A BONDS” herein.

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 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 2023 SERIES A BONDS.

This cover page contains certain information for general reference only. It is not a summary of the security or terms of this issue. Investors must read the entire Official Statement to obtain information essential to make an informed investment decision with respect to the 2023 Series A Bonds.

The 2023 Series A 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, and for the Underwriters by their counsel, Stradling Yocca Carlson & Rauth, A

Professional Corporation, Newport Beach, California. It is anticipated that the 2023 Series A Bonds will be available for delivery through the book-entry facilities of DTC on or about August 8, 2023.

**Wells Fargo Securities
BofA Securities
Ramirez & Co., Inc.**

Goldman Sachs & Co. LLC

**J.P. Morgan
Morgan Stanley & Co. LLC
TD Securities**

Dated: July 18, 2023

\$559,535,000
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
2000 MEASURE A SALES TAX REVENUE
REFUNDING BONDS, 2023 SERIES A

MATURITY SCHEDULE

<u>Maturity Date</u> <u>(April 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP</u> <u>(Base No. 80168N)*</u>
2024	\$25,550,000	5.000%	2.850%	101.365	JF7
2025	34,085,000	5.000	2.790	103.530	JG5
2026	35,210,000	5.000	2.650	105.966	JH3
2027	36,935,000	5.000	2.520	108.587	JJ9
2028	38,785,000	5.000	2.440	111.179	JK6
2029	40,730,000	5.000	2.450	113.369	JL4
2030	42,760,000	5.000	2.440	115.617	JM2
2031	44,905,000	5.000	2.440	117.757	JN0
2032	47,155,000	5.000	2.440	119.845	JP5
2033	49,515,000	5.000	2.500	121.309	JQ3
2034	51,990,000	5.000	2.550	120.832 ^(c)	JR1
2035	54,590,000	5.000	2.630	120.074 ^(c)	JS9
2036	57,325,000	5.000	2.750	118.948 ^(c)	JT7

^(c) Priced to call at par on April 1, 2033.

* CUSIP® is a registered trademark of the American Bankers Association. CUSIP data 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 2023 Series A Bonds. None of the Authority, Ross Financial, the Municipal Advisor 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 2023 Series A Bonds or as indicated above. The CUSIP number for a specific bond is subject to being changed after the issuance of the 2023 Series A 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 2023 Series A Bonds.

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 2023 Series A 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 2023 Series A 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.

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

Pat Burt, *Chairperson*
Marie Blankley
Devora “Dev” Davis
Omar Din
Pam Foley
Sudhanshu “Suds” Jain

Cindy Chavez, *Vice Chairperson*
Sergio Jimenez
Otto Lee
Sergio Lopez
Matt Mahan
Omar Torres

Margaret Abe-Koga, *Ex-Officio*

Alternate Board Members

Lynette Lee Eng
Rosemary Kamei
Carmen Montano
Rob Rennie
Mark Turner

Administrative Staff

Carolyn Gonot, General Manager/Chief Executive Officer
Greg Richardson, Deputy General Manager/Chief Financial Officer
Gary Griggs, Chief BART Silicon Valley Program Officer
Evelynn Tran, General Counsel
Deborah Dagang, Chief Planning & Programming Officer
Derik Calhoun, Chief Operating Officer
Casey Emoto, Chief Engineering & Program Delivery Officer
Sonya Morrison, Chief People Officer
Jaye Bailey, Director of Policy and Compliance
Aston Greene, Chief System Safety and Security
Jim Lawson, Chief External 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

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 2023 Series A 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 2023 Series A 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.

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.**

MAP OF SERVICE AREA



[THIS PAGE INTENTIONALLY LEFT BLANK]

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION	1
General.....	1
Authority for Issuance.....	1
Purpose and Application of Proceeds	1
Security and Outstanding Bonds.....	2
Amendment to Indenture Regarding Issuance of Additional Bonds.	2
Limited Obligations	2
References.....	2
THE AUTHORITY	3
THE 2023 SERIES A BONDS	3
General.....	3
Redemption.....	3
PLAN OF REFUNDING	5
General.....	5
Redemption of 2008 Bonds and Termination of Swap Agreements.....	5
Refunding of 2010 Series A Bonds.....	6
SOURCES AND USES OF FUNDS	7
DEBT SERVICE SCHEDULE.....	8
SECURITY AND SOURCES OF PAYMENT FOR THE BONDS	8
Limited Obligations	8
Pledge of 2000 Measure A Sales Tax Revenues and Certain Amounts Held by Trustee.....	9
Revenue Fund; Allocation of 2000 Measure A Sales Tax Revenues	9
No Bond Reserve Fund.....	11
Additional Bonds and Parity Obligations	11
Subordinate Obligations.....	13
Amendment to Indenture Regarding Issuance of Additional Bonds	13
OUTSTANDING 2000 MEASURE A SALES TAX OBLIGATIONS.....	13
Parity Bonds.....	13
THE 2000 MEASURE A SALES TAX	13
2000 Measure A Sales Tax	13
1976 Sales Tax, 2008 Measure B Sales Tax and 2016 Measure B Sales Tax Not Pledged to 2023 Series A Bonds	14
Other Sales Taxes Levied within the County.....	15
2000 Measure A Sales Tax Revenues.....	16
THE 2000 MEASURE A PROGRAM	17
General.....	17
The 2000 Measure A Transit Improvement Program	17
Future Financing Plans Supported by 2000 Measure A Sales Tax Revenues	17
RISK FACTORS	18
Economy of the County and the State.....	18

TABLE OF CONTENTS
(continued)

	<u>Page</u>
The 2000 Measure A Sales Tax; Legislative Changes	19
Proposition 218	19
Impact of Internet Use on Sales Tax Revenues	20
Further Initiatives.....	20
No Acceleration of Bonds.....	20
Cybersecurity	21
Technology and Societal Changes	21
Climate Change.....	21
Impact of Bankruptcy of the Authority.....	21
Loss of Tax Exemption.....	23
FINANCIAL STATEMENTS	23
LITIGATION.....	23
TAX MATTERS.....	23
General.....	23
Tax Accounting Treatment of Bond Premium and Original Issue Discount.....	24
LEGAL MATTERS.....	25
RATINGS	26
UNDERWRITING	26
MUNICIPAL ADVISOR.....	27
RELATIONSHIPS AMONG THE PARTIES.....	28
CONTINUING DISCLOSURE.....	28
MISCELLANEOUS	28
APPENDIX A - THE SANTA CLARA VALLEY TRANSPORTATION AUTHORITY	A-1
APPENDIX B - AUDITED FINANCIAL STATEMENTS OF THE AUTHORITY FOR THE FISCAL YEAR ENDED JUNE 30, 2022.....	B-1
APPENDIX C - COUNTY OF SANTA CLARA DEMOGRAPHIC AND ECONOMIC INFORMATION	C-1
APPENDIX D - SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE	D-1
APPENDIX E - FORM OF CONTINUING DISCLOSURE CERTIFICATE	E-1
APPENDIX F - BOOK-ENTRY SYSTEM	F-1
APPENDIX G - FORM OF BOND COUNSEL OPINION	G-1

OFFICIAL STATEMENT

\$559,535,000

**SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
2000 MEASURE A SALES TAX REVENUE
REFUNDING BONDS, 2023 SERIES A**

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 \$559,535,000 in aggregate principal amount of its 2000 Measure A Sales Tax Revenue Refunding Bonds, 2023 Series A (the “2023 Series A Bonds”). A full review must be made of the entire Official Statement, including the cover page and attached appendices. The offering of the 2023 Series A Bonds to potential investors is made only by means of the entire Official Statement.

Authority for Issuance

The 2023 Series A 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 August 1, 2006, between the Authority and U.S. Bank Trust Company, National Association, as successor trustee (the “Trustee”), as supplemented and amended by a First Supplemental Indenture, dated as of August 1, 2006 (the “First Supplemental Indenture”), a Second Supplemental Indenture, dated as of September 1, 2007 (the “Second Supplemental Indenture”), a Third Supplemental Indenture, dated as of June 1, 2008 (the “Third Supplemental Indenture”), a Fourth Supplemental Indenture, dated as of November 1, 2010 (the “Fourth Supplemental Indenture”), a Fifth Supplemental Indenture, dated as of January 1, 2015 (the “Fifth Supplemental Indenture”), a Sixth Supplemental Indenture, dated as of September 1, 2020 (the “Sixth Supplemental Indenture”), and a Seventh Supplemental Indenture, dated as of August 1, 2023 (the “Seventh Supplemental Indenture”), each between the Authority and the Trustee. The Indenture, as so supplemented and amended and as further supplemented and amended from time to time pursuant to its terms is hereinafter referred to as the “Indenture.”

All capitalized terms used and not otherwise defined herein shall have the meanings assigned to such terms in APPENDIX D – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE,” or, if not defined therein, shall have the meanings assigned to such terms in the Indenture.

Purpose and Application of Proceeds

The 2023 Series A Bonds are being issued to (i) refund all of the Authority’s 2000 Measure A Sales Tax Revenue Refunding Bonds, 2008 Series A-D (the “2008 Series Bonds”), (ii) pay termination payments in connection with the full termination of the Swap Agreements (as defined herein) with respect to the 2008 Series Bonds, (iii) refund all of the Authority’s 2000 Measure A Sales Tax Revenue Bonds, 2010 Series A (Taxable Build America Bonds) (the “2010 Series A Bonds” and, together with the 2008 Series Bonds, the “Refunded Bonds”), and (iv) pay certain costs of issuing the 2023 Series A Bonds. See “PLAN OF REFUNDING” and “SOURCES AND USES OF FUNDS” herein.

Security and Outstanding Bonds

The 2023 Series A Bonds are limited obligations of the Authority secured by a pledge of sales tax revenues (herein called the “2000 Measure A Sales Tax Revenues”) derived from a one-half of one percent (0.5%) retail transactions and use tax (the “2000 Measure A Sales Tax”), imposed in accordance with the Act and the California Transactions and Use Tax Law (Revenue and Taxation Code Section 7251 et seq.), net of an administrative fee paid to the California Department of Tax and Fee Administration (the “CDTFA”) in connection with the collection and disbursement of the 2000 Measure A Sales Tax. The Taxpayer Transparency and Fairness Act of 2017 restructured the California State Board of Equalization (the “BOE”) 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 BOE, including, as of July 1, 2017, the 2000 Measure A Sales Tax.

The 2000 Measure A Sales Tax was approved by more than 70% of the electorate of the County of Santa Clara (the “County”) voting on the ballot measure in November 2000 and is scheduled to expire March 31, 2036. The 2023 Series A Bonds are further secured by a pledge of certain amounts held by the Trustee under the Indenture. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Pledge of 2000 Measure A Sales Tax Revenues and Certain Amounts Held by Trustee” herein.

The 2023 Series A Bonds, the existing 2000 Measure A Sales Tax 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 BONDS – Additional Bonds and Parity Obligations” herein. Prior to the issuance of the 2023 Series A Bonds, there is \$693,220,000 in aggregate principal amount of Bonds outstanding under the Indenture.

Amendment to Indenture Regarding Issuance of Additional Bonds.

Pursuant to the terms of the Seventh Supplemental Indenture, upon the execution and delivery thereof and the issuance of the 2023 Series A Bonds, the 2000 Measure A Sales Tax coverage requirement for the issuance of a series of additional Bonds or any Parity Obligation will be modified and increased from 1.3 times to 2.0 times the Maximum Annual Debt Service on all Series of Bonds and Parity Obligations then Outstanding and the additional Series of Bonds then proposed to be issued, based on 2000 Measure A Sales Tax Revenues for a period of twelve (12) consecutive months (selected by the Authority) during the eighteen (18) months immediately preceding the date on which such Bonds will become Outstanding. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Amendment to Indenture Regarding Issuance of Additional Bonds.”

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 2000 MEASURE A SALES TAX REVENUES AND OTHER AMOUNTS PLEDGED UNDER THE INDENTURE, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE BONDS.

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 – “SANTA CLARA VALLEY TRANSPORTATION AUTHORITY.”

THE 2023 SERIES A BONDS

General

The 2023 Series A Bonds will be dated their date of delivery, will bear interest at the rates and will mature on the dates set forth on the inside cover of this Official Statement. Interest on each 2023 Series A Bond shall be computed on the basis of a 360-day year, consisting of twelve 30-day months and shall be payable commencing on October 1, 2023 and semiannually thereafter on each April 1 and October 1 (each, an “Interest Payment Date”). The 2023 Series A Bonds will be issued in fully registered form without coupons and will initially be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), as the securities depository for the 2023 Series A Bonds. The term “Owner” as used herein shall refer to DTC as the registered owner of the Bonds. Purchases of the 2023 Series A Bonds are to be made in book-entry only form in the principal amount of \$5,000 or any integral multiple thereof (“Authorized Denominations”). See APPENDIX F – “BOOK-ENTRY SYSTEM.”

Redemption

Optional Redemption. The 2023 Series A Bonds maturing on or before April 1, 2033 shall not be subject to redemption prior to their respective stated maturities. The 2023 Series A Bonds maturing on or after April 1, 2034 shall be subject to redemption prior to their respective stated maturities, at the option of the Authority, from any source of available funds, as a whole or in part, in Authorized Denominations, on any date on or after April 1, 2033 at a Redemption Price equal to 100% of the principal amount of 2023 Series A Bonds called for redemption, plus accrued interest to the date fixed for redemption, without premium.

Selection of Bonds for Redemption. Whenever less than all of the Outstanding 2023 Series A Bonds are to be redeemed on any one date pursuant to the optional redemption provisions of the Indenture, the Trustee shall select the 2023 Series A Bonds to be redeemed among different maturity dates (treating sinking fund account payments as separate maturities) as directed in a Request of the Authority delivered to the Trustee. Whenever less than all of the Outstanding 2023 Series A Bonds of the same maturity (and interest rate) (including treating sinking account payments as separate maturities) are to be redeemed on any one date pursuant to the optional redemption provisions of the Indenture, the Trustee shall select the 2023 Series A Bonds to be redeemed in minimum denominations of \$5,000, by lot in any manner which the Trustee in its sole discretion shall deem appropriate and fair. If less than all of

the 2023 Series A Bonds are being redeemed, DTC's current practice is to determine by lot the amount of the interest of each Direct Participant in such 2023 Series A Bonds to be redeemed. See APPENDIX F – "BOOK-ENTRY SYSTEM."

Notice of Redemption. Each notice of redemption with respect to the 2023 Series A Bonds shall be mailed by the Trustee, not less than twenty (20) nor more than sixty (60) days prior to the redemption date, to (i) each Holder, (ii) the Repository and (iii) to the MSRB's Electronic Municipal Market Access system. Any such notice of redemption may be rescinded by written notice delivered to the Trustee by the Authority. Upon receipt of such written notice of rescission from the Authority, the Trustee shall give notice of such rescission as soon thereafter as practicable in the same manner, and to the same parties, as notice of redemption was given pursuant to the Indenture.

Partial Redemption of Bonds. Upon surrender of any 2023 Series A Bond redeemed in part only, the Authority shall execute and the Trustee shall authenticate and deliver to the Owner thereof, at the expense of the Authority, a new 2023 Series A Bond of Authorized Denominations, and of the same maturity and interest rate, equal in aggregate principal amount to the unredeemed portion of the 2023 Series A 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 2023 Series A Bonds (or portions thereof) so called for redemption being held by the Trustee, on the redemption date designated in such notice, the 2023 Series A Bonds (or portions thereof) so called for redemption shall become due and payable at the Redemption Price specified in such notice together with interest accrued thereon to the date fixed for redemption, interest on the 2023 Series A Bonds so called for redemption shall cease to accrue, said 2023 Series A Bonds (or portions thereof) shall cease to be entitled to any benefit or security under this Indenture, and the Owners of said 2023 Series A Bonds shall have no rights in respect thereof except to receive payment of said Redemption Price and accrued interest to the redemption date.

Mandatory Purchase in Lieu of Redemption. Each Holder, by purchase and acceptance of any 2023 Series A Bond, irrevocably grants to the Authority the option to purchase such 2023 Series A Bond, on any date such 2023 Series A Bond is subject to optional redemption provided in the Indenture for the 2023 Series A Bonds at a purchase price equal to the Redemption Price then applicable to such 2023 Series A Bond, plus accrued interest thereon to the date of purchase. In order to exercise such option, the Authority shall deliver to the Trustee a Favorable Opinion of Bond Counsel and shall direct the Trustee to provide notice of mandatory purchase in lieu of redemption, such notice to be provided, as and to the extent applicable, in accordance with the provisions set forth in the Indenture for the 2023 Series A Bonds, the Authority shall pay the purchase price of such 2023 Series A Bond to the Trustee in immediately available funds and the Trustee shall pay the same to the Holders of 2023 Series A Bonds being purchased against delivery thereof. Following such purchase, the Trustee shall register such 2023 Series A Bonds in accordance with the written instructions of the Authority. No such purchase of any 2023 Series A Bond shall operate to extinguish the indebtedness evidenced by such 2023 Series A Bond. No Holder may elect to retain a 2023 Series A Bond subject to mandatory purchase.

If the Authority lacks sufficient funds to pay the purchase price of any 2023 Series A Bond subject to mandatory purchase in lieu of redemption pursuant to the Indenture on the date fixed for such purchase, the Authority shall cancel such mandatory purchase in lieu of redemption and shall return each such 2023 Series A Bond to the Holder who shall have tendered such 2023 Series A Bond for mandatory purchase in lieu of redemption pursuant to the Indenture. The Trustee shall give notice that such mandatory purchase was not effected promptly following the date fixed for such purchase. Any failure to

pay the purchase price of any 2023 Series A Bond subject to mandatory purchase shall not constitute an Event of Default under the Indenture.

PLAN OF REFUNDING

General

The Authority will apply the proceeds of the 2023 Series A Bonds, together with other available funds, to: (i) redeem all of the 2008 Series Bonds, (ii) pay termination payments in connection with the full termination of the Swap Agreements with respect to the 2008 Series Bonds, (iii) redeem all of the 2010 Series A Bonds, and (iv) pay the costs of issuing the 2023 Series A Bonds. See “SOURCES AND USES OF FUNDS.”

Redemption of 2008 Bonds and Termination of Swap Agreements

The Authority will use a portion of the proceeds of the 2023 Series A Bonds, along with other available funds, to optionally redeem all of the Series 2008 Bonds, on the redemption date of November 6, 2023 (the “2008 Series Redemption Date”) at the redemption price shown in the following table.

2008 Series Bonds To Be Redeemed

<u>Bond</u>	<u>Maturity Date (April 1)</u>	<u>Outstanding Principal Amount</u>	<u>Principal Amount to be Redeemed</u>	<u>Redemption Date</u>	<u>Redemption Price</u>	<u>CUSIP Number</u>
2008 Series A	2036	\$58,950,000	\$58,950,000	6-Nov-23	100	80168NDQ9
2008 Series B	2036	58,975,000	58,975,000	6-Nov-23	100	80168NDR7
2008 Series C	2036	58,975,000	58,975,000	6-Nov-23	100	80168NEG0
2008 Series D	2036	58,975,000	58,975,000	6-Nov-23	100	80168NEJ4

Pursuant to the terms of an Escrow Agreement, dated as of August 1, 2023 (the “2008 Series Escrow Agreement”), by and between the Authority and U.S. Bank Trust Company, National Association, as escrow agent (the “Escrow Agent”), a portion of the proceeds of the 2023 Series A Bonds, together with other available moneys (collectively, the “2008 Series Escrow Deposit”), will be deposited into the 2008 Series Escrow Fund established under the 2008 Series Escrow Agreement. The 2008 Series Escrow Deposit will be sufficient to pay the principal of and interest on the 2008 Series Bonds (at an assumed interest rate of 12%) at a price equal to 100% of the principal amount of the 2008 Series Bonds, without premium, together with accrued interest, through and including to the 2008 Series Redemption Date.

There are currently four separate interest rate swap agreements outstanding in connection with the 2008 Series Bonds (each, a “Swap Agreement” and collectively referred to herein as the “Swap Agreements”) with Bank of America, N.A., Citibank, N.A., Goldman Sachs Mitsui Marine Derivative Products, L.P. and Morgan Stanley Capital Services, Inc. (each, a “Counterparty” and collectively referred to herein as the “Counterparties”). Upon delivery of the 2023 Series A Bonds, the Authority will terminate all of the Swap Agreements in full, and use a portion of the proceeds of the 2023 Series A Bonds to pay the termination payments due to the Counterparties in connection with such termination. See “SOURCES AND USES OF FUNDS.”

Refunding of 2010 Series A Bonds

The Authority will use a portion of the proceeds of the 2023 Series A Bonds, along with other funds, to refund and redeem by extraordinary optional redemption all of the 2010 Series A Bonds. The Authority will redeem the 2010 Series A Bonds on the date of delivery of the 2023 Series A Bonds (the “2010 Series A Redemption Date”) at the redemption price shown in the following table. On the date of the issuance of the 2023 Series A Bonds, the Trustee will also release certain amounts held in the 2010 Series A Bond Reserve Fund to the Authority to be used for transportation improvements authorized under the 2000 Measure A Expenditure Plan. See “SOURCES AND USES OF FUNDS.”

2010 SERIES A BONDS TO BE REDEEMED

<u>Bond</u>	<u>Maturity Date</u> <u>(April 1)</u>	<u>Outstanding</u> <u>Principal Amount</u>	<u>Principal Amount to</u> <u>be Redeemed</u>	<u>Redemption</u> <u>Date</u>	<u>Redemption</u> <u>Price</u>	<u>CUSIP</u> <u>Number</u>
2010 Series A	2032	\$375,275,000	\$375,275,000	8-Aug-23	103.215	80168NEPO

Occurrence of Tax Law Change and Extraordinary Optional Redemption. The Authority issued the 2010 Series A Bonds on November 17, 2010, as “Build America Bonds” (“BABs”) within the meaning of Section 54AA of the Code. Under Section 6431 of the Code, the Authority was to receive from the U.S. Treasury a direct cash subsidy payment of 35% of each interest payment thereon. Both Section 54AA and Section 6431 were added to the Code pursuant to Section 1531 of the American Recovery and Reinvestment Act of 2009.

The Indenture provides that the 2010 Series A Bonds shall be subject to redemption prior to maturity at the option of the Authority upon the occurrence of a Tax Law Change from any source of available funds, as whole or in part, on any date, at Redemption Price equal to 100% of the principal amount of 2010 Series Bonds to be redeemed plus the Make-Whole Premium (using discount rate equal to the Comparable Treasury Yield plus 100 basis points), plus accrued interest to the date fixed for redemption. “Tax Law Change” under the Indenture means legislation has been enacted by the Congress of the United States or passed by either House of the Congress, or a decision has been rendered by a court of the United States, or an order, ruling, regulation (final, temporary or proposed) or official statement has been made by or on behalf of the Treasury Department of the United States, the Internal Revenue Service or other governmental agency of appropriate jurisdiction, the effect of which, as reasonably determined by the Authority, would be to suspend, reduce or terminate the Subsidy Payments from the United States Treasury to the Authority with respect to the 2010 Series A Bonds, or payments to state or local government issuers generally with respect to obligations of the general character of, and issued in the same calendar year as, the 2010 Series A Bonds; provided, that such suspension, reduction or termination of the Subsidy Payments is not due to a failure by the Authority to comply with the requirements under the Code to receive such Subsidy Payments.

From January 21, 2010 through the end of 2012, the Authority received the full 35% cash subsidy payments on the 2010 Series A Bonds. However, legislation enacted by Congress after the issuance of the 2010 Series A Bonds, the Budget Control Act of 2011 and the American Taxpayer Relief Act of 2012, required sequestration of the direct spending represented by the cash subsidy payments to issuers of BABs. Consequently, in federal fiscal year 2013 the Authority’s cash subsidy payments were reduced by 5.7% and such reductions have continued to the present in varying percentages. The Authority has determined that such legislation constitutes a Tax Law Change.

SOURCES AND USES OF FUNDS

The proceeds of the 2023 Series A Bonds and certain other available amounts are expected to be applied as follows:

Sources of Funds:

Principal Amount	\$559,535,000.00
Plus Original Issue Premium	83,816,729.45
Release from 2010 Series A Reserve Fund	28,576,691.99
Other Available Funds ⁽¹⁾	<u>23,911,341.79</u>
Total Sources:	<u>\$695,839,763.23</u>

Uses of Funds:

Swap Termination Payments	\$ 30,482,000.00
Deposit to 2008 Series Escrow Fund	240,249,611.00
Redemption of 2010 Series A Bonds	395,119,250.12
Release from 2010 Series A Reserve Fund for Capital Projects	28,576,691.99
Costs of Issuance ⁽²⁾	<u>1,412,210.12</u>
Total Uses:	<u>\$695,839,763.23</u>

⁽¹⁾ Other available funds include release of funds under Indenture attributable to 2008 Series Bonds and 2010 Series A Bonds (other than 2010 Series A Reserve Fund) and contribution by the Authority for interest on 2008 Series Bonds from the Closing Date through the 2008 Series Redemption Date.

⁽²⁾ Includes underwriters' discount, rating agency fees, trustee fees, printing costs, bond counsel, disclosure counsel, and municipal advisor fees and expenses, and other miscellaneous expenses.

DEBT SERVICE SCHEDULE

The following table shows the annual debt service requirements on the outstanding Bonds following issuance of the 2023 Series A Bonds.

Fiscal Year Ending June 30	2015 Series A Bonds Debt Service	2020 Series A Bonds Debt Service	2023 Series A Bonds Principal	2023 Series A Bonds Interest	2023 Series A Bonds Debt Service	Combined Debt Service
2024	\$ 4,500,625	\$ 1,207,907	\$ 25,550,000	\$ 18,107,174.31	\$ 43,657,174.31	\$ 51,889,732.62 ⁽¹⁾
2025	4,501,625	2,270,798	34,085,000	26,699,250.00	60,784,250.00	67,556,673.00
2026	4,497,563	2,855,085	35,210,000	24,995,000.00	60,205,000.00	67,557,648.00
2027	-	7,387,831	36,935,000	23,234,500.00	60,169,500.00	67,557,331.00
2028	-	7,386,870	38,785,000	21,387,750.00	60,172,750.00	67,559,620.00
2029	-	7,380,712	40,730,000	19,448,500.00	60,178,500.00	67,559,212.00
2030	-	7,383,957	42,760,000	17,412,000.00	60,172,000.00	67,555,957.00
2031	-	7,380,624	44,905,000	15,274,000.00	60,179,000.00	67,559,624.00
2032	-	7,376,394	47,155,000	13,028,750.00	60,183,750.00	67,560,144.00
2033	-	7,374,155	49,515,000	10,671,000.00	60,186,000.00	67,560,155.00
2034	-	7,376,073	51,990,000	8,195,250.00	60,185,250.00	67,561,323.00
2035	-	7,376,847	54,590,000	5,595,750.00	60,185,750.00	67,562,597.00
2036	-	7,366,654	57,325,000	2,866,250.00	60,191,250.00	67,557,904.00
Total	\$13,499,813	\$80,123,907	\$559,535,000	\$206,915,174.31	\$766,450,174.31	\$862,597,920.62

(1) Includes assumed interest cost of \$2,524,026.31 on the 2008 Series Bonds through November 6, 2023 at an assumed interest rate of 4.055% (fixed swap rate of 3.765% plus associated liquidity and remarketing fees).

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

Limited Obligations

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

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE COUNTY OF SANTA CLARA, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION OR PUBLIC AGENCY THEREOF, OTHER THAN THE AUTHORITY, TO THE EXTENT OF THE 2000 MEASURE A SALES TAX REVENUES AND OTHER AMOUNTS HELD UNDER THE INDENTURE, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, REDEMPTION PREMIUM, IF ANY, OR INTEREST ON, THE 2023 SERIES A BONDS. THE PLEDGE OF 2000 MEASURE A SALES TAX REVENUES DOES NOT SECURE PAYMENT OF THE PURCHASE PRICE OF THE 2023 SERIES A BONDS.

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

All 2000 Measure A Sales Tax Revenues are irrevocably pledged by the Authority to secure the punctual payment of the principal of, premium, if any, and interest on the Bonds and Parity Obligations, each in accordance with their terms, and the 2000 Measure A Sales Tax Revenues shall not be used for any other purpose while any of the Bonds or Parity Obligations remain Outstanding, except as permitted by the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein, as described below. Pursuant to the Indenture, the pledge of 2000 Measure A Sales Tax Revenues constitutes a first lien to secure the Bonds and Parity Obligations. The pledge of 2000 Measure A Sales Tax Revenues is irrevocable until all Bonds issued under the Indenture, including the 2023 Series A Bonds, and all Parity Obligations are no longer Outstanding.

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

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

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

Revenue Fund; Allocation of 2000 Measure A Sales Tax Revenues

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

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

1. Interest Fund. The Indenture requires the Trustee to make monthly deposits in the Interest Fund in an amount equal to (a) one-sixth of the aggregate half-yearly amount of interest becoming due and payable on Outstanding fixed interest rate bonds during the ensuing

six-month period, plus (b) the aggregate amount of interest to accrue during that month on Outstanding variable rate bonds calculated, if the actual rate of interest is not known, at the interest rate specified by the Authority, or if the Authority has not specified an interest rate, at the maximum interest rate borne by such variable rate bonds during the month prior to the date of deposit plus one hundred (100) basis points; subject to such adjustments as are provided pursuant to the provisions of the Indenture. See APPENDIX D – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Allocation of 2000 Measure A Sales Tax Revenues.”

2. Principal Fund; Sinking Accounts. The Indenture also requires the Trustee to make monthly deposits in the Principal Fund in an amount equal to at least (a) one-sixth of the aggregate semiannual amount of Bond Obligation becoming due and payable on the Outstanding Serial Bonds of all Series having semiannual maturity dates within the next six (6) months, plus (b) one-twelfth of the aggregate yearly amount of Bond Obligation becoming due and payable on the Outstanding Serial Bonds of all Series having annual maturity dates within the next twelve (12) months, plus (c) one-sixth of the aggregate of the Mandatory Sinking Account Payments to be paid during the next six-month period into the respective Sinking Accounts for the Term Bonds of all Series for which Sinking Accounts have been created and for which semiannual mandatory redemption is required from said Sinking Accounts, plus (d) one-twelfth of the aggregate of the Mandatory Sinking Account Payments to be paid during the next 12-month period into the respective Sinking Accounts for the Term Bonds of all Series for which Sinking Accounts shall have been created and for which annual mandatory redemption is required from such Sinking Accounts; provided that if the Authority certifies to the Trustee that any principal payments are expected to be refunded on or prior to their respective due dates or paid from amounts on deposit in a Bond Reserve Fund that would be in excess of the Bond Reserve Requirement applicable to such Bond Reserve Fund upon such payment, no amounts need be set aside towards such principal to be so refunded or paid.

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

3. Bond Reserve Funds. The Indenture also requires the Trustee to make deposits to any of the Bond Reserve Funds established pursuant to the provisions of the Indenture. See APPENDIX D – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Allocation of 2000 Measure A Sales Tax Revenues.” **No Bond Reserve Fund is established for the 2023 Series A Bonds. Bond Reserve Funds established for any other Series of Bonds of the Authority are not available to pay debt service on the 2023 Series A Bonds.**

4. Subordinate Obligations Fund. In the event the Authority issues subordinate obligations, the Authority may direct the Trustee to establish a Subordinate Obligations Fund. The Trustee shall deposit in the Subordinate Obligations Fund in each month such amount as the

Authority shall specify in writing is necessary to pay principal of and interest due and payable during the following month with respect to Subordinate Obligations then outstanding.

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

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

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

No Bond Reserve Fund

No bond reserve fund is established for the 2023 Series A Bonds, nor were any bond reserve funds established for the 2015 Series A Bonds or the 2020 Series A Bonds. Bond reserve funds that may be established for any additional Series of Bonds of the Authority will not be available to pay debt service on the 2023 Series A Bonds.

Additional Bonds and Parity Obligations

The Authority may issue additional Bonds and may issue or incur other obligations secured in whole or in part by a pledge of 2000 Measure A Sales Tax Revenues on a parity with the 2023 Series A Bonds, subject to compliance with the terms and provisions set forth in the Indenture. See APPENDIX D – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Issuance of Additional Bonds and Other Obligations.” As of June 30, 2023, the following series of Bonds are outstanding.

	<u>Original Principal Amount</u>	<u>Principal Amount Outstanding as of June 30, 2023</u>
Sales Tax Revenue Bonds, 2020 Series A	\$ 69,675,000	\$ 69,675,000
Sales Tax Revenue Bonds, 2015 Series A and B	89,980,000	12,395,000
Sales Tax Revenue Bonds, 2010 Series A ⁽¹⁾	469,730,000	375,275,000
Sales Tax Revenue Refunding Bonds, 2008 Series A, Series B, Series C and Series D ⁽¹⁾⁽²⁾	236,730,000	235,875,000

(1) The Authority intends to redeem all of such Series with a portion of the proceeds of the 2023 Series A Bonds. See “PLAN OF REFUNDING” and “SOURCES AND USES OF FUNDS.”

(2) The Authority has entered into four Swap Agreements in connection with the 2008 Series Bonds. A description of the Swap Agreements is included in Note 7(d) of the Authority’s audited financial statements attached hereto as Appendix B. The Authority intends to terminate all of the Swap Agreements in full upon issuance of the 2023 Series A Bonds. See “PLAN OF REFUNDING” and “SOURCES AND USES OF FUNDS.”

Source: Santa Clara Valley Transportation Authority.

Issuance of Additional Series of Bonds. Subsequent to the issuance of the 2023 Series A Bonds, the Authority may by Supplemental Indenture establish one or more Series of Bonds payable from 2000 Measure A Sales Tax Revenues and secured by the pledge made under the Indenture equally and ratably with Bonds previously issued, but only upon compliance by the Authority with the provisions of the Indenture. Certain of the applicable provisions of the Indenture are described below:

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

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

(c) The Authority shall have placed on file with the Trustee a certificate of the Authority, certifying that the amounts of 2000 Measure A Sales Tax Revenues for a period of twelve (12) consecutive months (selected by the Authority) during the eighteen (18) months immediately preceding the date on which such Bonds will become Outstanding equal at least two (2) times Maximum Annual Debt Service on all Series of Bonds and Parity Obligations then Outstanding and the additional Series of Bonds then proposed to be issued. See “SECURITY AND SOURCES OF PAYMENT OF THE BONDS – Amendment of Indenture Regarding Issuance of Additional Bonds” herein.

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

Issuance of Refunding Bonds. Refunding Bonds may be authorized and issued by the Authority without compliance with the provisions of the Indenture summarized above under the caption “Issuance of Additional Series of Bonds”; provided, that Maximum Annual Debt Service on all Bonds and Parity Obligations Outstanding following the issuance of such Refunding Bonds is less than or equal to Maximum Annual Debt Service on all Bonds and Parity Obligations Outstanding prior to the issuance of such Refunding Bonds. Although the 2023 Series A Bonds are being issued to refund all of the 2008 Series Bonds, such portion of the 2023 Series A Bonds are not considered “Refunding Bonds” as that term is defined in the Indenture but rather “Additional Bonds.”

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

satisfaction of the coverage test described in subsection (c) above under the caption “Issuance of Additional Series of Bonds,” unless such Parity Obligations are being issued for refunding purposes, in which case the coverage test shall not apply.

Subordinate Obligations

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

Amendment to Indenture Regarding Issuance of Additional Bonds

Upon the execution and delivery of the Seventh Supplemental Indenture and issuance of the 2023 Series A Bonds, the Indenture will be amended to modify the coverage requirement for the issuance of an additional Series of Bonds or Parity Obligation, to increase the 2000 Measure A Sales Tax Revenues coverage requirement from 1.3 times to 2.0 times. As a result, subsequent to the issuance of the 2023 Series A Bonds, any future issuance of additional Bonds or Parity Obligation (other than Refunding Bonds) will require the Authority to certify that the amounts of 2000 Measure A Sales Tax Revenues for a period of twelve (12) consecutive months (selected by the Authority) during the eighteen (18) months immediately preceding the date on which such Bonds will become Outstanding equal at least two (2) times Maximum Annual Debt Service on all Series of Bonds and Parity Obligations then Outstanding and the additional Series of Bonds then proposed to be issued.

OUTSTANDING 2000 MEASURE A SALES TAX OBLIGATIONS

Parity Bonds

The 2023 Series A Bonds are secured on a parity under the Indenture with the Authority’s 2000 Measure A Sales Tax Revenue Refunding Bonds, 2015 Series A (Tax-Exempt) (the “2015 Series A Bonds”), currently Outstanding in the aggregate principal amount of \$12,395,000, and the Authority’s 2000 Measure A Sales Tax Revenue Refunding Bonds 2020 Series A (Taxable) (the “2020 Series A Bonds”), currently Outstanding in the aggregate principal amount of \$69,675,000. See “DEBT SERVICE SCHEDULE” herein. Upon issuance of the 2023 Series A Bonds, and taking into account the redemption of the Refunded Bonds, \$641,605,000 in principal amount of Bonds will be Outstanding. See “PLAN OF REFUNDING” herein.

THE 2000 MEASURE A SALES TAX

2000 Measure A Sales Tax

In November of 2000, more than 70% of the electorate of the County voting on the ballot measure approved Measure A (“2000 Measure A”) implementing a 30-year half-cent sales tax that became effective on April 1, 2006 and is scheduled to expire on March 31, 2036. The 2000 Measure A Sales Tax is a special retail transactions and use tax of one-half of one percent (0.5%) of the gross receipts of retailers from the sale of all tangible personal property sold at retail in the County and a use tax at the same rate upon the storage, use or other consumption in the County of such property purchased from any retailer for storage, use or other consumption in the County, subject to certain exceptions. Revenues from the 2000 Measure A Sales Tax may be used to finance the transit projects and operations listed in the ordinance which imposed the 2000 Measure A Sales Tax (the “2000 Measure A Ordinance”) and in the

Authority's Valley Transportation Plan, which was formulated to provide a balanced transportation system consisting of transit, roadway, bicycle and pedestrian improvements. See "THE 2000 MEASURE A PROGRAM" herein.

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

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

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

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

1976 Sales Tax, 2008 Measure B Sales Tax and 2016 Measure B Sales Tax Not Pledged to 2023 Series A Bonds

In addition to the 2000 Measure A 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 for transportation purposes (the "1976 Sales Tax"), (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 1976 Sales Tax, 2008 Measure B Sales Tax and 2016 Measure B Sales Tax are levied against the same sales tax base as the 2000 Measure A 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 2000 Measure A Sales Tax. The 1976 Sales Tax is collected by the CDTFA and is remitted to the trustee for the senior lien obligations secured by the 1976 Sales Tax pursuant to a separate agreement between the Authority and the CDTFA. **Revenues derived from the 1976 Sales Tax, 2008 Measure B Sales Tax and 2016 Measure B Sales Tax do not secure the 2023 Series A 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 2023 Series A 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.

[Remainder of page intentionally left blank.]

2000 Measure A Sales Tax Revenues

The following table shows 2000 Measure A Sales Tax Revenues reported by the Authority during the Fiscal Years shown.

Fiscal Years Ended June 30, 2008 – 2022

Fiscal Year Ended June 30	2000 Measure A Sales Tax Revenues ⁽¹⁾	Rate of Change
2008	160,536,904	(0.5)%
2009	137,260,570	(14.5)
2010	139,305,038	1.5
2011	152,855,102	9.7
2012	166,279,983	8.8
2013	176,533,872	6.2
2014	186,301,711	5.5
2015	199,652,765	7.2
2016	205,635,594	3.0
2017	208,671,692	1.5
2018	207,870,177	(0.4) ⁽²⁾
2019	237,882,879	14.4 ⁽²⁾
2020	209,884,705	(11.8) ⁽³⁾
2021	220,492,508	5.1 ⁽³⁾
2022	258,469,981	17.2 ⁽³⁾

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

(2) 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.

(3) 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: Santa Clara Valley Transportation Authority.

2000 Measure A Sales Tax Revenues for Fiscal Year 2022 are equal to approximately 3.83 times Maximum Annual Debt Service on the Bonds through April 1, 2036, assuming issuance of the 2023 Series A Bonds and refunding of the 2008 Series Bonds and 2010 Series A Bonds. See “PLAN OF REFUNDING” and “DEBT SERVICE SCHEDULE” herein.

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.”

Based on the unaudited 2000 Measure A Sales Tax Revenues for the first three quarters of the Fiscal Year ending June 30, 2023, 2000 Measure A Sales Tax Revenue receipts are 7% above budgeted amounts, at \$205,809,185. The table below shows quarterly receipts of the 2000 Measure A Sales Tax Revenues for the last three fiscal years (audited) and the first three quarters of Fiscal Year 2023 (unaudited).

Historical 2000 Measure A Sales Tax Revenue Quarterly Disbursements⁽¹⁾
 Fiscal Years Ended June 30, 2020 through 2023

Fiscal Year	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Annual Total
2019-20	\$56,958,396	\$63,032,004	\$42,397,130	\$47,497,176	\$209,884,705
2020-21	52,940,838	55,013,492	49,990,248	62,547,929	220,492,508
2021-22	62,362,408	67,564,851	61,505,644	67,037,077	258,469,981
2022-23	69,197,266	73,665,055	62,946,864	Not available	205,809,185 ⁽²⁾

Totals may not add due to rounding.

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

(2) First three quarters of Fiscal Year 2023 only.

Source: Santa Clara Valley Transportation Authority.

THE 2000 MEASURE A PROGRAM

General

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

The 2000 Measure A Transit Improvement Program

The 2000 Measure A Transit Improvement Program, which represents the transit portion of the Authority’s Valley Transportation Plan and is funded primarily by 2000 Measure A Sales Tax Revenues, consists of those categories of projects and funding for increased operations specified in the 2000 Measure A Ordinance. Projects planned through conclusion of the tax in March 2036 are limited, with the bulk of the remaining anticipated funding being programmed to fund the BART Phase 2 Extension. Other than the BART Phase 2 Extension project, the most significant projects include a light rail extension to the east valley portion of San Jose, certain Caltrain improvements, and various small bus service improvement projects.

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

Future Financing Plans Supported by 2000 Measure A Sales Tax Revenues

The 2000 Measure A Transit Improvement Program anticipates significant capital expenditures to be incurred over approximately the next ten Fiscal Years. The Authority expects to fund these projects with a combination of monies including a Full Funding Grant Agreement (“FFGA”), State transportation

grant funds and 2000 Measure A Sales Tax Revenues and bond proceeds. The Authority currently plans to issue additional bonds secured by 2000 Measure A Sales Tax Revenues and revenue from other sales tax measures to finance these projects, in particular to finance a portion of the cost of Phase 2 of the BART to Silicon Valley Project. Such financing is currently anticipated to occur in Fiscal Year 2024 or later, depending on availability of other funding sources.

Phase 2 of the BART to Silicon Valley Project known as the Silicon Valley Santa Clara Extension (“SVSX”) will extend BART service six miles 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 current estimated cost of SVSX is \$9.3 billion, inclusive of finance costs. SVSX is expected to be fully funded with a combination of a Federal Full Funding Grant Agreement, State Transit Program funds, regional sales tax measure (RM3) and local sales tax, including 2000 Measure A and 2016 Measure B sales tax. Estimates of funding include approximately \$4.6 billion in federal funds, \$1.5 billion in State funds, and \$3.2 billion in local funds. All funding awards are anticipated by late 2024. Engineering and procurement activities will continue into 2025. Early work construction is scheduled to take place from 2023 into 2025, with tunneling and heavy construction getting underway in 2025 through 2028. For more information regarding the SVSX project, see APPENDIX A – “SANTA CLARA VALLEY TRANSPORTATION AUTHORITY – Bay Area Rapid Transit (“BART”) Silicon Valley Project.”

The Authority manages the implementation of its 2000 Measure A Transit Improvement Program based on project readiness and the availability of funding and may advance or slow down delivery of projects in response to current conditions. To the extent additional projects are identified for implementation within this timeframe, there could be additional bonding needs. The issuance of additional bonds or other obligations is subject to the requirements of the Indenture and Authority Board approval. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Additional Bonds and Parity Obligations” herein.

RISK FACTORS

Economy of the County and the State

The 2023 Series A Bonds are secured by a pledge of 2000 Measure A Sales Tax Revenues, which consist of the 2000 Measure A Sales Tax less an administrative fee paid to the CDTFA. The level of 2000 Measure A Sales Tax Revenues collected at any time is dependent upon the level of retail sales within the County, which is, in turn, dependent upon the level of economic activity in the County and in the State generally. As a result, any substantial deterioration in the level of economic activity within the County or in the State could have a material adverse impact upon the level of 2000 Measure A Sales Tax Revenues and therefore upon the ability of the Authority to pay principal of and interest on the 2023 Series A Bonds.

In Fiscal Years 2009 and 2010, the national economic recession and regional general economic conditions resulted in reductions in economic activity and taxable sales within the County, and corresponding 2000 Measure A Sales Tax Revenues received by the Authority declined. 2000 Measure A Sales Tax Revenues generally increased in Fiscal Years 2011 through 2019.

The worldwide COVID-19 pandemic that began in March 2020, and the resulting governmentally imposed business shutdowns, negatively affected the collection of 2000 Measure A 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 the COVID-19

restrictions were eased and ultimately terminated, 2000 Measure A Sales Tax revenue collections began to recover rapidly and since then 2000 Measure A Sales Tax revenue collections have been at historically high levels. See “THE 2000 MEASURE A SALES TAX – 2000 Measure A Sales Tax Revenues.” In the event of new outbreaks of COVID-19 variants and the reimposition of restrictions on businesses, 2000 Measure A Sales Tax Revenues could decline in the future, reducing amounts available to pay the principal and interest on the 2023 Series A Bonds.

Beginning in 2021, the County, like the rest of the nation, experienced and continues to experience significant increases in costs of food, energy and other products. Ongoing high inflation may affect consumer spending decisions and as a result adversely impact sales transactions in the County and ultimately the amount of 2000 Measure A Sales Tax Revenues received by the Authority. The Authority cannot predict the extent of inflationary pressures on 2000 Measure A Sales Tax Revenues or the County’s economy more broadly.

To project future 2000 Measure A 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 2000 Measure A Sales Tax Revenues for future periods. Therefore, the Authority is unable to predict with certainty future levels of 2000 Measure A 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 2000 Measure A Sales Tax Revenues. Future significant declines in the amount of the 2000 Measure A Sales Tax Revenues could ultimately impair the ability of the Authority to pay principal of and interest on the 2023 Series A 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 2000 Measure A Sales Tax; Legislative Changes

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

Proposition 218

On November 5, 1996, voters in the State approved an initiative known as the Right to Vote on Taxes Act (“Proposition 218”). Proposition 218 added Articles XIII C and XIII D to the California Constitution. Article XIII C requires majority voter approval for the imposition, extension or increase of general taxes and two-thirds voter approval for the imposition, extension or increase of special taxes by a local government, which is defined to include local or regional governmental agencies such as the Authority. The 2000 Measure A Sales Tax received the approval of more than two-thirds of the voters as

required by Article XIII C. However, Article XIII C also removes limitations that may have applied to the voter initiative power with regard to reducing or repealing previously authorized taxes. In the opinion of the Authority, however, any attempt by the voters to use the initiative provisions under Proposition 218 to rescind or reduce the levy and collection of the 2000 Measure A Sales Tax in a manner which would prevent the payment of debt service on the 2023 Series A Bonds or the other Bonds would violate the Impairment Clause of the United States Constitution and, accordingly, would be precluded. However, it is likely that the interpretation and application of Proposition 218 will ultimately be determined by the courts.

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 2000 Measure A 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 2000 Measure A 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 2000 Measure A Sales Tax.

No Acceleration of Bonds

The Indenture does not permit acceleration of the 2023 Series A Bonds in the event of a default in the payment of principal of or interest on the 2023 Series A Bonds when due. In the event of a default by the Authority, the Trustee and the Owners of the 2023 Series A Bonds will have the right to exercise the remedies, subject to the limitations thereon, set forth in the Indenture. 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 Authority during the period that the 2023 Series A Bonds are outstanding. Societal changes might include, for example, the increased use of telecommuting and long-term changes to work habits such that many workers continue to work from home even after the tapering off of the COVID-19 pandemic, or to work from home more often than they did prior to the pandemic. Technological changes might include alternative transportation systems.

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 Fourth National Climate Assessment, published by the U.S. Global Change Research Program, in November 2018 (NCA4) 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 Sales Tax Revenues in the future.

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 2023 Series A Bonds.

If the 2000 Measure A Sales Tax Revenues are "special revenues" under the Bankruptcy Code, then 2000 Measure A Sales Tax Revenues collected after the date of the bankruptcy filing should be subject to the lien of the Indenture. "Special revenues" are defined to include taxes specifically levied to finance one or more projects or systems, excluding receipts from general property, sales, or income taxes levied to finance the general purposes of the governmental entity. The 2000 Measure A Sales Tax was levied to finance the Expenditure Plan, which includes a number of projects (collectively, the "Expenditure Plan Projects"), and some of these projects are described in broad terms. If a court determined that the 2000 Measure A Sales Tax was levied to finance the general purposes of the

Authority, rather than specific Expenditure Plan Projects, then 2000 Measure A Sales Tax Revenues would not be special revenues. No assurance can be given that a court would not hold that the 2000 Measure A Sales Tax Revenues are not special revenues or are not subject to the lien of the Indenture. Were the 2000 Measure A Sales Tax Revenues determined not to be “special revenues,” then 2000 Measure A Sales Tax Revenues collected after the commencement of a bankruptcy case would likely not be subject to the lien of the Indenture. The holders of the 2023 Series A Bonds may not be able to assert a claim against any property of the Authority other than the 2000 Measure A Sales Tax Revenues, and were these amounts no longer subject to the lien of the Indenture following commencement of a bankruptcy case, then there could thereafter be no amounts from which the holders of the 2023 Series A Bonds are entitled to be paid.

The Bankruptcy Code provides that special revenues can be applied to necessary operating expenses of the project or system from which the special revenues are derived, before they are applied to other obligations. This rule applies regardless of the provisions of the transaction documents. The law is not clear as to whether, or to what extent, 2000 Measure A Sales Tax Revenues would be considered to be “derived” from the Expenditure Plan Projects. To the extent that 2000 Measure A Sales Tax Revenues are determined to be derived from the Expenditure Plan Projects, the Authority may be able to use 2000 Measure A Sales Tax Revenues to pay necessary operating expenses of the Expenditure Plan Projects, before the remaining 2000 Measure A Sales Tax Revenues are turned over to the Trustee to pay amounts owed to the holders of the 2023 Series A 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 2023 Series A 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 2023 Series A Bonds from funds in the Trustee’s possession. The procedure pursuant to which 2000 Measure A 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 2000 Measure A Sales Tax Revenues directly to the Authority.

The Authority as a debtor in bankruptcy may be able to borrow additional money that is secured by a lien on any of its property (including 2000 Measure A Sales Tax Revenues), which lien could have priority over the lien of the Indenture, or to cause some 2000 Measure A Sales Tax Revenues to be released to it, free and clear of lien of the Indenture, in each case provided that the bankruptcy court determines that the rights of the Trustee and the holders of the 2023 Series A 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 2023 Series A 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 2023 Series A Bonds, provided that the bankruptcy court determines that the alterations are “fair and equitable.”

There may be delays in payments on the 2023 Series A 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 2023 Series A Bonds, or result in losses to the holders of the 2023 Series A 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 2023 Series A Bonds.

Loss of Tax Exemption

As discussed under “TAX MATTERS,” interest on the 2023 Series A Bonds could become includable in federal gross income, possibly from the date of issuance of the 2023 Series A Bonds, as a result of acts or omissions of the Authority subsequent to the issuance of the 2023 Series A Bonds.

FINANCIAL STATEMENTS

The financial statements of the Authority for the Fiscal Year ended June 30, 2022, 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 2023 Series A Bonds or contesting the Authority’s ability to impose and collect the 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

General

Federal Tax Exemption. 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 2023 Series A Bonds and requirements of the Internal Revenue Code of 1986 (the “Code”) regarding the use, expenditure and investment of proceeds of the 2023 Series A Bonds and the timely payment of certain investment earnings to the United States, interest on the 2023 Series A Bonds is not included in the gross income of the owners of the 2023 Series A Bonds for federal income tax purposes. Failure to comply with such covenants and requirements may cause interest on the 2023 Series A Bonds to be included in gross income retroactive to the date of issuance of the 2023 Series A Bonds.

In the further opinion of Bond Counsel, interest on the 2023 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 2023 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 2023 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 2023 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 2023 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 2023 Series A Bonds is commenced, under current procedures the IRS is likely to treat the Authority as the "taxpayer," and the owners of the 2023 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 2023 Series A Bonds, the Authority may have different or conflicting interests from the owners. Additionally, public awareness of any future examination of the 2023 Series A Bonds could adversely affect the value and liquidity of the 2023 Series A Bonds during the pendency of the examination, regardless of its ultimate outcome.

Tax Accounting Treatment of Bond Premium and Original Issue Discount

Bond Premium. To the extent a purchaser acquires a 2023 Series A Bond at a price in excess of the amount payable at its maturity, such excess will constitute "bond premium" under the Code. The Code and applicable Treasury Regulations provide generally that bond premium on a tax-exempt obligation is amortized over the remaining term of the obligation (or a shorter period in the case of certain callable obligations) based on the obligation's yield to maturity (or shorter period in the case of certain callable obligations). The amount of premium so amortized reduces the owner's basis in such obligation for federal income tax purposes, though such amortized premium is not deductible for federal income tax purposes. This reduction in basis will increase the amount of any gain (or decrease the amount of any loss) recognized for federal income tax purposes upon a sale or other taxable disposition of the obligation. Bond Counsel is not opining on the accounting for bond premium or the consequence to a 2023 Series A Bond purchaser of purchasing a 2023 Series A Bond with bond premium. Accordingly, persons considering the purchase of 2023 Series A Bonds with bond premium should consult their own tax advisors with respect to the determination of bond premium on such 2023 Series A Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of such 2023 Series A Bonds.

Original Issue Discount. The excess, if any, of the stated redemption price at maturity of 2023 Series A Bonds of a particular maturity over the initial offering price to the public of the 2023 Series A Bonds of that maturity at which a substantial amount of the 2023 Series A Bonds of that maturity is sold to the public is "original issue discount." Original issue discount accruing on a 2023 Series A Bond is treated as interest excluded from the gross income of the owner thereof for federal income tax purposes

under the same conditions and limitations as are applicable to interest payable on such 2023 Series A Bond. Original issue discount on a 2023 Series A Bond of a particular maturity purchased pursuant to the initial public offering at the initial public offering price at which a substantial amount of the 2023 Series A Bonds of that maturity is sold to the public accrues on a semiannual basis over the term of the 2023 Series A Bond on the basis of a constant yield; and within each semiannual period accrues on a ratable daily basis. The amount of original issue discount on a 2023 Series A Bond accruing during each period is added to the adjusted basis of such 2023 Series A Bond, which will affect the amount of taxable gain upon disposition (including sale, redemption or payment on maturity) of such 2023 Series A Bond. The Code includes certain provisions relating to the accrual of original issue discount in the case of purchasers that purchase 2023 Series A Bonds other than at the initial offering price. Bond Counsel is not opining on the accounting for or consequence to a 2023 Series A Bond purchaser of purchasing a 2023 Series A Bond with original issue discount. Accordingly, persons considering the purchase of 2023 Series A Bonds with original issue discount should consult their own tax advisors with respect to the determination of original issue discount on such 2023 Series A Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of such 2023 Series A Bonds.

Information Reporting and Backup Withholding. Interest paid on the 2023 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 2023 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.

State Tax Exemption. In the further opinion of Bond Counsel, interest on the 2023 Series A 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 2023 Series A Bonds of the exclusion of the interest on the 2023 Series A Bonds from gross income for federal income tax purposes or of the exemption of interest on the 2023 Series A 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 2023 Series A Bonds. Prospective purchasers of the 2023 Series A 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 2023 Series A 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 2023 Series A 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, and for the Underwriters by their counsel, Stradling Yocca Carlson & Rauth, Newport Beach,

California. Compensation paid to Bond Counsel and Disclosure Counsel is contingent on the successful issuance of the 2023 Series A Bonds.

RATINGS

S&P Global Ratings and Moody's Investors Service, Inc. have assigned their ratings of "AAA" and "Aa2," respectively, to the 2023 Series A Bonds, with Stable Outlooks. 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 Moody's Investor Service, Inc. 7 World Trade Center, New York, New York 10007. 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 2023 Series A Bonds.

UNDERWRITING

Wells Fargo Bank, National Association, as representative of itself and the underwriters listed on the cover page of this Official Statement (the "Underwriters"), have purchased the 2023 Series A Bonds from the Authority for a purchase price of \$642,558,760.90 (representing \$559,535,000.00 aggregate principal amount of 2023 Series A Bonds, plus original issue premium of \$83,816,729.45, less an Underwriters' discount of \$792,968.55). The Underwriters may offer and sell the 2023 Series A Bonds to certain dealers and others at prices lower than the offering prices stated on the inside cover page hereof. The offering prices on the 2023 Series A Bonds may be changed from time to time by the Underwriters.

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.

Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association, which conducts its municipal securities sales, trading and underwriting operations through the Wells Fargo Bank, NA Municipal Finance Group, a separately identifiable department of Wells Fargo Bank, National Association, registered with the Securities and Exchange Commission as a municipal securities dealer pursuant to Section 15B(a) of the Securities Exchange Act of 1934.

Wells Fargo Bank, National Association, acting through its Municipal Finance Group ("WFBNA"), the senior underwriter of the 2023 Series A Bonds, has entered into an agreement (the "WFA Distribution Agreement") with its affiliate, Wells Fargo Clearing Services, LLC (which uses the trade name "Wells Fargo Advisors") ("WFA"), for the distribution of certain municipal securities offerings, including the 2023 Series A Bonds. Pursuant to the WFA Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the 2023 Series A Bonds with WFA. WFBNA has also entered into an agreement (the "WFSLLC Distribution Agreement") with its affiliate Wells Fargo Securities, LLC ("WFSLLC"), for the distribution of municipal securities offerings, including the 2023 Series A Bonds. Pursuant to the WFSLLC Distribution Agreement, WFBNA pays a portion of WFSLLC's expenses based on its municipal securities transactions. WFBNA, WFSLLC, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

J.P. Morgan Securities LLC ("JPMS"), one of the Underwriters of the 2023 Series A 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 2023 Series A Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any 2023 Series A Bonds that such firm sells.

Morgan Stanley & Co. LLC, an underwriter of the 2023 Series A Bonds, has entered into a retail distribution arrangement with its affiliate Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the 2023 Series A Bonds.

BofA Securities, Inc., an underwriter of the 2023 Series A Bonds, has entered into a distribution agreement with its affiliate Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill"). As part of this arrangement, BofA Securities, Inc. 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, Inc. may compensate Merrill as a dealer for their selling efforts with respect to the 2023 Series A Bonds.

TD Securities (USA) LLC ("TD Securities"), one of the Underwriters of the 2023 Series A Bonds, has entered into a negotiated dealer agreement (the "TD Dealer Agreement") with TD Ameritrade for the retail distribution of certain securities offerings, including the offered 2023 Series A Bonds at the original issue price. Pursuant to the TD Dealer Agreement, TD Ameritrade may purchase the 2023 Series A Bonds from TD Securities at the original issue prices less a negotiated portion of the selling concession applicable to any of the 2023 Series A Bonds TD Ameritrade 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 2023 Series A 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 2023 Series A Bonds.

RELATIONSHIPS AMONG THE PARTIES

Bank of America, N.A. (“BANA”) is a swap counterparty to the Authority. BofA Securities, Inc. is an Underwriter of the 2023 Series A Bonds and a remarketing agent for the 2008 Series Bonds. BANA and BofA Securities, Inc. are both wholly-owned, indirect subsidiaries of Bank of America Corporation.

Goldman Sachs Mitsui Marine Derivative Products, L.P. (“GSMMDP”) is a swap counterparty to the Authority. Goldman Sachs & Co. LLC is an Underwriter of the 2023 Series A Bonds and a remarketing agent for the 2008 Series Bonds. GSMMDP and Goldman Sachs & Co. LLC are both direct subsidiaries of The Goldman Sachs Group, Inc.

Morgan Stanley Capital Services, Inc. is a swap counterparty to the Authority (“MS”). Morgan Stanley & Co., LLC is an Underwriter of the 2023 Series A Bonds, and an affiliate of MS.

A portion of the proceeds of the 2023 Series A Bonds will be applied to finance swap termination payments to BANA, GSMMDP and MS. See “PLAN OF REFUNDING” and “SOURCES AND USES OF FUNDS” herein.

The Toronto-Dominion Bank, New York Branch (“TD Bank”), is a provider of a Standby Letter of Credit and Reimbursement Agreement supporting payment of the purchase price of the Series 2008 Bonds. TD Securities (USA), LLC is an Underwriter of the 2023 Series A Bonds, and an affiliate of TD Bank.

CONTINUING DISCLOSURE

The Authority has covenanted for the benefit of the owners and beneficial owners of the 2023 Series A 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, 2023, 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, as amended (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 2023 Series A 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 2023 Series A 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/Chief Financial Officer

[THIS PAGE INTENTIONALLY LEFT BLANK]

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.

Pat Burt, Chairperson
Cindy Chavez, Vice Chairperson

GROUP 1 (San Jose)

City of San José

Devora “Dev” Davis
Sergio Jimenez
Pam Foley
Omar Torres
Matt Mahan*
Rosemary Kamei, Alternate

GROUP 2 (North West)

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

Lynette Lee Eng, Alternate

Patrick “Pat” Burt

GROUP 3 (West Valley)

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

Sergio Lopez

Rob Rennie, Alternate

GROUP 4 (South County)

City of Gilroy
City of Morgan Hill

Marie Blankley
Mark Turner, Alternate

GROUP 5 (North East)

City of Santa Clara
City of Sunnyvale
City of Milpitas

Sudhanshu “Suds” Jain
Omar Din
Carmen Montano, Alternate

GROUP 6 (Santa Clara County)

County of Santa Clara

Cindy Chavez*
Otto Lee
Vacant, Alternate

Ex-Officio*

Margaret Abe-Koga*

* 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 leading the agency through the aftermath of a deadly mass shooting and navigating 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 - *Assistant General Manager and Chief Financial Officer*. Mr. Richardson joined the VTA in December 2021 as the Chief Financial Officer and in December 2022 was appointed as the Assistant 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.

GARY GRIGGS - Chief BART Silicon Valley Program Officer since August 2022. Mr. Griggs is responsible for delivering the six-mile extension of the heavy rail metro BART system to San Jose and Santa Clara, California. Mr. Griggs specializes in rail transit systems and has global experience, most recently having served 25 years with Parsons Brinckerhoff as a senior executive and principal project manager, including President of the Infrastructure Company. Other projects Mr. Griggs has led include the Rail Delivery Partner Program Director for the California High-Speed Rail Project, General Engineering Consultant Project Manager for the BART Warm Springs Extension, and Preliminary Engineering and Environmental Project Manager for the San Francisco Central Subway Project. Mr. Griggs is a graduate of the University of Washington where he earned his BS and MS degrees in Civil Engineering and was a Consulting Professor at Stanford University where he developed and taught a series of courses focused on infrastructure project development and delivery.

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.

JIM LAWSON – Chief External Affairs Officer. Mr. Lawson joined the Authority as a staff member eighteen years ago after serving as a Board Member and Chair of the Board of Directors of the Authority. He served as Board Member and Chair of Caltrain, Board Member of Altamont Commuter Express and Capitol Corridor Commuter Rail. Mr. Lawson has over 35 years' experience in transportation and government affairs.

DERIK CALHOUN – Chief Operating Officer since 2022. Mr Calhoun comes to VTA from AC Transit, in Alameda County, California, where he was the Director of Transportation for the prior 5 years. In that role he managed the delivery of transportation services for all operating divisions, managed a budget of \$238 million, opened a new Operations Control Center, and helped open and manage the Sales Force Transit Center. At VTA, Calhoun provides strategic leadership and day-to-day oversight to the Operations Division and is responsible for directing all VTA transit operations including Bus Operations and Maintenance, Light Rail Operations and Maintenance, Accessible Services, Operations Service Planning and Scheduling, and Facilities Maintenance. Calhoun is a graduate of the American Public Transit Association (“APTA”) Leadership Class of 2018.

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.

JAYE BAILEY - Director of Policy and Compliance since 2022. Before joining VTA, Ms. Bailey served as Vice President for Organizational Development and Strategic Initiatives at San Jose State University where she provided oversight for human resources functions, equal employment opportunity and labor relations. Before joining the higher education community, Ms. Bailey spent much of her career as a labor and employment attorney, serving as the General Counsel to the Connecticut State Board of Labor Relations for many years. Ms. Bailey began her law career with the National Labor Relations Board, Region 34 as a field attorney and has also served as a neutral arbitrator with the American Arbitration Association and the Center for Dispute Resolution. Ms. Bailey received her JD from the University of Connecticut and her BA from the University of Rhode Island.

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.

Employees

The Authority has approximately 2,200 employees of which approximately 93% are represented by unions. The Amalgamated Transit Union, Division 265 (“ATU”), represents approximately 1,544 employees (70% 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 expires on March 3, 2025.

The remaining represented employees consist of: members of Service Employees International Union, Local 521 (“SEIU”), representing approximately 246 employees in technical, paraprofessional and administrative positions; members of American Federation of State, County and Municipal Employees, Local 57 (“AFSCME”), representing approximately 236 employees in managerial, supervisory and other

professional level positions; and members of Transit Authority Engineers and Architects (“TAEA”), representing 25 employees in engineering and architect positions. The contract with AFSCME expires on April 3, 2025; SEIU expires on December 31, 2024; TAEA expires on April 3, 2025; and ATU expires 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 has not experienced any strikes by its unionized employees.

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 444 buses, consisting of 107 diesel-powered, 327 hybrid-diesel-powered buses and 10 electric buses. The average age of these buses is 11.6 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 3,235 bus stops, 606 of which have bus shelters. The Authority also maintains 28 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. Since its inception, the program has been funded by a grant from the Transportation Fund for Clean Air through the Bay Area Air Quality Management District and SJRRRC. Lockheed Martin also provides 25% of the ACE Red Shuttle operating expenses.

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 (“SJJPA”). Santa Cruz Metro is responsible for the management and operation of the service.

VTA operates ADA paratransit service for eligible individuals who cannot independently use conventional public transit due to physical, visual, or cognitive disabilities some or all the time. The service, called ACCESS, provides door-to-door service via vehicles compliant with the Americans with Disabilities Act (ADA)-compliant and driven 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 VTA.

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, 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 do not secure the 2023 Series A 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 secures the 2023 Series A 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 2023 Series A 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, 2022.

[Remainder of page intentionally left blank.]

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Historical Sales Tax Revenues
For the Fiscal Years ended June 30, 2013 through June 30, 2022
(Dollars in Thousands)

Fiscal Year Ended June 30	1976		2000 Measure A		2008 Measure B		2016 Measure B	
	Sales Tax Revenues	Rate of Change	Sales Tax Revenues	Rate of Change	Sales Tax Revenues ⁽¹⁾	Rate of Change	Sales Tax Revenues ⁽²⁾	Rate of Change
2013	\$176,716	6.1%	\$176,534	6.2%	\$41,860			
2014	186,431	5.5	186,302	5.5	44,753	6.9%		
2015	199,221	6.9	199,653	7.2	47,501	6.1		
2016	205,418	3.1	205,636	3.0	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	15.5%
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

(1) Collection of 2008 Measure B Sales Tax began FY2013 Q1

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

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

TDA Revenues are apportioned, allocated and paid by MTC, the regional planning organization for the nine-county San Francisco Bay Area. Under TDA regulations, MTC allocates approximately 11% of the TDA Revenues to fund community and paratransit service programs, facilities for the use of pedestrians and bicycles, and the transportation planning and programming process. The Authority receives approximately three-fourths of this 11% allocation. The remaining 89% of the TDA Revenues are allocated to operators who provide public transportation services in the County. As the only eligible public transit service provider in the County, the Authority is eligible to receive the entire amount of the 89% allocation of TDA Revenues. TDA Revenues are available to the Authority in an amount up to 50% of the Authority’s operating budget, after deduction of the amount received from federal grants, provided that certain TDA eligibility requirements are met. The Authority, 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>
2018	\$103,052
2019	109,035
2020	110,985
2021	115,032
2022	100,029

Source: Santa Clara Valley Transportation Authority ACFRs Fiscal Years 2018-2022.

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
2018	\$21,142,913
2019	45,082,361
2020	25,232,673
2021	29,556,752
2022	37,722,691

Source: Santa Clara Valley Transportation Authority ACFRs Fiscal Years 2018-2022.

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)
2018	36,555,500	\$41,137
2019	35,465,604	43,420
2020	27,968,308	34,431
2021	11,876,114	17,415
2022	17,465,232	28,242

(1) Directly operated services.

Source: Santa Clara Valley Transportation Authority ACFRs Fiscal Years 2018-2022.

Since farebox revenues historically account for approximately 9% of the Authority’s operating cost, and more than 86% of operating revenue comes from sales tax sources, the Authority is not immediately facing a “Fiscal Cliff” that has been discussed in some media coverage related to other transit operators. See “Management’s Discussion of Financial Results.”

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.

[Remainder of page intentionally left blank.]

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

Line	Category	FY22 Actual	FY23 Current Budget ⁽¹⁾	FY23 Projected Actual ⁽²⁾	FY24 Recommended Budget	Variance from FY23 Projection	% Var	FY25 Recommended Budget	Variance from FY24 Budget	% Var
1	Fares-Transit	20,885	20,541	25,627	25,518	(109)	-0.4%	25,912	394	1.5%
2	Fares-Paratransit	1,036	1,350	1,158	1,405	248	21.4	1,546	141	10.0
3	Sales Tax Revenue	258,474	264,531	274,245	279,938	5,693	2.1	290,223	10,285	3.7
4	TDA	100,029	125,566	128,010	124,770	(3,240)	-2.5	129,707	4,937	4.0
5	Measure A Sales Tax-Oper. Asst.	53,633	52,213	55,767	58,087	2,320	4.2	60,221	2,134	3.7
6	2016 Measure B - Transit OPS	23,590	17,504	19,154	15,503	(3,651)	-19.1	20,270	4,767	30.7
7	STA	37,723	26,924	30,497	45,725	15,227	49.9	46,982	1,257	2.8
8	Federal Operating Grants	172,614	9,550	1,644	5,739	4,095	249.1	5,899	160	2.8
9	State Operating Grants	6,062	19,018	11,213	150	(11,063)	-98.7	150		0.0
10	Investment Earnings	2,181	4,589	4,416	22,211	17,796	403.0	18,961	(3,250)	-14.6
11	Advertising Income	2,311	3,226	3,160	3,125	(35)	-1.1	3,225	100	3.2
12	Measure A Repayment Obligation	17,597	17,553	17,553	17,515	(38)	-0.2	17,473	(43)	-0.2
13	Other Income	3,604	2,860	5,542	4,117	(1,425)	-25.7	3,916	(201)	-4.9
14	Total Revenue	699,739	565,426	577,985	603,804	25,819	4.5	624,485	20,681	3.4
41	Operating and Other Expense	488,439	519,493	511,640	560,804	49,164	9.6	581,485	20,681	3.7
15	Labor Cost	353,484	385,337	378,413	406,767	28,354	7.5	426,392	19,625	4.8
16	Material & Supplies	20,177	25,211	23,179	29,232	6,053	26.1	27,591	(1,640)	-5.6
17	Security	19,743	25,731	22,222	24,182	1,960	8.8	24,874	691	2.9
18	Professional & Special Services	8,316	10,671	9,591	15,230	5,639	58.8	14,083	(1,147)	-7.5
19	Other Services	13,951	12,990	15,726	17,233	1,507	9.6	16,848	(385)	-2.2
20	Fuel	12,556	10,734	16,654	13,169	(3,485)	-20.9	12,797	(373)	-2.8
21	Traction Power	3,350	6,327	6,124	6,721	597	9.7	7,222	501	7.5
22	Tires	1,514	1,685	1,799	1,900	101	5.6	2,006	106	5.6
23	Utilities	3,889	4,439	5,345	4,399	(946)	-17.7	4,628	229	5.2
24	Insurance	16,890	9,489	10,449	10,382	(67)	-0.6	11,028	646	6.2
25	Data Processing	6,452	7,527	6,846	9,712	2,866	41.9	9,923	210	2.2
26	Office Expense	236	287	221	323	102	46.1	304	(19)	-5.9
27	Communications	1,885	1,912	2,136	2,152	16	0.8	2,228	76	3.5
28	Employee Related Expense	458	1,327	848	2,320	1,472	173.7	2,234	(86)	-3.7
29	Leases & Rents	1,460	983	1,898	1,660	(238)	-12.5	1,682	21	1.3
30	Miscellaneous	862	986	814	952	138	17.0	975	23	2.4
31	Reimbursements	(37,136)	(44,808)	(39,592)	(43,479)	(3,887)	9.8	(44,566)	(1,088)	2.5
32	Subtotal Operating Expense	428,089	460,827	462,672	502,856	40,184	8.7	520,249	17,392	3.5
33	Paratransit	23,562	30,093	23,490	28,987	5,497	23.4	31,695	2,708	9.3
34	Caltrain	9,120								0.0
35	Altamont Corridor Express	5,545	6,242	3,591	6,865	3,274	91.2	7,147	282	4.1
36	Highway 17 Express	392	439	403	414	11	2.7	454	40	9.6
37	Monterey San Jose Express				77	77		77		0.0
38	Contribution to Other Agencies	828	1,061	577	809	231	40.1	1,131	322	39.8
39	Debt Service	20,903	20,831	20,906	20,796	(111)	-0.5	20,732	(63)	-0.3
40	Subtotal Other Expense	60,350	58,665	48,968	57,948	8,980	18.3	61,236	3,289	5.7
41	Operating and Other Expense	488,439	519,493	511,640	560,804	49,164	9.6	581,485	20,681	3.7
42	Transfer to Capital	40,000	40,000	40,000	40,000	0	0.0	40,000		0.0
43	Contingency		2,726	2,726	3,000	274	10.1	3,000		0.0
44	Total Expense/Contingency/Cap	528,439	562,219	554,366	603,804	49,438	8.9	624,485	20,681	3.4
45	Operating Balance	171,300	3,207	23,619			-0.4			1.5

(1) Reflects Budget approved by the Board on June 3, 2021 and augmentations approved on December 2, 2021 and October 6, 2022.

(2) Projection as of March 24, 2023.

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 2024. 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 source of funding for transit improvements included in the Valley Transportation Plan is the 2000 Measure A 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. The 2022 SRTP is anticipated to be updated in 2026.

However, over the past few years, VTA has developed a Strategic Capital Investment Plan (“SCIP”), which serves as the agency’s capital planning function and long-term capital plan. The SCIP includes a 6-year outlook that identifies specific projects and is financially constrained and 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 with revisions being finalized with the recent board adopted budget. The SCIP will likely be updated in 2024, but many factors will affect the final date.

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 \$9.3 billion, inclusive of finance costs. Revenue service is expected to occur in 2033.

SVSX is expected to be fully funded with a combination of a Federal Full Funding Grant Agreement, State Transit Program funds (“TIRCP”), regional sales tax 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 \$4.6 billion in federal funds, \$1.5 billion in State funds, and \$3.2 billion in local funds.

In August 2022, VTA submitted an application to receive federal funding through the Federal Transit Administration’s (“FTA”) Capital Investment Grant Program (“CIG”). VTA’s application is advancing through FTA’s CIG program to meet specified conditions and receive federal funds through the execution of a Full Funding Grant Agreement (“FFGA”). Receipt of an FFGA would complete the project’s funding plan for the project scope as presented in VTA’s funding application. The FTA also granted a Letter of No Prejudice allowing VTA to continue advancing specific project activities with the ability of reimbursement once a FFGA is awarded. Award of the FFGA is anticipated in late 2024, completing the SVSX project funding plan with all non-federal funds having been committed.

Engineering and procurement activities will continue into 2025. Early work construction is scheduled to take place from 2023 into 2025, with tunneling and heavy construction getting underway in 2025 through 2028.

Eastridge to BART Regional Connector Project

The Authority is planning a new 2.4 mile light rail extension that will serve Capitol Expressway, extending VTA’s existing Orange Line at Alum Rock by two stations, Story and Eastridge. The project is estimated at \$529 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 and \$47 million from TIRCP 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, 2022 – 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, 2022. 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, 2022, see APPENDIX B – “AUDITED FINANCIAL STATEMENTS OF THE SANTA CLARA VALLEY TRANSPORTATION AUTHORITY FOR FISCAL YEAR ENDED JUNE 30, 2022.” 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, 2018 through June 30, 2022
(In thousands)

OPERATING REVENUES:	2018	2019	2020	2021	2022
Passenger Fares	\$ 36,555	\$ 38,061	\$ 28,816	\$ 15,243	\$ 26,103
Toll revenues collected	1,297	1,300	3,466	3,140	7,797
Advertising and other	3,649	4,428	4,881	3,236	3,057
Charges for services	933	931	734	634	3,264
Total Operating Revenues	42,434	44,720	37,897	22,253	40,221
OPERATING EXPENSES:	2018	2019	2020	2021	2022
Labor cost	347,412	354,799	360,412	332,104	345,614
Materials and supplies	41,623	36,643	33,670	29,303	37,405
Services	39,942	40,214	46,942	111,426	124,079
Utilities	9,373	9,649	9,732	9,734	9,226
Casualty and liability	10,404	6,179	3,834	8,702	17,331
Purchased transportation	23,083	25,483	25,090	21,658	25,783
Leases and rentals	568	759	859	898	1,326
Miscellaneous	1,966	1,688	1,620	1,581	1,440
Depreciation expense	68,472	73,338	93,237	179,056	194,342
Costs allocated to capital & other programs	(34,047)	(35,929)	(34,652)	(37,071)	(33,222)
Total Operating Expense	508,796	512,823	540,744	657,391	723,324
Operating Income/(Loss)	(466,362)	(468,103)	(502,847)	(635,138)	(683,103)
NON-OPERATING REVENUES (EXPENSES):	2018	2019	2020	2021	2022
Sales tax revenue ⁽¹⁾	257,380	295,873	260,596	274,498	321,768
Federal operating assistance & other grants	4,230	4,402	76,941	76,096	172,614
State & local operating assistance grants	126,689	156,565	137,081	145,778	143,814
Caltrain subsidy	(8,967)	(10,790)	(10,800)	(10,800)	(9,120)
Capital expense on behalf of, and contribution to other agencies	(7,344)	(23,809)	(189,358)	(5,850)	(3,178)
Altamont Corridor Express subsidy	(3,383)	(3,502)	(3,634)	(3,893)	(3,337)
Investment earnings	3,072	25,811	28,093	5,069	(22,024)
Interest expense	(6,972)	(13,060)	(6,464)	(5,972)	(5,206)
Other non-operating income	2,821	5,652	4,342	2,383	1,906
Other non-operating expense	(657)	(5,446)	(1,444)	(618)	(681)
Total Non-operating Revenues (Exp)	366,869	431,696	295,353	476,691	596,556
Income (loss) before capital contributions	(99,493)	(36,407)	(207,494)	(158,447)	(86,547)
Capital grants and contributions	58,259	53,855	29,212	20,133	10,643
Transfer in/(out)	250,769	297,919	297,934	239,152	275,291
Change in net position	209,535	315,367	119,652	100,838	199,387
Net Position beginning of year	2,203,661	5,273,148	5,588,515	5,708,167	5,809,005
Restatement due to change in accounting principles, Note 23	2,817,790				
Adjustment due to GASB 75	42,162				
Net Position, beginning of year, (as restated)	5,063,613	5,273,148	5,588,515	5,708,167	5,809,005
Net Position, end of year	\$5,273,148	\$5,588,515	\$5,708,167	\$5,809,005	\$6,008,392

(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 2018-2022

Management's Discussion of Financial Results

The Authority has experienced consistent growth for its sales tax revenues subsequent to Fiscal Year 2012 through Fiscal Year 2022, with an average compound growth rate of 4.0% per year for the 1976 Sales Tax which taxes the same transactions as the Authority's other sales taxes, including the 2000 Measure A Sales Tax. The revenues from the 1976 Sales Tax are used exclusively to support transit operations. Between Fiscal Year 2012 and Fiscal Year 2022, revenues from the 1976 Sales Tax increased more than 55%. Approximately 20% of the 2000 Measure A Sales Tax revenues are used as operating assistance to also support transit operations. The Authority adopted and implemented reserve policies following the 2008 Great Recession, strengthening its financial resilience by funding a sales tax stabilization reserve, an operating reserve, and a debt reduction/local capital funding reserve. The Authority has ended the most recent fiscal year with overall revenues exceeding transit operating costs on a budgetary basis. Audited financial results for the full Fiscal Year 2023 are not yet available, but it is known that sales tax revenues through the third quarter of Fiscal Year 2023 are more than 7% above budget.

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, TDA & STA revenues, and Operating Assistance portion of the 2000 Measure A and 2016 Measure B half-cent sales tax provide roughly 86% of the Transit Fund's budgeted revenues for Fiscal Year 2023.

Based on current circumstances and economic information, the recently adopted Biennial Budget for Fiscal Years 2024 and 2025 projects balanced transit operating budgets for those years and beyond. With currently strong debt service coverage and sales tax revenue projected to continue to increase, no draws on reserves or credit facilities are anticipated in the foreseeable future.

The Authority received \$309.4 million in Coronavirus Aid, Relief and Economic Security Act, ("CARES"), Coronavirus Response and Relief Supplemental Appropriations Act ("CRRSAA") and other Federal and State assistance as a result of COVID-19 and other events. The majority of those funds are being held in reserve for use in future fiscal years.

The Authority has four funded reserves that are described below. The reserves are designed to promote long-term financial sustainability and are the Operating Reserve Fund, the Transit Sales Tax Stabilization Fund, the Debt Reduction Fund, and the Transit Operations Capital Fund. Additionally, the Authority maintains a SWAP/Lease Collateral Fund as an unrestricted reserve fund.

The purpose of the Operating Reserve Fund 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 a 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, 2022, the audited balance in the Operating Reserve Fund was \$81.6 million. The unaudited balance of the Operating Reserve Fund as of May 31, 2023 continued to be \$81.6 million.

The Transit Sales Tax Stabilization Fund 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 Transportation Development Act ("TDA"). As of June 30, 2022, the audited balance in the Transit Sales Tax Stabilization Fund was \$35.0 million. As of May 31, 2023, the Transit Sales Tax

Stabilization Fund unaudited balance was \$35.0 million, which is equal to the capped limit authorized by the Board.

The Authority’s Debt Reduction Fund provides reserves against unfunded obligations and long-term liabilities, funding for transit-related capital improvements and capital replacement in lieu of financing. As of June 30, 2022, the audited balance in the Debt Reduction Fund was \$317.7 million. As of May 31, 2023, the unaudited balance in the Debt Reduction Fund had grown to \$352.7 million.

The Transit Operations Capital Fund 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 Fund. The fund will initially be funded with \$100 million transferred from the Debt Reduction Fund. The purpose of the fund is to provide dedicated local funding for transit capital projects over the multi-year life of the projects.

The Authority’s SWAP/Lease Collateral Fund reserves against contingent liabilities arising from the Authority’s interest rate swaps. As of May 31, 2023, no collateral was posted, and the SWAP/Lease Collateral Fund reserve balance was \$32.6 million, equal to the liabilities associated with the swaps.

COVID-19. As with other public transit agencies, the Authority continues to be negatively impacted by changes in commute patterns that have reduced ridership on its buses and light-rail systems. When comparing system-wide ridership for February 2020 and May 2023, ridership on the Authority’s bus and rail services has recovered to around 80% of pre-Covid levels. Given that the Authority’s fare box recovery has historically only been approximately 9% of the operating cost, and more than 86% of operating revenue comes from sales tax sources, the Authority is not immediately facing a “Fiscal Cliff” that has been discussed in some media coverage related to other transit. Thus, pandemic related impacts have not had a material adverse effect on the Authority’s finances. The Authority is, however, continuing to take steps to regain the lost ridership.

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, 2023
Sales Tax Revenue Refunding Bonds, 2018 Series A	\$103,215,000	\$47,770,000
Sales Tax Revenue Refunding Bonds, 2017 Series B	27,760,000	15,140,000

Source: Santa Clara Valley Transportation 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, 2023
Sales Tax Revenue Bonds, 2020 Series A	\$ 69,675,000	\$ 69,675,000
Sales Tax Revenue Bonds, 2015 Series A and B	89,980,000	12,395,000
Sales Tax Revenue Bonds, 2010 Series A ⁽¹⁾	469,730,000	375,275,000
Sales Tax Revenue Refunding Bonds, 2008 Series A, Series B, Series C and Series D ⁽¹⁾⁽²⁾	236,730,000	235,875,000

(1) The Authority intends to redeem all of such Series with a portion of the proceeds of the 2023 Series A Bonds.

(2) The Authority has entered into four Swap Agreements in connection with the 2008 Series Bonds. A description of the Swap Agreements is included in Note 7(d) of the Authority’s audited financial statements attached hereto as Appendix B. The Authority intends to terminate all of the Swap Agreements in full upon issuance of the 2023 Series A Bonds.

Source: Santa Clara Valley Transportation Authority.

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

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

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

See APPENDIX B – “AUDITED FINANCIAL STATEMENTS OF THE SANTA CLARA VALLEY TRANSPORTATION AUTHORITY FOR FISCAL YEAR ENDED JUNE 30, 2022 – 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 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, 2023, the outstanding principal amount of the loan is \$23,177,315.

Litigation

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

Cyber Security and Cyber Risk Management

VTA's Cyber Security program was established in 2017 and serves to assess and mitigate cyber risk to VTA. The program is responsible 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 158-21-01 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 OCTA, MTA, BART, CalTrain, and others and is a member of the Transit Security Consortium and Multi-State Information Sharing and Analysis Center ("MS-ISAC").

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

Investments and Investment Policy

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

Amounts held in funds and accounts established pursuant to the Indenture will be invested as provided in the Indenture, and as may be further restricted by the Authority's Investment Policy (the "Investment Policy"), adopted by the Board of Directors on April 4, 1996, as amended by the Board of Directors on December 14, 2000, February 6, 2003, and reaffirmed on February 5, 2009, and most recently amended on 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:

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

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

Pension and Retirement Plans

Santa Clara Valley Transportation Authority Amalgamated Transit Union, Local 265 Pension Plan. All ATU employees are covered by the Santa Clara Valley Transportation Authority Amalgamated Transit Union, Local 265 Pension Plan (“ATU Plan”). The ATU Plan is a contributory single-employer defined benefit pension plan. The ATU Plan provides retirement, disability, and death benefits based on the employees’ years of service, age, and final compensation. As of January 1, 2023, there were 3,368 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 t wage limit of \$146,042 in 2023.

The following actuarial methods and assumptions are based on a report dated April, 2023.

Actuarial Methods and Assumptions:

Description	Methods/Assumptions
Valuation Date	January 1, 2021
Actuarial cost method	Individual Entry Age Normal to Final Decrement
Amortization method	Level dollar open
Remaining amortization period	Rolling 20-year
Asset Valuation Method	Market value adjusted to reflect investment earnings greater than (or less than) the assumed rate over a five-year period.
Actuarial Assumptions	
Investment Rate of Return	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	None

[Remainder of page intentionally left blank.]

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>
Domestic Equity	25-35%	29.2%	30%
International Equity	7-16%	15.2%	13%
Emerging Markets Equity	0-10%	4.3%	5%
Domestic Fixed Income	10-24%	13.3%	14%
Treasury	0-6%	3.8%	3%
Hedge Funds	3-9%	6.5%	6%
Private Debt	0-12%	9.7%	9%
Private Equity	0-8%	2.0%	4%
Real Assets	0-10%	5.8%	5%
Real Estate	5-15%	9.2%	10%
Cash	0-5%	1.1%	1%

⁽¹⁾ As of March 31, 2023.

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, 2023 resulted in an increase in the Authority’s contributions to \$30.4 million, or 21.73% as a percentage of covered payroll. The Authority pre-funded its Fiscal Year 2023 contribution to the ATU Pension plan at \$30.4 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
12/31/13	\$426,675,205	\$572,244,808	\$145,569,603	75	\$110,682,869	132%
12/31/14	464,966,165	600,568,463	135,602,298	77	118,270,653	115
12/31/15	489,759,064	638,565,651	148,806,587	77	128,815,705	116
12/31/16	516,591,148	685,588,515	168,997,367	75	131,640,230	128
12/31/17	549,414,479	742,631,681	193,217,202	74	142,572,313	136
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

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
12/31/13	\$459,423,208	\$572,244,808	\$112,821,600	80	\$110,682,869	102%
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

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
6/30/14	\$25,787,000	100%
6/30/15	25,590,000	100
6/30/16	25,751,000	100
6/30/17	27,385,000	100
6/30/18	32,313,039	100
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

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, 2023, was 77.9%. 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 or 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 2022 (the “July 2022 CalPERS Report”). The July 2022 CalPERS Report includes information based on the June 30, 2021 actuarial valuation of assets included therein (the “2021 Actuarial Valuation”).

Actuarial Methods and Assumptions:

<u>Description</u>	<u>Methods/Assumptions</u>
Valuation Date	November 17, 2021
Actuarial cost method	Entry Age - Normal
Amortization method	Level percent of Payroll
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Discount Rate	6.80% (as of June 30, 2021, net of administrative expense; includes inflation)
Projected Salary Increases	Varies by entry age and service
Inflation	2.30%
Payroll Growth (June 30, 2021)	2.80%

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

The required employer contribution rate is 26.76% of payroll for the Fiscal Year ending June 30, 2023. 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 PEPR (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 7.25% of wages up to the wage limit of \$146,042 in 2023.

California Public Employees’ Pension Reform Act of 2013.

The Authority has budgeted its contributions at the required rates. For the Fiscal Year ended June 30, 2023, the Authority’s estimated annual CalPERS pension cost was \$19.8 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)**

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
6/30/12	\$209,208,442	\$295,109,856	\$ 85,901,414	71	\$53,949,689	159%
6/30/13	236,908,826	317,711,068	80,802,242	75	52,712,593	153
6/30/14	277,805,292	354,975,715	77,170,423	78	58,616,218	132
6/30/15	282,947,012	375,918,847	92,971,835	75	59,426,664	156
6/30/16	282,534,706	401,463,904	118,929,198	70	63,924,112	186
6/30/17	313,466,422	432,505,147	119,038,725	72	68,280,618	174
6/30/18	337,872,185	473,958,599	136,086,414	71	68,781,115	198
6/30/19	357,517,079	498,282,924	140,765,845	72	68,522,835	205
6/30/20	370,846,916	522,154,545	151,307,629	71	68,225,142	222
6/30/21	453,352,904	556,650,469	103,297,565	81	69,234,788	149

Source: The Authority.

Data as of June 30, 2021 from CalPERS Annual Valuation Report dated July 2022.

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

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed
6/30/13	\$ 7,497,000	100%
6/30/14	8,845,000	100
6/30/15	8,965,000	100
6/30/16	10,567,000	100
6/30/17	11,516,000	100
6/30/18	12,208,014	100
6/30/19	13,572,053	100
6/30/20	15,207,833	100
6/30/21	16,710,207	100
6/30/22	17,826,793	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. The 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 PEPRA 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% going forward and that the realized rate of return on assets for fiscal year 2021-22 is 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 City'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 2022 of approximately \$277 million (\$174 million for the ATU Plan and \$103 million for CalPERS).

California Public Employees' Pension Reform Act of 2013. In 2012, the State Legislature adopted and the Governor signed into law the Public Employees' Pension Reform Act of 2013, Cal. Gov't Code §7522, et seq. ("PEPRA"), 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 PEPRA's passage, USOOL refused to certify federal grants to California transit agencies, including VTA, based on union objections that PEPRA 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 PEPRA so California transit agencies could continue to receive federal grants while the United States District Court for the Eastern District of California (the "District Court") in *State of California et al. v. United States Department of Labor et al.* (Civ. No. 2:13-cv-2069 KJM DAD) considered the matter. Assembly Bill 1783, approved by the Governor on September 28, 2014, which took effect immediately as an urgency statute, extended the PEPRA exemption for transit workers until January 1, 2016. On December 30, 2014, the District Court found that DOL acted in violation of the federal Administrative Procedures Act in its application of Section 5333(b) to PEPRA. Thus, PEPRA now applies to employees of public transit systems otherwise subject to Section 5333.

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

The CalPERS executive office filed an action against VTA in Sacramento County Superior Court, seeking a declaration from the court that CalPERS's interpretation of Senate Bill 1222 is correct. VTA sought to set aside the declaratory relief action on the ground that CalPERS failed to exhaust administrative remedies (i.e., that administrative appeals were still pending before the CalPERS board). The trial court agreed with VTA and entered judgment in VTA's favor. CalPERS appealed, and in June 2018, the Court of Appeal issued its decision in VTA's favor. It ruled that the CalPERS' executive office: (1) could not use a declaratory relief action to seek validation of a challenged administrative policy; and (2) had not established futility in seeking a decision from the CalPERS board, and is therefore obligated to exhaust the administrative process before resorting to the court. Simultaneously, in the Santa Clara County Superior Court, VTA filed a petition in Santa Clara County Superior Court, alleging that CalPERS, in refusing VTA's administrative hearing, has acted in violation of the law.

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-PEPRA 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 PEPRA 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 PEPRA 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 Los Angeles County Transportation Authority ("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 PEPRAs 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 PEPRAs 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 PEPRAs 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 PEPRAs. On October 28, 2021, USDOL determined it will not certify transportation grants to California transit agencies based on USDOL’s current position that PEPRAs 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 PEPRAs 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 PEPRAs. In addition to invalidating USDOL’s 2021 determination that PEPRAs 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. With this action, USDOL will be prohibited from relying on PEPRAs to deny funding under Section 5333(b) pending the outcome of the appeal. On April 6, 2023, ATU filed an appeal with the Ninth Circuit Court of Appeals.

FTA grants are a significant source of funding for the Authority. Given the Court’s ruling in favor of the State, the Authority expects to continue to receive FTA grants. However, if the Ninth Circuit reverses the trial court ruling and finds that PEPRAs is inconsistent with Section 5333(b) protections, 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 2000 Measure A Sales Tax Revenues to pay debt service on the Bonds, including the 2023 Series A 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 May 1, 2023, 1,323 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, \$149 and \$151/per month in 2022 and 2023, respectively.

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 May 1, 2023, 657 retirees met the eligibility requirements for the Non-ATU Program. For surviving spouses of non-ATU retirees who elect a pension option with survivor benefits: as required by PEMHCA, VTA will contribute the same amount as it contributes for non-ATU retirees.

As of July 1, 2022, the most recent actuarial valuation date, the plan was 130% funded. The actuarial accrued liability was \$271.5 million and the market value of assets was \$353.5 million with \$82.0 million in an overfunded actuarial accrued liability. The covered payroll was \$233.9 million which resulted in a 35% overfunded actuarial accrued liability as a percent of covered payroll.

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

APPENDIX B

**AUDITED FINANCIAL STATEMENTS OF THE AUTHORITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

[THIS PAGE INTENTIONALLY LEFT BLANK]

Santa Clara Valley Transportation Authority

Annual Comprehensive Financial Report

Fiscal Year Ended
June 30, 2022

Santa Clara County, California



Solutions that move you



VTA started implementing schedule adjustments to improve reliability and align with BART.



Santa Clara and San Mateo counties celebrate the opening of the US 101 Express lanes.



VTA provides "Check-up from the Neck-up", providing Mental Health Services to employees.



Prototype VTA's BART Silicon Valley Phase II is a 6-mile project that extends BART services to downtown San Jose and the City of Santa Clara.



Montague Expressway Pedestrian Overcrossing receives two awards, Active Transportation Project of the year award and the 2022 Excellent Engineering Award.



California Energy Commission's Clean Transportation Program grants award to help VTA roll toward a Greener future fleet.

**SANTA CLARA VALLEY
TRANSPORTATION AUTHORITY**

SAN JOSE, CALIFORNIA

Annual Comprehensive Financial Report (ACFR)
For Fiscal Year Ended June 30, 2022

Prepared by:
Finance and Administration

THIS PAGE IS INTENTIONALLY LEFT BLANK

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Annual Comprehensive Financial Report

For the Year Ended June 30, 2022

Table of Contents

	<i>Page</i>
INTRODUCTORY SECTION:	
Letter of Transmittal	1-1
Board of Directors	1-10
Organizational Chart	1-13
Principal Officials	1-13
Service Area Map	1-14
 FINANCIAL SECTION:	
Independent Auditor's Report	2-1
Management's Discussion and Analysis (Required Supplementary Information)	2-4
 Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	2-21
Statement of Activities	2-22
 Fund Financial Statements:	
Proprietary Funds:	
Statement of Fund Net Position	2-23
Statement of Revenues, Expenses, and Changes in Fund Net Position	2-25
Statement of Cash Flows	2-26
 Governmental Funds:	
Balance Sheet	2-28
Statement of Revenues, Expenditures, and Changes in Fund Balances	2-29
 Fiduciary Funds:	
Statement of Fiduciary Net Position	2-30
Statement of Changes in Fiduciary Net Position	2-31
 Notes to the Basic Financial Statements	 2-32

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Annual Comprehensive Financial Report

For the Year Ended June 30, 2022

Table of Contents (continued)

	<i>Page</i>
Required Supplementary Information (other than MD&A):	
Schedule of Changes in Net Pension Liability and Related Ratios – ATU Pension Plan	2-98
Schedule of Employer Contributions - ATU Pension Plan	2-99
Schedule of Changes in Net Pension Liability and Related Ratios – CalPERS Plan	2-100
Schedule of Employer Contributions – CalPERS Plan	2-101
Schedule of Changes in the Plan's Net OPEB Asset and Related Ratios – OPEB Trust	2-102
Schedule of Employer Contributions - OPEB Trust	2-103
Budgetary Comparison Schedule – 2000 Measure A Program Special Revenue Fund	2-104
Budgetary Comparison Schedule – 2016 Measure B Program Special Revenue Fund	2-105
Budgetary Comparison Schedule – Congestion Management Program Special Revenue Fund	2-106
Budgetary Comparison Schedule – Congestion Management & Highway Program Special Revenue Fund	2-107
Budgetary Comparison Schedule – Bay Area Quality Management District Special Revenue Fund	2-108
Budgetary Comparison Schedule – Senate Bill 83 Vehicle Registration Fee Special Revenue Fund	2-109
Note to Required Supplementary Information	2-110
Supplementary Information - Combining and Individual Fund Statements and Schedules:	
Enterprise Funds:	
Comparative Schedule of Fund Net Position	2-111
Comparative Schedule of Revenues, Expenses, and Changes in Fund Net Position	2-113
Comparative Schedule of Cash Flows	2-114
Budgetary Comparison Schedule – VTA Transit Fund	2-116
Comparative Schedule of Revenues, Expenditures, & Changes in Fund Balance – Special Revenue Fund ..	2-118
Fiduciary Funds:	
Combining Statement of Fiduciary Net Position – ATU Pension, OPEB and Medical Funds	2-119
Combining Statement of Changes in Fiduciary Net Position – ATU Pension, OPEB and Medical Funds ..	2-120
STATISTICAL SECTION:	
Financial Trends:	
Changes in Net Position	3-1
Net Position by Component	3-3
Fund Balances and Changes in Fund Balances, Governmental Funds	3-4
Current Ratio	3-5

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Annual Comprehensive Financial Report

For the Year Ended June 30, 2022

Table of Contents (continued)

	Page
Operating Revenues and Operating Expenses	3-6
Non-Operating Assistance	3-7
Targeted Operating Reserves	3-8
Revenue Capacity:	
Revenue Base and Revenue Rates	3-9
Sales Tax Rates	3-10
Principal Sales Tax Payers in Santa Clara County by Segments	3-11
Debt Capacity:	
Total Outstanding Debt by Type	3-12
Ratios of Outstanding Debt	3-13
Direct and Overlapping Debt and Debt Limitation	3-14
Pledged Revenue Coverage - 1976 Half-Cent Sales Tax Revenue Bonds	3-15
Pledged Revenue Coverage - 2000 Measure A Half-Cent Sales Tax Revenue Bonds	3-16
Projected Pledged Revenue Coverage	3-17
Demographic and Economic Information:	
Population Trends	3-18
Income and Unemployment Rates	3-19
Wage and Salary Employment by Industry (Annual Average)	3-20
Silicon Valley Major Employers	3-21
Operating Information:	
Operating Indicators	3-22
Farebox Recovery Ratio	3-23
Revenue Miles	3-24
Passenger Miles	3-25
Selected Statistical Data	3-26
System Data	3-27
Employee Headcount	3-28
Capital Assets	3-29

THIS PAGE IS INTENTIONALLY LEFT BLANK



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Santa Clara Valley Transportation Authority
California**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2021

Christopher P. Morill

Executive Director/CEO

THIS PAGE IS INTENTIONALLY LEFT BLANK

INTRODUCTORY SECTION

LETTER OF TRANSMITTAL

BOARD OF DIRECTORS

ORGANIZATIONAL CHART

PRINCIPAL OFFICIALS

SERVICE AREA MAP

THIS PAGE IS INTENTIONALLY LEFT BLANK



LETTER OF TRANSMITTAL

THIS PAGE IS INTENTIONALLY LEFT BLANK



October 28, 2022

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, 2022. 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, 2022, 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 1-10 of this report.

ECONOMIC ENVIRONMENT

The economic conditions affect the way a government entity operates. It is important that information presented in the financial statements is analyzed and interpreted with appropriate consideration of these economic conditions.

Located on the southern coast of San Francisco Bay, Santa Clara County is part of one of the state's busiest urban areas and encompasses an area of approximately 1,300 square miles. The County's population of over 1.9 million is the sixth largest in the state,¹ and has the highest concentration of tech employment by far of any county or metropolitan area in the United States according to the Continuing Study of the California Economy. Santa Clara County has approximately 6,500 technology companies which include large tech companies such as Apple, Cisco, eBay, Facebook, Hewlett-Packard, Intel, Yahoo, etc. It is also reported that the tech companies that remain in Santa Clara County are much more service-oriented, offering digital products like Zoom whose use increased dramatically during the pandemic, and providing employees the ability to easily shift online.² The county also continues to benefit from other large industry groups such as education and health care, construction, as well as leisure and hospitality. According to the Silicon Valley Business Journal, unemployment rates are at their lowest level since right before the onset of the pandemic and Silicon Valley is amid a dramatic building boom that promises to remake the region.

The Employment Development Department reported in June 2022 that the County's unemployment rate continued a year-to-year improvement to 2.2% from 5.2% the prior year. The Bay Area leisure and hospitality sectors continued to have the largest job gains since COVID restrictions were imposed early in the pandemic.³ Tech companies are gradually bringing employees back to offices, with many big companies adopting the hybrid approach allowing employees to work remotely. It is reported that the recovery remains uneven as many businesses remain at risk of falling well behind the tech sector. The retail and restaurant sector rebounded, but employment remains far below pre-COVID levels with consumer-focused businesses struggling to fill jobs.⁴

According to the U.S. Department of Labor report for June 2022, the national unemployment rate has decreased to 3.6% and the number of unemployed persons was 5.9 million, compared to prior year when unemployment rate was 6.1% and the number of unemployed was 9.9 million. The present favorable labor market condition is, however, countered by the setting in of inflation and

¹ United States Census Bureau. Population Census, July 1, 2021.

² Gabriel Greschler. "While most Bay Area economies floundered in the first year of the pandemic, Santa Clara County's Soared." San Jose Mercury News, December 2021.

³ California Employment Development Department, July 2022.

⁴ Troy Wolverton, "The Valley takes off but leaves many behind". Silicon Valley Business Journal, February 2022.

destabilization of international events brought about by lockdowns in China and war in Ukraine, threatening to exacerbate supply shortages for commodities and other important products.⁵

The State Budget acknowledges the continued impact of COVID-19 and the many challenges that existed before the pandemic began, but also recognizes continued economic growth over the past year and strives to build reserves and pay down its long-term liabilities.⁶ The same resiliency that helped the State through the pandemic will continue to be critical to protect programs in the future and respond reasonably to state emergencies. The State believes that there are elements that would constrain its ability to significantly expand ongoing commitments which include economic risks resulting from certain conditions such as corona virus variants, vaccine hesitancy, higher inflation that cut wage gains particularly of lower income workers, and a stock market decline that would affect state revenues. Unemployment at the state level remains low at 4.0% in June 2022, from 8.0% the prior year.

Sales tax receipts are the basis for VTA's largest funding sources for operations and capital activities. Consistent with improved economic rebound from higher employment rate and consumer spending, VTA sales tax revenues increased by an average of 17% from the prior year. Consumer spending remained solid despite looming inflation as heavy spending is seen on services, such as dining out, travel and entertainment. Higher prices for goods and commodities may be attributed to supply chain shocks from international crises, and rapid inflation driving up the costs of necessities like energy and food.^{7, 8}

The 1976 Half-Cent, 2000 Measure A, 2016 Measure B, and BART Operating sales taxes amounted to \$258.5 million, \$38.0 million, \$37.6 million, and \$63.3 million, respectively, during FY 2022. With the increased consumer spending and higher commodity prices in FY 2022, the State Transit Assistance (STA) rose by \$8.2 million. Receipt of the Transportation Development Act (TDA) also increased, but recognition of revenue was conservatively reduced due to uncertainties resulting from potential case of sales tax attrition for online sales in the state. Both revenues are state programs that provide funds to operate transportation systems in California.

Besides the Coronavirus Aid, Relief and Economic Security (CARES) grant, VTA received assistance from the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA), and American Rescue Plan Act (ARPA). Total relief funds as of June 30, 2022 amount to approximately \$309 million; \$73 million of this grant was received in FY 2020; \$68 million in FY 2021, and \$168 million in FY 2022.

⁵ Jeanna Smialek, "Consumer Prices Are Climbing." New York Times, May 11, 2022.

⁶ Governor's Budget Summary, 2022-23, Page 11.

⁷ Abha Bhattacharai, "Economy Shrinks, Raising Recession Fear." The Washington Post. April 28, 2022.

⁸ Reade Pickert, "US Inflation-Adjusted Spending Falls as Prices Temper Demand." Bloomberg News, March 31, 2022.

ENTERPRISE NET POSITION OVERVIEW

Total FY 2022 Net Position reported in the business-type activities is provided below (in thousands):

Net Investment in Capital Assets		\$	5,097,498
Restricted:			
Debt service	\$	8,329	
1996 Measure B transit program		<u>1,701</u>	10,030
Unrestricted:			
Local share of capital projects	\$	213,381	
Debt reduction		317,660	
Operating reserve		81,577	
Sales tax stabilization		35,000	
Inventory and prepaid items		31,954	
Express Lane		(5,350)	
BART Operating		414,169	
Joint Development		9,183	
Net OPEB Asset (GASB 75) ^a		91,937	
Net Lease Asset (GASB 87)		1,577	
Net Pension Liability (GASB 68) ^b		<u>(290,224)</u>	900,864
Total Net Position			<u>\$ 6,008,392</u>

^aBased on the actuarial report which provides that total Net OPEB Asset (less deferrals) was \$91.9 million.

^bThis is a set aside amount for Net Pension Liability to comply with GASB 68 requirements. This consisted of \$104.0 million and \$186.2 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, 2022 (in millions)	Remarks
Operating Reserve	\$81.6	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	\$317.7	This reserve may be used to reduce long-term liabilities or provide funding for approved transit-related capital improvements and replacement of capital assets. This reserve is used to fund the local portion of the VTA Transit capital program in order to keep assets in a state of good repair.

Financial Stability Policy

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

1. Preservation of the level of fixed route transit service and paratransit service provided to VTA riders to the extent possible. This includes developing a service plan that is in accordance with VTA's Transit Sustainability Policy and service design guidelines and in the best interest of the public.
2. Direct support for the provision of transit service, i.e., only those core operating, management and administrative functions that are necessary and essential to providing the existing level of transit service, both in terms of the types of functions required and level of resources needed to support service. This is measured against industry standards and best practices with consideration of efficiencies achieved by reducing layers of management.
3. Support for Regional Partnerships (e.g., 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 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), was completed in June 2020. The second phase is known as the Silicon Valley Santa Clara Extension (SVSX) and will extend BART service six miles from the Berryessa Transit Center to Downtown San Jose terminating at Santa Clara, near the 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 Berryessa Extension (SVBX), SVSX will be built by VTA, but operated by BART.

In April 2021, VTA submitted an application to receive federal funding through the Federal Transit Administration (FTA). VTA's application has advanced through FTA's technical review process and a Letter of Intent (LOI) was issued by FTA in October 2021. The LOI specifies conditions to be met and indicates FTA's intention to obligate federal funds through a Full Funding Grant Agreement (FFGA) for the project scope as presented in VTA's funding application. Receipt of federal funding through the Expedited Pilot Delivery (EPD) program would complete the project's funding plan.

The SVSX cost estimate included in VTA's FTA funding application, which includes the construction of Newhall Maintenance Facility and purchase of BART vehicles, was approximately \$7.0 billion. The project will be funded by 2000 Measure A and 2016 Measure B sales tax revenue, along with federal and state funds. Revenue service for the project is anticipated to occur in late 2030.

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 2021 Annual Comprehensive Financial Report (ACFR). This is the 26th 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 Gonot
General Manager/CEO



Greg Richardson
Chief Financial Officer

THIS PAGE IS INTENTIONALLY LEFT BLANK

2022 VTA BOARD OF DIRECTORS

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

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

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

BOARD OF DIRECTORS June 2022 Charles “Chappie” Jones, Chairperson Rich Constantine, Vice Chairperson			
GROUP 1 (San Jose) City of San José		GROUP 4 (South County) City of Gilroy City of Morgan Hill	
Sergio Jimenez Magdalena Carrasco Sam Liccardo* Raul Peralez Devora “Dev” Davis, Alternate		Marie Blankley, Alternate Rich Constantine	
GROUP 2 (North West) City of Los Altos Town of Los Altos Hills City of Mountain View City of Palo Alto		GROUP 5 (North East) City of Santa Clara City of Sunnyvale City of Milpitas	
Lynette Lee Eng, Alternate Pat Burt		Sudhanshu “Suds” Jain Glenn Hendricks Carmen Montano, Alternate	
GROUP 3 (West Valley) City of Campbell City of Cupertino Town of Los Gatos City of Monte Sereno City of Saratoga		GROUP 6 (Santa Clara County) County of Santa Clara	
Darcy Paul Rob Rennie, Alternate		Cindy Chavez* Otto Lee	
Ex-Officio* Metropolitan Transportation Commission (MTC) Commissioners representing Santa Clara County, Cities of Santa Clara County, and City of San Jose			
Margaret Abe-Koga*			

*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

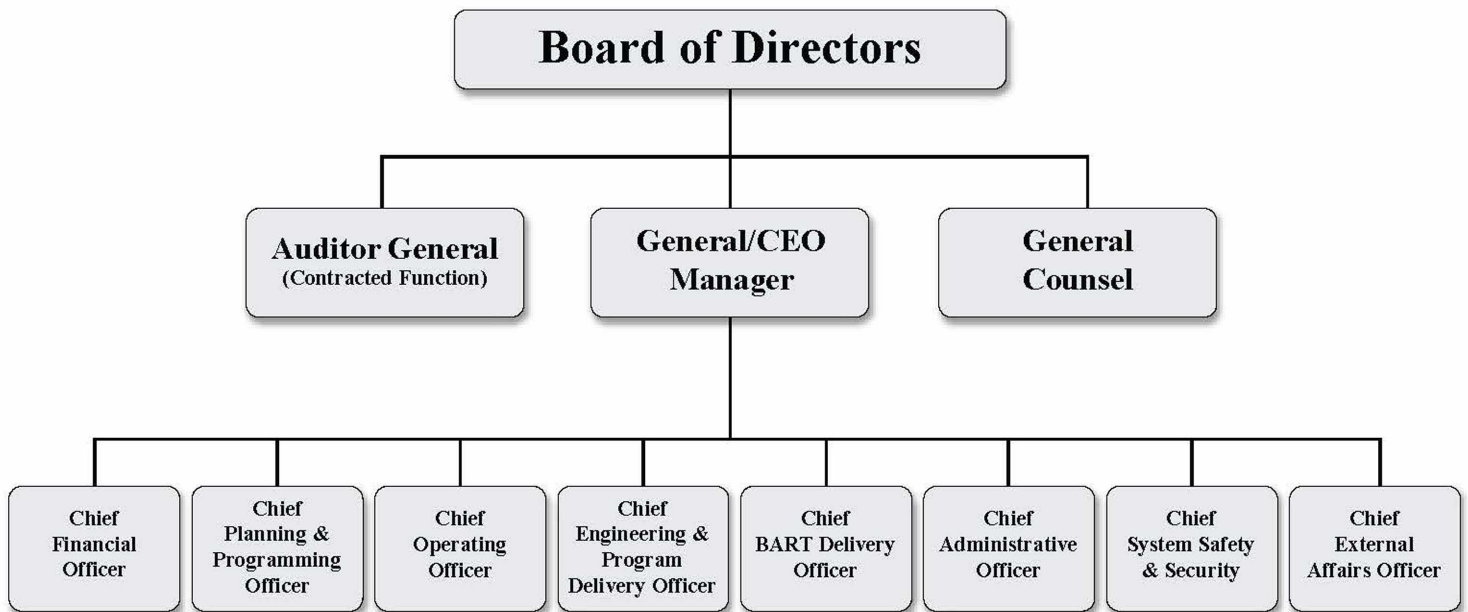
These Policy Advisory Boards (PABs) ensure the local jurisdictions affected by major transportation improvement projects are involved in the planning, design, and construction. Membership for each PAB varies. There are currently four active PABs:

- **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, 2022



Principal Officials as of June 30, 2022

General Manager/CEO	Carolyn Gonot
General Counsel	Evelynn Tran
Auditor General (Contracted Function)	Scott Johnson
Chief Financial Officer	Greg Richardson
Chief Planning & Programming Officer	Deborah Dagang
Chief Operating Officer	David C. Hill
Chief Engineering & Program Delivery Officer	Casey Emoto
Chief BART Delivery Officer	Takis Salpeas
Chief Administrative Officer	Jaye Bailey
Chief System Safety & Security	VACANT
Chief External Affairs Officer	Jim Lawson

Legend
VTA Transit Services

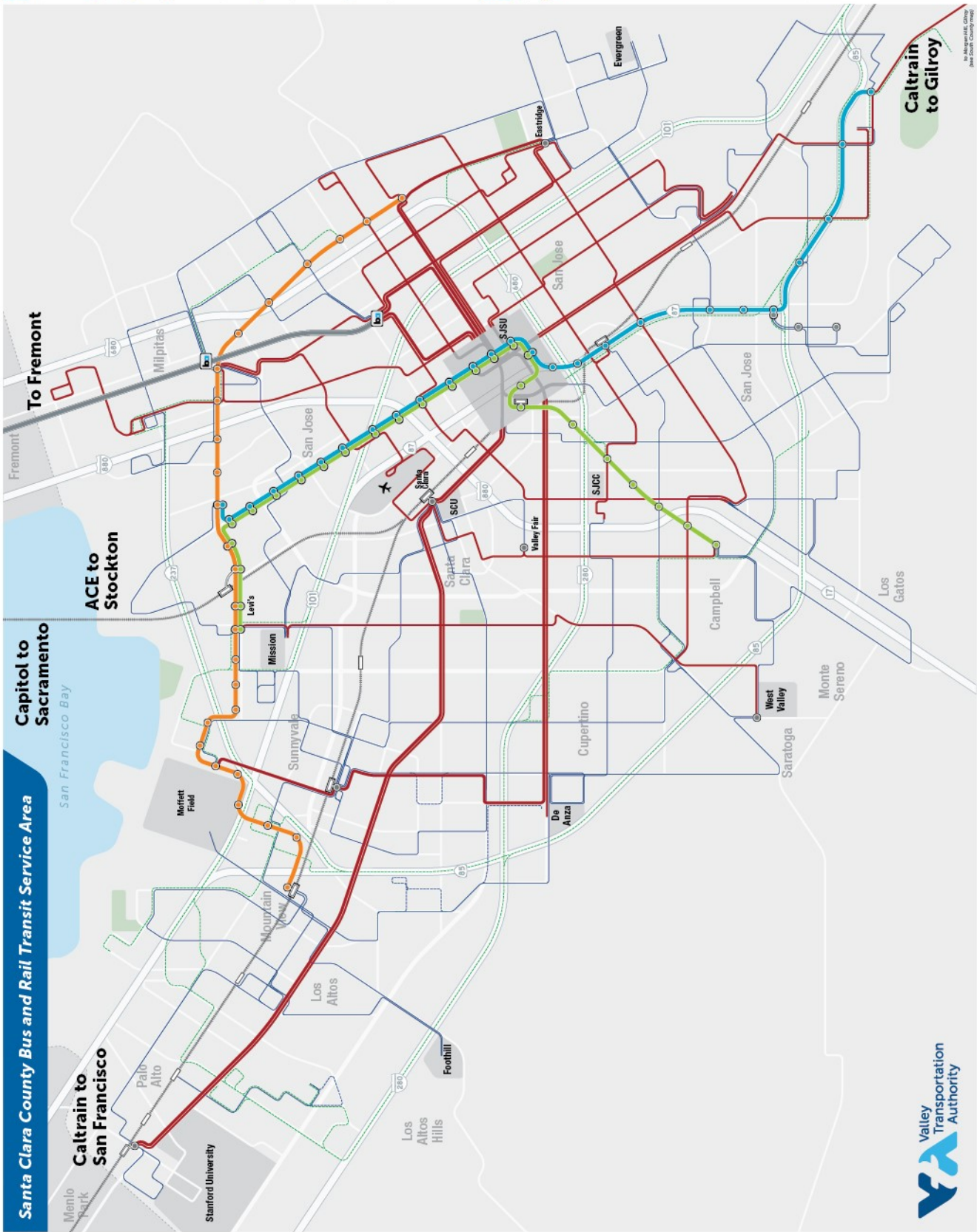
- Light Rail
- B BLUE LINE**
Baypointe–Santa Teresa
 - G GREEN LINE**
Winchester–Old Ironsides
 - O ORANGE LINE**
Alum Rock–Mountain View
- Transfer Station

Bus
BUS LINES

Partners & Neighbors

- BART**
- Caltrain · ACE · Amtrak
- ACE**

South County



THIS PAGE IS INTENTIONALLY LEFT BLANK

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:

Enterprise Funds:

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

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

Fiduciary Funds:

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

THIS PAGE IS INTENTIONALLY LEFT BLANK



INDEPENDENT AUDITOR'S REPORT

THIS PAGE IS INTENTIONALLY LEFT BLANK



CPAs & BUSINESS ADVISORS

Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities, governmental activities, each major fund, and the aggregate remaining fund information of the Santa Clara Valley Transportation Authority (VTA), as of and for the year ended June 30, 2022, 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, governmental activities, each major fund, and the aggregate remaining fund information of VTA, as of June 30, 2022, 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 (Government Auditing Standards)*, issued by the Comptroller General of the United States. 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.

Emphasis of Matter - Adoption of New Accounting standard

As discussed in Notes 2 and 21 to the financial statements, VTA has adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 87, *Leases*, for the year ended June 30, 2022. Accordingly, a restatement has been made which has resulted in a restatement of the net position and fund balance as of July 1, 2021. Our opinions are not modified with respect to this matter.

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.

What inspires you, inspires us. | eidebailly.com

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:

- a. Exercise professional judgment and maintain professional skepticism throughout the audit.
- b. 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.
- c. 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.
- d. 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.
- e. 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, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 enterprise, special revenues and fiduciary fund supplementary information, the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The enterprise, special revenues and fiduciary funds supplementary information 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 auditing standards generally accepted in the United States of America. In our opinion, the enterprise, special revenues and fiduciary funds supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole for the year ended June 30, 2022.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of VTA as of and for the year ended June 30, 2021 (not presented herein), and have issued our report thereon dated October 28, 2021, which contained unmodified opinions on the respective financial statements of the business-type activities, the governmental activities, each major fund, and the aggregate remaining fund information. The enterprise fund supplementary information as of and for the year ended June 30, 2021 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the June 30, 2021 financial statements. The enterprise fund supplementary information as of and for the year ended June 30, 2021 have been subjected to the auditing procedures applied in the audit of the 2021 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the enterprise fund supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2021.

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 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 28, 2022 on our consideration of VTA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 28, 2022

THIS PAGE IS INTENTIONALLY LEFT BLANK



**MANAGEMENT'S DISCUSSION AND ANALYSIS
(Required Supplementary Information)**

THIS PAGE IS INTENTIONALLY LEFT BLANK

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 2022. 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, 2022, VTA's net position, business-type and governmental activities, amounted to approximately \$6.4 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.
- The 1976 Sales Tax revenue increased \$37.9 million, or 17% from the FY 2021 level to \$258.5 in FY 2022. The growth is consistent with improved economic indicators.
- BART Operating Sales Tax revenues increased \$9.4 million. The increase is an outcome of improved consumer and business spending despite lingering impacts from the COVID-19 and substantial upticks in inflation.
- The 2000 Measure A and the 2016 Measure B Sales Tax revenues increased \$38.0 million and \$37.6 million, respectively. Similar to the other sales tax revenues, the growth reflects more favorable sales tax receipts than the prior year as unemployment continues to decline despite inflationary challenges.
- The three board-designated reserves; i.e., Transit Operating Reserve, Debt Reduction Reserve, and Sales Tax Stabilization Reserve were \$81.6 million, \$317.7 million, and \$35.0 million, respectively. Any of these reserves may be reduced by the amount of set aside for Net Pension Liability established in compliance with GASB 68 in the amount of \$290.2 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 \$94.6 million higher, or 42.6% in FY 2022. The increase was largely due to the receipt of relief funds of \$39.3 million from the Coronavirus Response and Relief Supplemental Appropriations Act and \$128.4 million from the American Rescue Plan Act. There was a year-to-year decrease of \$15.0 million in Transportation Development Act (TDA) due to a reduction in revenue recognition from potential attrition in allocated TDA. This was brought about by a state claim that related taxes from online sales were misallocated. This reduction was partially offset by an increase in State Transit Assistance (STA) of \$8.2 million. STA increase was attributed to the growth in spending ability and rise in diesel prices.

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 2-32 through 2-97 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 2-98 through 2-110 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 2-111 through 2-120 of this report.

- 4. Government-Wide Financial Analysis.** The Government-Wide change in net position was \$279.1 million. The Business-Type activities' net position increased by \$199.5 million while the Governmental activities' net position grew by \$79.6 million. The increase in the business-type net position was mainly due to sales tax receipts, operating grants, capital acquisition transfers that were partially offset by capital grants from FTA. The increase in the governmental activities' net position reflects growth in the 2016 Measure B and 2000 Measure A sales tax receipts, as well as capital grants from the federal funding grant agreement related to the Silicon Valley Berryessa Extension, and other highways projects. 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 \$258.5 million, \$258.5 million, \$258.0 million, and \$63.3 million, respectively. During FY 2022, VTA acquired or built total capital assets of approximately \$202.3 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 2022 and FY 2021
(In thousands)

	Business -Type Activities		Governmental Activities		Total	
	2022	2021	2022	2021	2022	2021
Asset:						
Current and other assets	\$ 1,488,083	\$ 1,219,706	\$ 1,265,052	\$ 1,220,047	\$ 2,753,135	\$ 2,439,753
Capital assets, net	5,205,600	5,196,875	—	—	5,205,600	5,196,875
Total assets	6,693,683	6,416,581	1,265,052	1,220,047	7,958,735	7,636,628
Deferred outflows of resources	113,216	69,580	43,904	81,968	157,120	151,548
Liabilities:						
Current liabilities	134,757	60,660	106,972	105,852	241,729	166,512
Long-term liabilities outstanding	525,553	500,120	774,921	848,475	1,300,474	1,348,595
Total liabilities	660,310	560,780	881,893	954,327	1,542,203	1,515,107
Deferred inflows of resources	138,104	116,376	2,691	2,887	140,795	119,263
Net position:						
Net investment in capital assets	5,097,498	5,078,709	—	—	5,097,498	5,078,709
Restricted	10,030	10,388	983,898	914,620	993,928	925,008
Unrestricted	900,957	719,908	(559,526)	(569,819)	341,431	150,089
Total net position	\$ 6,008,485	\$ 5,809,005	\$ 424,372	\$ 344,801	\$ 6,432,857	\$ 6,153,806

The largest portion of VTA’s net position (approximately 79%) reflects its investment in capital assets (e.g., land, buildings, infrastructure, vehicles, and equipment), less any related outstanding debt used to acquire those assets. VTA uses these capital assets to provide services to its customers. Consequently, these assets are not available for future spending. Although VTA’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot reasonably be used to liquidate these liabilities. The restricted net position represents mainly the funds set aside for the 1996 Measure B program, 2016 Measure B program, debt service collateral with the bond trustees, swap collateral, 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 Reserve; Debt Reduction; Express Lanes and Joint Development Program funds; Sales Tax Stabilization; Net Pension Liability; Net OPEB Asset and Net Leased Asset. The unrestricted net position is generally available for appropriation with Board approval. The details of net position categories are shown in Note 2(j).

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

benefits provided through a defined benefit pension plan. This liability consists of \$81.8 million for CalPERS and \$235.1 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, 2022, VTA showed a Net OPEB Asset for the excess of contributions to and earnings of the plan in relation to actual OPEB cost. VTA reported Net OPEB Asset which was included in the net position of \$91.9 million as of June 30, 2022.

Net Leased Asset of \$1.6 million 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, short-term leases, and leases that transfer ownership of the underlying asset. 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, 2022, Net Leased Asset was \$1.6 million.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Condensed Statement of Activities

For the FY 2022 and FY 2021

(In thousands)

	Business-Type Activities		Governmental Activities		Total	
	2022	2021	2022	2021	2022	2021
Expenses:						
Labor, overhead, materials and professional services and other operations	\$ 708,316	\$ 638,943	\$ 8,165	\$ 7,923	\$ 716,481	\$ 646,866
Capital expense, on behalf of, and contribution to other agencies	3,178	5,850	185,990	149,836	189,168	155,686
Altamont Corridor Express and Caltrain subsidies	12,457	14,693	—	—	12,457	14,693
Program payments	—	—	20,181	17,767	20,181	17,767
Other expenses	681	618	600	1,453	1,281	2,071
Claims and change in future claim estimates	15,594	19,067	—	—	15,594	19,067
Interest expense	5,206	5,972	35,158	26,528	40,364	32,500
Total expenses	745,432	685,143	250,094	203,507	995,526	888,650
Program revenues:						
Charges for services	40,221	22,253	3,082	3,007	43,303	25,260
Operating grants	316,428	221,874	111,751	120,538	428,179	342,412
Capital grants	10,643	20,133	—	—	10,643	20,133
Total program revenues	367,292	264,260	114,833	123,545	482,125	387,805
Net program revenues (expenses)	(378,140)	(420,883)	(135,261)	(79,962)	(513,401)	(500,845)
General revenues and transfers:						
Sales tax revenue	321,768	274,498	516,470	440,862	838,238	715,360
Investment earnings/(losses)	(22,637)	5,197	(27,136)	3,601	(49,773)	8,798
Other general revenue	3,198	2,874	789	681	3,987	3,555
Total general revenues	302,329	282,569	490,123	445,144	792,452	727,713
Excess or deficiency of revenues over expenses	(75,811)	(138,314)	354,862	365,182	279,051	226,868
Transfers	275,291	239,152	(275,291)	(239,152)	—	—
Change in net position	199,480	100,838	79,571	126,030	279,051	226,868
Net position, beginning of year	5,809,005	5,708,167	344,801	181,677	6,153,806	5,889,844
Restatement due to change in accounting principles, GASB 84	—	—	—	37,094	—	37,094
Net position, beginning of year as restated	5,809,005	5,708,167	344,801	218,771	6,153,806	5,926,938
Net position, end of year	\$6,008,485	\$5,809,005	\$ 424,372	\$ 344,801	\$6,432,857	\$6,153,806

Business-Type Activities – The total net position is \$6.0 billion as of June 30, 2022. The increase is attributed to the year's change in net position of \$199.5 million. Major elements of changes in net position were as follows:

- The increase in operating grants of \$94.6 million was largely due to \$39.3 million from the Coronavirus Response and Relief Supplemental Appropriations Act and \$128.4 million from the American Rescue Plan Act. There was an increase in the State Transit Assistance (STA) of \$8.2 million, as a result of increase in sales tax prices for diesel as well as increase in consumption. An offsetting decrease was reflected in the Transportation Development Act (TDA) of \$15.0

million due to the conservative recognition of revenue to reflect uncertainties that could potentially result in sales tax attrition of online sales in the state.

- The decrease in capital grants of \$9.5 million was primarily due to lesser capital activities funded by the Public Transportation Modernization Improvement Service Enhancement Act (PTMISEA). Certain projects such as the Electric Bus Pilot Program funded by Low Carbon Transit Operation Program (LCTOP); and Diridon Station Intermodal Conceptual Plan funded by High Speed Rail (HSR) did not report any related grant-eligible activities in FY 2022.
- Sales Tax Revenue increased \$47.3 million due to continued improvement in consumer and business spending, despite inflationary impacts, as the State and the County adapted to lingering challenges from COVID-19.
- Investment Earnings associated with interest income, unrealized gains/losses, and trading gains/losses decreased by \$27.1 million. The decline was largely due to mark-to-market losses from higher interest rates than previous year.
- The increase in program expenses of \$60.3 million was mainly a result of increase in labor, services, materials and supplies. Labor cost increase was in accordance with the provisions of various collective bargaining agreements. The increase in services, materials and supplies was partly due to the hiring of professional consultants for coaching and training services; as well as rise in diesel prices. Service level increased from prior year as VTA restored light rail service in phases, following the shutdown due to the Guadalupe incident; and introduced new bus and shuttle routes (service between South County and downtown San Jose; and shuttle service between Diridon and Valley Medical Center). Other program expense increase relates to the BART Operating and Maintenance Fund for the increment in the BART Augmentation Subsidy and increased security services at BART station facilities in Milpitas and Berryessa. Depreciation expense also increased as new assets were completed or procured (such as Traction Power Substation, Rail Replacement and Rehabilitation - Tracks and Signals, Electric Bus Pilot Program, Rapid 523 Bus Stop Improvements and US101/SR85 Express Lane).

Purchased transportation costs grew by \$4.1 million, but were partly offset by a decline in capital contributions to other agencies of \$2.7 million. The contract with the primary provider for the American for Disabilities Act (ADA) program was amended to provide assistance to the contractor in sustaining its operations which was heavily impacted by the pandemic. The decline in capital contribution to other agencies is a result of payments made to Caltrain for the grade separation and other capital projects in the prior year that did not happen again in FY 2022.

Governmental Activities – As of June 30, 2022, the net position of governmental activities is \$424.4 million. The increase is attributed to the year's change in net position of \$79.6 million. Major components of changes in net position were as follows:

- The 2000 Measure A Special Revenue Fund is used to account for the 2000 Measure A Transit Improvement Program (TIP). Voters of the County of Santa Clara approved funding through a half-cent sales tax requiring that sales tax revenues be expended on projects included in the scope of 2000 Measure A. In FY2022, the 2000 Measure A Fund's net position was \$64.1 million lower as growth from sales tax revenues was offset by decrease in grant-reimbursable activities and loss in market value of investments.
- The 2016 Measure B Program Special Revenue Fund was created, upon approval of the Santa Clara County voters in November 2016, to record a 30-year half cent county-wide sales tax transactions in support of enhancing transit, highways, expressway and active transportation (bicycles, pedestrians and streets). In FY2022, the 2016 Measure B Fund's net position was \$109.7 million higher where sales tax revenues exceeded increases in capital expenditures.
- The Congestion Management Program (CMP) Special Revenue Fund relates to Congestion Management Agency functions performed by VTA for Santa Clara County. The change in net position relates to eligible activities funded by the Surface Transportation Program and State Transportation Improvements Program grants, member assessments, and other state grants. The change in fund balance was a decrease of \$281 thousand. The Surface Transportation Program (STP) grant revenue declined in FY 2022.
- The Congestion Management and Highway Program (CMHP) reported \$72.4 million in grant revenues and capital expenditures; an increase of \$10.0 million from previous year's activities. This was a result of increased activities on certain projects associated mainly with the improvements to US101 Dela Cruz Blvd/Trimble Road, US101/Zanker Road/Skyport Drive/North 4th Street, I280/Wolfe Rd, and US101/SR25 interchanges.
- Senate Bill 83 Vehicle Registration Fee (VRF) and Bay Area Air Quality Management District (BAAQMD) Program had fund balance decrease of \$2.1 million and \$501 thousand, respectively. Program payments were more than grant receipts. Both funds reported investment loss from mark-to market valuation.

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 2022 and FY 2021
(In thousands)

Enterprise Funds Revenue	2022	2021	Change	
			Favorable/(Unfavorable)	
			Amount	Percent
Charges for services	\$ 40,221	\$ 22,253	\$ 17,968	80.74 %
Operating grants	316,428	221,874	94,554	42.62 %
Capital grants	10,643	20,133	(9,490)	(47.14)%
1976 half-cent sales tax	258,474	220,581	37,893	17.18 %
BART Operating Sales Tax	63,294	53,917	9,377	17.39 %
Investment earnings	(22,024)	5,069	(27,093)	(534.48)%
Other income	1,906	2,383	(477)	(20.02)%
Transfers in	275,291	239,152	36,139	15.11 %
Total	\$ 944,233	\$ 785,362	\$ 158,871	20.23 %

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), paratransit fares, toll fees, advertising income, and joint development rent, were \$40.2 million in FY 2022. Charges for Services increased by \$18.0 million or 80.7% from FY 2021 primarily due to improved ridership as it rebounded from the slump of the COVID-19 pandemic in the prior year. US101/SR85 Express Lane also started collecting toll revenues in February 2022.

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 funding from the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) and American Rescue Plan Act (ARPA). In FY 2022, total operating grants increased \$94.6 million or 42.6% from the FY 2021 level, largely as a result of the receipt of relief funds.

The State Transit Assistance (STA) funds are derived from state sales tax on diesel fuel. STA apportionments are made to regional transportation planning agencies (Metropolitan Transportation Commission in the San Francisco Bay Area Region) based on a formula that allocates 50% of the funds according to population and 50% according to the transit operator’s qualified revenues compared to all transit operators statewide from two years prior to the fiscal

year of allocation. The increase in STA revenue of \$8.2 million was attributed to higher diesel prices and consumption as economy continued to improve and COVID19 restrictions eased up.

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 \$15.0 million resulting from conservative recognition of revenue. This was brought about by uncertainties from potential sales tax attrition, pending resolution on a claim of tax misallocations for online sales within the state.

Capital Grants – Capital grants appear under VTA Transit and Joint Development Funds. In the VTA Transit Fund, capital grants include Federal Transit Administration (FTA) Federal Sections 5307, 5337 and 5339; other federal pass-throughs; Public Transportation Modernization Improvement and Service Enhancement Account (PTMISEA); Transportation for Clean Air, and various State transit-related capital grants; capital contributions from local agencies, and reimbursements received by VTA for capital expenses undertaken on behalf of other agencies. Total capital grants declined by \$9.5 million or 47.1% to \$10.6 million. The decline reflects a reduction in federal and state grant receipts due to projects that were completed or nearing completion (such as Sec 5307 and PTMISEA for Light Rail Crossover and Switches). Certain projects funded by High Speed Rail and Low Carbon Transit Operation Program, also reported no related grant reimbursable activities this year unlike the prior year.

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 2022, total sales tax revenues were \$258.5 million, a \$37.9 million or 17% increase compared to the prior fiscal year’s sales tax revenue. Sales tax receipts year-to-year increased, despite increasing inflationary impacts, as overall consumer and business spending improved.

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 2022, total sales tax revenue under the BART Operating Fund was \$63.3 million, a \$9.4 million or 17% increase compared to last year. Similar to the other sales tax revenues, the receipts grew relative to the prior year as economy started to recover from lingering effects of the pandemic.

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 decreased by \$27.1 million primarily due to mark-to-market loss resulting from modestly higher interest rates.

Other income – Other income includes revenues from permit fees, property rentals, proceeds from the sale of fixed assets, parking citations, and other non-operating activities. Other income decreased by \$477 thousand in FY 2022. Rental income of properties that qualified under GASB 87, *Leases*, was classified under Charges for Services.

Transfers-in - FY 2022 reported a total transfer-in of \$275.3 million primarily from the capital acquisitions from the 2000 Measure A Program Fund to the VTA Transit Fund and the BART Operating Fund of \$174.8 million, 2000 Measure A and 2016 Measure B operating assistance of \$77.2 million, Measure A Repayment Obligation of \$17.6 million, and capital acquisitions from the Congestion Management and Highway Program to Express Lanes Fund totaling \$5.7 million.

**Comparison of Enterprise Funds Expenses
FY 2022 and FY 2021
(In thousands)**

Enterprise Funds Expenses	2022	2021	Change	
			Favorable/(Unfavorable)	Amount
Operations and support services	\$ 723,324	\$ 657,391	\$ (65,933)	(10.03)%
Caltrain and ACE subsidy	12,457	14,693	2,236	15.22 %
Other expenses	9,065	12,440	3,375	27.13 %
Total	\$ 744,846	\$ 684,524	\$ (60,322)	(8.81)%

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 2022, operations and support services expense was \$65.9 million or 10.0% higher compared to that of FY 2021. The increase was mainly due to increases in labor, service, materials and insurance, as well as depreciation.

Change in labor cost included wage increases in accordance with the collective bargaining agreements. Professional services were procured to provide coaching and training to employees in support of the mental health resiliency program. Supplemental law enforcement was also procured

to strengthen security at the Milpitas and Berryessa transit centers. Provision for general liability insurance was at the actuarially-required level and had increased due to the Guadalupe incident. Depreciation expense increase was due to new fixed assets procured or built during the year (such as electric buses, traction power substation, bus stop improvements, as well as light rail and bus network CCTVs.)

Caltrain and ACE Subsidy - Subsidies to Caltrain and ACE amounted to \$9.1 million and \$3.3 million, respectively, in FY 2022. Due to the passage of Measure RR in November 2020 that provided a dedicated funding source for Caltrain, VTA was no longer required to contribute to the operating and capital costs of the Caltrain. In FY 2022, however, VTA paid \$9.1 million for the outstanding balance owed pursuant to the 2008 Real Property Ownership Amendment and agreement to assign certain rights as Managing Agency to the Joint Powers Board.

Other Expenses – Other Expenses decreased by \$3.4 million. Prior year reported project expenditures associated with Caltrain Grade Separation and Caltrain Capital Contribution that did not recur in FY 2022.

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, 2022.

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 2022 and FY 2021
(In thousands)

Special Revenue Funds	2022	2021	Change	
			Favorable/(Unfavorable)	
			Amount	Percent
Total revenues	\$ 604,956	\$ 568,689	\$ 36,267	6.38 %
Total expenditures	(287,002)	(237,917)	(49,085)	(20.63)%
Transfers out	(275,291)	(239,152)	(36,139)	(15.11)%
Proceeds from bond issuance	—	67,173	(67,173)	(100.00)%
Payment for bond refunding	—	(68,234)	68,234	100.00 %
Change in fund balances	42,663	90,559	(47,896)	(52.89)%
Fund balances, beginning of year	1,124,039	996,386	127,653	12.81 %
Restatement due to change in accounting principles, GASB 84	—	37,094	(37,094)	
Fund balances, beginning of year as restated	1,124,039	1,033,480	90,559	8.76 %
Fund balances, end of year	<u>\$ 1,166,702</u>	<u>\$ 1,124,039</u>	<u>\$ 42,663</u>	3.80 %

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 2022, total revenues for Congestion Management and Highway Program were \$72.4 million, which represent the total amount expended on the projects and fully funded by other governmental agencies. The increase of \$17.1 million in grant revenues and capital expenditures was largely attributed to project activities related to improvements to US101 De la Cruz Blvd/Trimble. Other projects which reported activities in FY 2022 involved the interchanges at I-280/Wolfe Rd, US101/Blossom Hill Road and US101/SR 25, as well as the Noise Reduction Program on SR85.

Total revenues under the Special Revenue Fund primarily include sales tax, grants, investment earnings, member assessments, and vehicle registration fees. This was reported at \$605.0 million in FY 2022, an increase of \$36.3 million from the preceding year. For FY 2022, total sales tax revenues were \$516.5 million, a \$75.6 million or 17.2% increase compared to the prior fiscal year's sales tax revenue. The favorable increases were due to improved economic conditions where receipts outpaced the prior year despite rising inflationary challenges.

Total expenditures were \$287.0 million an increase of \$49.1 million from FY 2021. The increase was largely from 2016 Measure B activities on highway interchanges, local streets and roads as well as county expressways. Congestion Management and Highway Program also reported major activities in various projects such as the US101/De La Cruz Blvd./Trimble Road, US101/Zanker Rd/Skyport Dr/4th St, US101/SR25, and 1-280/Wolfe Road.

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, 2022, investment in capital assets net of accumulated depreciation, amounts to \$5.2 billion. This investment in capital assets includes Land and Right-of-Way, Buildings, Improvements, Equipment & Furniture, Vehicles, the Caltrain-Gilroy Extension, Light Rail Tracks/Electrification, Leasehold Improvements, and Other Operating Equipment. During FY 2022, VTA acquired and constructed \$202.3 million of capital assets.

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

	2022	2021
Land and Right-of-way	\$ 1,850,218	\$ 1,848,342
Construction in progress	1,067,584	1,019,068
Buildings and improvements	905,160	911,045
Furniture and fixtures	235,742	285,051
Vehicles	378,819	391,453
Caltrain-Gilroy Extension	29,907	31,338
Light Rail Tracks/Electrification	700,339	701,677
Other operating equipment	32,330	5,124
Leasehold improvements	3,277	3,777
Right-to-use assets	2,224	—
Total	<u>\$ 5,205,600</u>	<u>\$ 5,196,875</u>

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

Long-term debt – At year end, VTA has \$852.4 million bonds outstanding. For FY 2022, the total principal debt payment made was approximately \$51.2 million, and total amortization of the bond premium was \$2.8 million.

Outstanding Debt		2022	2021
(In thousands)		<u> </u>	<u> </u>
Business-type Activities:			
Sr. Lien Sales Tax Revenue Bonds (1976 Tax)	\$	95,035	\$ 113,160
Secured by Toll Revenues		23,247	23,302
Governmental Activities:			
Sr. Lien Sales Tax Revenue Bonds (2000 Tax)		734,086	769,949
Total	\$	<u>852,368</u>	<u>\$ 906,411</u>

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

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

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

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

Economic Factors and New Year's Budgets

On June 3, 2021 by the VTA Board of Directors. The VTA Transit operating budget was \$531.9 million for FY 2022 and \$543.9 million for FY 2023. There are no proposed changes to fares. With minor changes to staffing, the VTA Transit Proposed Budget reflects an increase in service levels to pre-pandemic levels. The implementation of the 2019 New Transit Service Plan (NTSP) in December 2019, resulted in increased ridership and boarding per hour, but was interrupted by the outbreak of the COVID-19 pandemic and subsequent shelter-in-place-order. As the economy continued to reopen and the government reduced pandemic-related restrictive measures, VTA continued to restore transit services to the intended level of the NTSP during FY 2022.

The Proposed Budget includes funding for state of good repair projects including the purchase of electric and hybrid buses to replace those that have exceeded their useful life, the rehabilitation of VTA's rail infrastructure, overhead catenary system, light rail system elevators and escalators, passenger facilities, information systems. In FY 2022, the Capital Program also invested in strategies that focuses on increasing VTA transit speed; improving reliability, service and safety, upgrades and enhancements of information systems and technology; as well as reducing operating costs.

Part of the Proposed Budget is the operations and maintenance of Silicon Valley Berryessa Extension (SVBX), phase 1 of the Silicon Valley BART Extension. FY 2022 was the second full year of operation since it began revenue service in June 2020. The Proposed FY 2022 and FY 2023 2000 Measure A Capital Program includes additional appropriation for Silicon Valley Santa Clara Extension (SVSX), phase 2 of the Silicon Valley BART Extension. This project is planned to utilize cash-on-hand and projected cash receipts; it does not anticipate incurring additional debt in this two-year period.

Requests for Information

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

THIS PAGE IS INTENTIONALLY LEFT BLANK



BASIC FINANCIAL STATEMENTS

THIS PAGE IS INTENTIONALLY LEFT BLANK

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Statement of Net Position

June 30, 2022

(In thousands)

	Business-Type Activities	Governmental Activities	Total
ASSETS:			
Cash and investments	\$ 1,102,058	\$ 1,080,262	\$ 2,182,320
Receivables, net	6,826	519	7,345
Internal balances	1,230	(1,230)	—
Other receivables	3,311	—	3,311
Due from other agencies	84,061	134,833	218,894
Inventories	28,571	—	28,571
Other current assets	6,117	5	6,122
Restricted cash and investments	106,624	50,663	157,287
Long-term receivable	266	—	266
Leases receivable	67,012	—	67,012
Net OPEB asset	82,007	—	82,007
Capital assets:			
Capital assets - nondepreciable	2,917,802	—	2,917,802
Capital assets - depreciable, net of accumulated depreciation	2,285,574	—	2,285,574
Right to use assets, net of accumulated amortization	2,224	—	2,224
Total assets	6,693,683	1,265,052	7,958,735
DEFERRED OUTFLOWS OF RESOURCES:			
Hedging derivative instruments	—	40,835	40,835
Refunding amounts	3,826	3,069	6,895
Pension related	75,848	—	75,848
OPEB related	33,542	—	33,542
Total deferred outflows of resources	113,216	43,904	157,120
LIABILITIES:			
Accounts payable and accrued expenses	30,379	67,078	97,457
Deposits	623	—	623
Accrued payroll and related liabilities	11,620	—	11,620
Bond interest and other fees payable	632	8,622	9,254
Unearned revenues	31,824	532	32,356
Other accrued expenses	520	—	520
Due to other agencies	59,159	30,740	89,899
Noncurrent liabilities:			
Due within one year: Bonds, notes, leases, claims, comp absences	37,064	36,460	73,524
Due in more than one year:			
Bonds, notes, leases, claims, comp absences	171,542	697,626	869,168
Derivative instruments	—	40,835	40,835
Net pension liability	316,947	—	316,947
Total liabilities	660,310	881,893	1,542,203
DEFERRED INFLOWS OF RESOURCES:			
Pension related	49,125	—	49,125
OPEB related	23,612	—	23,612
Leased asset related	65,367	—	65,367
Deferred amount on refunding	—	2,691	2,691
Total deferred inflows of resources	138,104	2,691	140,795
NET POSITION:			
Net investment in capital assets	5,097,498	—	5,097,498
Restricted:			
1996 Measure B transit program	1,701	—	1,701
2016 Measure B transit program	—	856,034	856,034
Air quality program	—	4,227	4,227
Pollution mitigation	—	31,359	31,359
Swap collateral	—	40,835	40,835
Debt service	8,329	49,507	57,836
Congestion management program	—	1,936	1,936
Unrestricted (Note 2j)	900,957	(559,526)	341,431
Total net position	\$ 6,008,485	\$ 424,372	\$ 6,432,857

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Statement of Activities
For the year ended June 30, 2022
(In thousands)

	Business-Type Activities	Governmental Activities	Total
	Transit	Congestion Management	
EXPENSES:			
Labor, overhead, materials and professional services and other operations	\$ 708,316	\$ 8,165	\$ 716,481
Capital expenses on behalf of, and contribution to other agencies	3,178	185,990	189,168
Altamont Corridor Express and Caltrain subsidies	12,457	—	12,457
Program payments		20,181	20,181
Other expenses	681	600	1,281
Claims and change in future claim estimates	15,594	—	15,594
Interest expense	5,206	35,158	40,364
Total expenses	<u>745,432</u>	<u>250,094</u>	<u>995,526</u>
PROGRAM REVENUES:			
Charges for services	40,221	3,082	43,303
Operating grants	316,428	111,751	428,179
Capital grants	10,643	—	10,643
Total program revenues	<u>367,292</u>	<u>114,833</u>	<u>482,125</u>
Net program revenues (expenses)	<u>(378,140)</u>	<u>(135,261)</u>	<u>(513,401)</u>
GENERAL REVENUES AND TRANSFERS:			
General revenues:			
Sales tax revenue	321,768	516,470	838,238
Investment earnings/(losses)	(22,637)	(27,136)	(49,773)
Other general revenues	3,198	789	3,987
Transfers	275,291	(275,291)	—
Total general revenues and transfers	<u>577,620</u>	<u>214,832</u>	<u>792,452</u>
Change in Net Position	199,480	79,571	279,051
Net Position, beginning of year, as restated	5,809,005	344,801	6,153,806
Net Position, end of year	<u>\$ 6,008,485</u>	<u>\$ 424,372</u>	<u>\$ 6,432,857</u>

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Statement of Fund Net Position
Proprietary Funds
June 30, 2022
(In thousands)

	Business-Type Activities					Internal Service Fund
	VTA Transit	BART Operating	Express Lanes	Joint Development	Total Enterprise	
ASSETS:						
Current assets:						
Cash and cash equivalents	\$ 10,577	\$ 4,750	\$ 4,047	\$ 211	\$ 19,585	\$ 26,496
Investments	672,205	296,413	465	25,142	994,225	61,752
Receivables, net	5,669	557	588	12	6,826	—
Leases receivable	2,819	—	—	—	2,819	—
Due from other funds	4,535	—	—	6	4,541	—
Due from other agencies	72,301	11,652	—	108	84,061	—
Inventories	28,571	—	—	—	28,571	—
Other current assets	3,117	3,000	—	—	6,117	—
Restricted cash and cash equivalents with fiscal agent	1,744	98,295	6,585	—	106,624	—
Total current assets	801,538	414,667	11,685	25,479	1,253,369	88,248
Noncurrent assets:						
Long-term receivable	266	—	—	—	266	—
Leases receivable	64,193	—	—	—	64,193	—
Net OPEB asset	82,007	—	—	—	82,007	—
Capital assets - non-depreciable:						
Land and right of way	1,128,555	721,663	—	—	1,850,218	—
Construction in progress	195,803	864,627	4,607	2,547	1,067,584	—
Capital assets - depreciable/amortizable:						
Right-to-use assets	2,426	—	—	—	2,426	—
Caltrain - Gilroy extension	53,790	—	—	—	53,790	—
Buildings and improvements	690,006	515,734	1,882	—	1,207,622	—
Furniture and fixtures	176,941	338,877	7,488	—	523,306	—
Vehicles	655,583	144,666	—	—	800,249	—
Light-rail tracks and electrification	515,500	605,804	—	—	1,121,304	—
Leasehold improvements	9,851	—	—	—	9,851	—
Others	81,186	51	1,468	—	82,705	—
Less accumulated depreciation/amortization	(1,284,926)	(227,753)	(776)	—	(1,513,455)	—
Net capital assets	2,224,715	2,963,669	14,669	2,547	5,205,600	—
Total noncurrent assets	2,371,181	2,963,669	14,669	2,547	5,352,066	—
Total assets	3,172,719	3,378,336	26,354	28,026	6,605,435	88,248
DEFERRED OUTFLOWS OF RESOURCES:						
Refunding amounts	3,826	—	—	—	3,826	—
Pension related	75,848	—	—	—	75,848	—
OPEB related	33,542	—	—	—	33,542	—
Total deferred outflows of resources	113,216	—	—	—	113,216	—

(continued on next page)

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Statement of Fund Net Position (*continued*)
Proprietary Funds
June 30, 2022
(In thousands)

	Business-Type Activities					Internal Service Fund
	VTA Transit	BART Operating	Express Lanes	Joint Development	Total Enterprise	
LIABILITIES:						
Current liabilities:						
Current portion of long-term debt	16,910	—	70	—	16,980	—
Accounts payable and accrued expenses	27,693	498	1,573	492	30,256	123
Leases payable	144	—	—	—	144	—
Deposits	298	—	—	325	623	—
Accrued payroll and related liabilities	11,620	—	—	—	11,620	—
Bond interest and other fees payable	333	—	299	—	632	—
Unearned revenues	31,580	—	—	244	31,824	—
Other accrued expenses	520	—	—	—	520	—
Due to other agencies	59,159	—	—	—	59,159	—
Claims liability	—	—	—	—	—	5,649
Compensated absences	—	—	—	—	—	14,291
Total current liabilities	<u>148,257</u>	<u>498</u>	<u>1,942</u>	<u>1,061</u>	<u>151,758</u>	<u>20,063</u>
Noncurrent liabilities:						
Claims liability	—	—	—	—	—	41,386
Compensated absences	—	—	—	—	—	26,706
Long-term debt	78,125	—	23,177	—	101,302	—
Leases payable	2,148	—	—	—	2,148	—
Net pension liability	316,947	—	—	—	316,947	—
Total noncurrent liabilities	<u>397,220</u>	<u>—</u>	<u>23,177</u>	<u>—</u>	<u>420,397</u>	<u>68,092</u>
Total liabilities	<u>545,477</u>	<u>498</u>	<u>25,119</u>	<u>1,061</u>	<u>572,155</u>	<u>88,155</u>
DEFERRED INFLOWS OF RESOURCES:						
Pension Related	49,125	—	—	—	49,125	—
OPEB Related	23,612	—	—	—	23,612	—
Leased asset related	65,367	—	—	—	65,367	—
Total deferred inflows of resources	<u>138,104</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>138,104</u>	<u>—</u>
NET POSITION:						
Net Investment in Capital Assets	2,131,282	2,963,669	—	2,547	5,097,498	—
Restricted:						
1996 Measure B projects	1,701	—	—	—	1,701	—
Debt service	1,744	—	6,585	—	8,329	—
Unrestricted (Note 2j)	467,627	414,169	(5,350)	24,418	900,864	93
Total net position	<u>\$ 2,602,354</u>	<u>\$ 3,377,838</u>	<u>\$ 1,235</u>	<u>\$ 26,965</u>	<u>\$ 6,008,392</u>	<u>\$ 93</u>
Reconciliation of the Statement of Fund Net Position to the Statement of Net Position:						
Net Position of Enterprise Funds					\$ 6,008,392	
Net Position of Internal Service Funds, which benefits Business-Type Activities					93	
Net Position of Business-Type Activities (Page 2-21)					<u>\$ 6,008,485</u>	

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the year ended June 30, 2022
(In thousands)

	Business-Type Activities					Internal Service Fund
	VTA Transit	BART Operating	Express Lanes	Joint Development	Total Enterprise	
OPERATING REVENUES:						
Fares - Transit	\$ 20,885	\$ —	\$ —	\$ —	\$ 20,885	\$ —
Fares - Paratransit	1,036	—	—	—	1,036	—
Fares - Bart	—	4,182	—	—	4,182	—
Toll revenues collected	—	—	7,797	—	7,797	—
Advertising and others	3,057	—	—	—	3,057	—
Charges for services	2,597	—	—	667	3,264	17,957
Total operating revenues	<u>27,575</u>	<u>4,182</u>	<u>7,797</u>	<u>667</u>	<u>40,221</u>	<u>17,957</u>
OPERATING EXPENSES:						
Labor cost	344,133	1,481	—	—	345,614	—
Materials and supplies	37,401	4	—	—	37,405	—
Services	51,203	66,445	2,529	3,902	124,079	—
Utilities	9,124	48	54	—	9,226	—
Casualty and liability	16,890	441	—	—	17,331	—
Purchased transportation	25,783	—	—	—	25,783	—
Leases and rentals	1,326	—	—	—	1,326	—
Miscellaneous	1,426	3	4	7	1,440	2,949
Depreciation/amortization expense	85,526	108,040	776	—	194,342	—
Costs allocated to capital and other programs	(33,644)	—	353	69	(33,222)	—
Claims and change in future claims estimates	—	—	—	—	—	15,594
Total operating expense	<u>539,168</u>	<u>176,462</u>	<u>3,716</u>	<u>3,978</u>	<u>723,324</u>	<u>18,543</u>
Operating income/(loss)	<u>(511,593)</u>	<u>(172,280)</u>	<u>4,081</u>	<u>(3,311)</u>	<u>(683,103)</u>	<u>(586)</u>
NON-OPERATING REVENUES (EXPENSES):						
Sales tax revenue	258,474	63,294	—	—	321,768	—
Federal operating assistance and other grants	172,614	—	—	—	172,614	—
State and local operating assistance grants	143,814	—	—	—	143,814	—
Caltrain subsidy	(9,120)	—	—	—	(9,120)	—
Capital expense on behalf of, and contribution to other agencies	(1,025)	(1,149)	(1,004)	—	(3,178)	—
Altamont Corridor Express subsidy	(3,337)	—	—	—	(3,337)	—
Investment earnings/(losses)	(13,205)	(8,157)	(7)	(655)	(22,024)	(613)
Interest expense	(3,705)	—	(1,501)	—	(5,206)	—
Other income	1,906	—	—	—	1,906	1,292
Other expenses	(681)	—	—	—	(681)	—
Total non-operating revenue (expenses)	<u>545,735</u>	<u>53,988</u>	<u>(2,512)</u>	<u>(655)</u>	<u>596,556</u>	<u>679</u>
Income (loss) before capital contributions and transfers	34,142	(118,292)	1,569	(3,966)	(86,547)	93
Capital grants and contributions	10,260	—	—	383	10,643	—
Transfers in	95,408	174,123	5,684	76	275,291	—
Change in net position	<u>139,810</u>	<u>55,831</u>	<u>7,253</u>	<u>(3,507)</u>	<u>199,387</u>	<u>93</u>
Net Position, beginning of year, as restated	<u>2,462,544</u>	<u>3,322,007</u>	<u>(6,018)</u>	<u>30,472</u>	<u>5,809,005</u>	<u>—</u>
Net position, end of year	<u><u>\$2,602,354</u></u>	<u><u>\$ 3,377,838</u></u>	<u><u>\$ 1,235</u></u>	<u><u>\$ 26,965</u></u>	<u><u>\$ 6,008,392</u></u>	<u><u>\$ 93</u></u>

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	\$199,387
Change in net position of the Internal Service Fund, which benefits Business-Type Activities	93
Change in net position of Business-type Activities (Page 2-22)	<u>\$199,480</u>

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Statement of Cash Flows

Proprietary Funds

For the year ended June 30, 2022

(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	\$ 17,963	\$ 4,182	\$ —	\$ —	\$ 22,145	\$ —
Cash received from Paratransit fares	1,036	—	—	—	1,036	—
Cash received from Tolls	—	—	7,797	—	7,797	—
Cash received from advertising	3,683	—	—	—	3,683	—
Cash paid for labor costs	(343,304)	(1,481)	—	(69)	(344,854)	—
Cash paid to suppliers	(55,748)	(66,938)	(3,528)	(3,974)	(130,188)	—
Cash paid for purchased transportation	(25,783)	—	—	—	(25,783)	—
Cash received from contributions	—	—	—	—	—	17,957
Payments made to beneficiaries	—	—	—	—	—	(10,814)
Payments made to third party contractors	—	—	—	—	—	(2,949)
Other receipts/(payments)	2,597	—	1,259	776	4,632	—
Net cash provided by/(used in) operating activities	<u>(399,556)</u>	<u>(64,237)</u>	<u>5,528</u>	<u>(3,267)</u>	<u>(461,532)</u>	<u>4,194</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Operating grants received	321,773	—	—	—	321,773	—
Sales tax received	256,046	62,665	—	—	318,711	—
Caltrain subsidy	(9,120)	—	—	—	(9,120)	—
Altamont Corridor Express subsidy	(3,337)	—	—	—	(3,337)	—
Capital contributions to other agencies	(3,248)	(1,149)	(1,004)	—	(5,401)	—
Transfers in	94,744	—	—	76	94,820	—
Net cash provided by/(used in) non-capital financing activities	<u>656,858</u>	<u>61,516</u>	<u>(1,004)</u>	<u>76</u>	<u>717,446</u>	<u>—</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Payment of long-term debt	(19,625)	—	(55)	—	(19,680)	—
Advance (to)/from other governments	23,608	—	—	—	23,608	—
Interest and other fees paid on long-term debt	(2,710)	—	(1,501)	—	(4,211)	—
Acquisition and construction of capital assets	(84,220)	(209,935)	(5,387)	—	(299,542)	—
Capital contribution from other entities	45,993	—	—	441	46,434	—
Capital acquisition from other funds	664	174,123	5,684	—	180,471	—
Net cash provided by/(used in) capital and related financing activities	<u>(36,290)</u>	<u>(35,812)</u>	<u>(1,259)</u>	<u>441</u>	<u>(72,920)</u>	<u>—</u>
CASH FLOWS FROM INVESTING ACTIVITIES:						
Proceeds from sale of investments	588,813	215,101	734	33,561	838,209	69,890
Purchase of investments	(825,378)	(198,854)	(437)	(31,148)	(1,055,817)	(69,105)
Interest income received	7,892	2,508	9	268	10,677	277
Net cash provided by/(used in) investment activities	<u>(228,673)</u>	<u>18,755</u>	<u>306</u>	<u>2,681</u>	<u>(206,931)</u>	<u>1,062</u>
Net increase/(decrease) in cash and cash equivalents	<u>(7,661)</u>	<u>(19,778)</u>	<u>3,571</u>	<u>(69)</u>	<u>(23,937)</u>	<u>5,256</u>
Cash and cash equivalents, beginning of year	<u>19,982</u>	<u>122,823</u>	<u>7,061</u>	<u>280</u>	<u>150,146</u>	<u>21,240</u>
Cash and cash equivalents, end of year	<u>\$ 12,321</u>	<u>\$ 103,045</u>	<u>\$ 10,632</u>	<u>\$ 211</u>	<u>\$ 126,209</u>	<u>\$ 26,496</u>

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Statement of Cash Flows
 Proprietary Funds *(continued)*
 For the year ended June 30, 2022
 (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)	\$ (511,593)	\$ (172,280)	\$ 4,081	\$ (3,311)	\$ (683,103)	\$ (586)
Adjustments to reconcile operating income/(loss) to net cash provided by/(used in) operating activities:						
Depreciation	85,526	108,040	776	—	194,342	—
Changes in operating assets and liabilities:						
Other current assets	(605)	—	—	—	(605)	—
Receivables	(70,452)	—	(588)	(35)	(71,075)	—
Inventories	(845)	—	—	—	(845)	—
Accounts payable	62,800	3	1,259	—	64,062	—
Other accrued liabilities	6,071	—	—	—	6,071	4,780
Deposits from others	(3)	—	—	—	(3)	—
Unearned revenue	68,156	—	—	79	68,235	—
Pension and OPEB related	(38,611)	—	—	—	(38,611)	—
Net cash provided by/(used in) operating activities	<u>\$ (399,556)</u>	<u>\$ (64,237)</u>	<u>\$ 5,528</u>	<u>\$ (3,267)</u>	<u>\$ (461,532)</u>	<u>\$ 4,194</u>
Reconciliation of cash and cash equivalents to the Statement of Fund Net Position:						
Unrestricted:						
Cash and cash equivalents	\$ 10,577	\$ 4,750	\$ 4,047	\$ 211	\$ 19,585	\$ 26,496
Restricted:						
Cash and cash equivalents with fiscal agent	1,744	98,295	6,585	—	106,624	—
	<u>\$ 12,321</u>	<u>\$ 103,045</u>	<u>\$ 10,632</u>	<u>\$ 211</u>	<u>\$ 126,209</u>	<u>\$ 26,496</u>
NONCASH ACTIVITIES:						
Increase/(Decrease) in fair value of investments	\$ (17,075)	\$ (10,409)	\$ (15)	\$ (882)	\$ (28,381)	\$ (852)
Noncash capital contributions	5	—	—	—	5	—
GASB 87 leased asset related	2,044	—	—	—	2,044	—
Total non-cash activities	<u>\$ (15,026)</u>	<u>\$ (10,409)</u>	<u>\$ (15)</u>	<u>\$ (882)</u>	<u>\$ (26,332)</u>	<u>\$ (852)</u>

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
 Balance Sheet
 Governmental Funds
 June 30, 2022
 (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	
ASSETS:							
Cash and cash equivalents	\$ 2,122	\$ 2,947	\$ 1,596	\$ 8,667	\$ 1,172	\$ 3,252	\$ 19,756
Investments	203,110	825,323	—	403	3,348	28,322	1,060,506
Accounts receivables	484	—	—	35	—	—	519
Due from other funds	—	—	—	1,386	—	5	1,391
Due from other agencies	59,294	48,870	498	26,171	—	—	134,833
Other assets	5	—	—	—	—	—	5
Restricted cash with fiscal agent	49,507	—	—	1,156	—	—	50,663
Total assets	<u>\$ 314,522</u>	<u>\$ 877,140</u>	<u>\$ 2,094</u>	<u>\$ 37,818</u>	<u>\$ 4,520</u>	<u>\$ 31,579</u>	<u>\$ 1,267,673</u>
LIABILITIES:							
Accounts payable	\$ 29,445	\$ 19,312	\$ 54	\$ 17,754	\$ 293	\$ 220	\$ 67,078
Unearned revenue	532	—	—	—	—	—	532
Due to other funds	827	1,794	—	—	—	—	2,621
Due to other agencies	10,572	—	104	20,064	—	—	30,740
Total liabilities	<u>41,376</u>	<u>21,106</u>	<u>158</u>	<u>37,818</u>	<u>293</u>	<u>220</u>	<u>100,971</u>
FUND BALANCES:							
Restricted	273,146	856,034	1,936	—	4,227	31,359	1,166,702
Total fund balances	<u>273,146</u>	<u>856,034</u>	<u>1,936</u>	<u>—</u>	<u>4,227</u>	<u>31,359</u>	<u>1,166,702</u>
Total liabilities and fund balances	<u>\$ 314,522</u>	<u>\$ 877,140</u>	<u>\$ 2,094</u>	<u>\$ 37,818</u>	<u>\$ 4,520</u>	<u>\$ 31,579</u>	<u>\$ 1,267,673</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 2-21) are different because:

Total governmental fund balance	\$ 1,166,702
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	(734,086)
Derivative instruments	(40,835)
Deferred inflows of resources related to refunding costs	(2,691)
Deferred outflows of resources related to derivative instruments	40,835
Deferred outflows of resources related to refunding costs	<u>3,069</u>
Interest payable on bonds outstanding is not due and payable in the current period, and therefore, is not reported in the funds	(8,622)
Net position of government activities (page 2-21)	<u>\$ 424,372</u>

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2022
(In thousands)

	Special Revenue Funds						Total Governmental Funds
			Congestion Management				
	2000 Measure A Program	2016 Measure B Program	Congestion Management Program	Management & Highway Program	BAAQMD Program	SB83 VRF	
REVENUES:							
Sales tax revenue	\$ 258,470	\$ 258,000	\$ —	\$ —	\$ —	\$ —	\$ 516,470
Assessment to member agencies	—	—	2,942	—	—	—	2,942
Administrative fees	—	—	140	—	—	—	140
Federal grant revenues	3,486	—	1,603	1,042	—	—	6,131
State and local grants	6,624	—	912	71,388	2,427	15,890	97,241
Federal subsidy for Build America Bonds	8,379	—	—	—	—	—	8,379
Investment earnings	(5,211)	(21,142)	2	—	(93)	(692)	(27,136)
Other revenues	474	—	315	—	—	—	789
Total revenues	272,222	236,858	5,914	72,430	2,334	15,198	604,956
EXPENDITURES:							
Congestion Management - Current							
Labor and overhead costs	2	1,236	5,530	—	—	—	6,768
Professional services	—	810	570	—	—	—	1,380
Materials and services	—	—	17	—	—	—	17
Capital expenditures on behalf of, and contributions to other agencies	17,711	101,455	78	66,746	—	—	185,990
Program payments	—	—	—	—	2,835	17,346	20,181
Other expenditures	564	36	—	—	—	—	600
Debt Service:							
Principal	35,015	—	—	—	—	—	35,015
Interest	37,051	—	—	—	—	—	37,051
Total expenditures	90,343	103,537	6,195	66,746	2,835	17,346	287,002
Excess (deficiency) of revenues over expenditures	181,879	133,321	(281)	5,684	(501)	(2,148)	317,954
OTHER FINANCING SOURCES & USES							
Transfers out	(246,017)	(23,590)	—	(5,684)	—	—	(275,291)
Net change in fund balances	(64,138)	109,731	(281)	—	(501)	(2,148)	42,663
Fund balances, beginning of year	337,284	746,303	2,217	—	4,728	33,507	1,124,039
Fund balances, end of year	\$ 273,146	\$ 856,034	\$ 1,936	\$ —	\$ 4,227	\$ 31,359	\$ 1,166,702

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 2-22) are different because:

Net change in fund balances - total governmental funds	\$	42,663
Repayment of debt service is an expenditure in the governmental funds, but reduces the long-term liabilities		35,015
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		848
Amortization of gain on refunding debt		196
Amortization of loss on refunding debt		(373)
Change in accrued interest payable		1,222
Change in net position of governmental activities (page 2-22)	\$	<u>79,571</u>

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2022
(In thousands)

		ATU Pension, ATU Medical & OPEB Trust Funds
ASSETS:		
Cash and investments:		
Cash and cash equivalents	\$	10,594
Corporate bonds		77,496
Municipal bonds		2,431
U.S. government agency bonds		63,901
U.S. treasury		19,843
Money market funds		1,864
Equity based		572,504
Real asset funds		78,600
Alternative investments		187,864
Receivables		1,175
Due from other agencies		10
Total assets		1,016,282
LIABILITIES:		
Accounts payable		324
Unearned revenues		29
Due to other funds		3,311
Total liabilities		3,664
NET POSITION:		
<i>Restricted for:</i>		
ATU pension benefits		619,828
Retiree medical benefits		353,553
ATU retiree spousal medical benefits		23,024
ATU retiree dental and vision benefits		16,213
Total net position	\$	1,012,618

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the year ended June 30, 2022
(In thousands)

	ATU Pension, ATU Medical & OPEB Trust Funds
ADDITIONS:	
Employee contributions	\$ 7,465
Employer contributions	35,425
Total contributions	42,890
Investment earnings/(losses)	
Investment income	35,597
Net change in the fair value of investments	(122,870)
Investment expense	(6,164)
Net investment earnings/(losses)	(93,437)
Total additions	(50,547)
DEDUCTIONS:	
Benefit payments	71,069
Services	2
Administrative expenses	597
Total deductions	71,668
Change in net position	(122,215)
Net position, beginning of year	1,134,833
Net position, end of year	\$ 1,012,618

THIS PAGE IS INTENTIONALLY LEFT BLANK



NOTES TO THE BASIC FINANCIAL STATEMENTS

THIS PAGE IS INTENTIONALLY LEFT BLANK

NOTE 1 – THE FINANCIAL REPORTING ENTITY

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

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

The Santa Clara Valley Transportation Authority Congestion Management Program (CMP) was created in 1990 in response to Proposition 111. The CMP is not legally separate from VTA. The CMP is responsible for the development and implementation of the Valley Transportation Plan (VTP), the long-range transportation and land use plan for the County, and for preparing and implementing the state-mandated CMP. It is also responsible for the programming and oversight of discretionary federal, state, and local funds, and for serving as the program manager for certain countywide grant funds, including the Transportation Fund for Clean Air (TFCA). Annual contributions from 17 member agencies are based on a formula adopted by the Board of Directors of VTA. The contribution formula considers each member agency's share of Proposition 111, state gas tax 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 are generated directly from transit operations and consist principally of passenger fares, tolls, and rental income. Operating expenses for the transit, toll and rental operations include all costs related to providing those services. These costs include labor, fringe benefits, materials, supplies, services, utilities, leases and rentals, purchased transportation, and depreciation on capital assets. All other revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

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

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

revenue items are considered to be measurable and available only when cash is received by VTA.

(c) *Cash and Investments*

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

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments, which are readily convertible to known amounts of cash. 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 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, 2022, on pages 2-23 and 2-24, reports that enterprise fund net investment in capital assets (net of related debt) is \$5.1 billion.
- Restricted Net Position - This category consists of debt service and related swap, amounts restricted for 1996 Measure B projects, 2000 Measure A program, 2016 Measure B program, Congestion Management Program (CMP), 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.

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

	VTA Transit Fund	BART Operating Fund	Express Lanes Fund	Joint Development Fund	Total Enterprise Funds
Local share of capital projects	\$ 198,146	\$ —	\$ —	\$ 15,235	\$ 213,381
Debt reduction	317,660	—	—	—	317,660
Express Lane	—	—	(5,350)	—	(5,350)
BART Operating	—	414,169	—	—	414,169
Joint Development	—	—	—	9,183	9,183
Sales tax stabilization	35,000	—	—	—	35,000
Operating reserve	81,577	—	—	—	81,577
Inventory and prepaid expenses	31,954	—	—	—	31,954
Net OPEB Asset (GASB 75)*	91,937	—	—	—	91,937
Net Pension Liability (GASB 68)*	(290,224)	—	—	—	(290,224)
Net Leased Asset (GASB 87)	1,577	—	—	—	1,577
Total	<u>\$ 467,627</u>	<u>\$ 414,169</u>	<u>\$ (5,350)</u>	<u>\$ 24,418</u>	<u>\$ 900,864</u>

*Net of related pension and OPEB deferrals

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

	<u>Governmental Funds</u> 2000 Measure A Program
Governmental funds, June 30, 2022 (page 2-28)	\$ 273,146
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	(734,086)
Derivative instruments	(40,835)
Deferred inflows of resources	(2,691)
Deferred outflows of resources	3,069
Restricted for Debt Service	(49,507)
Interest Payable on bonds outstanding is not due and payable in the current period, and therefore, is not reported in the funds	<u>(8,622)</u>
Total Net Position, Governmental Activities (page 2-21), June 30, 2022	<u>\$ (559,526)</u>

(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 \$33.6 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. These are amounts that can be spent only for specific purposes because of enabling legislation or constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

(n) *Fund Balance Spending Order Policy*

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

(o) *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. VTA does not derecognize the asset underlying the lease. 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. 87 - In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The effective date was deferred for reporting periods after December 15, 2020, or the FY 2022. VTA implemented the provision of this statement effective July 1, 2021.

GASB Statement No. 89 - In June 2018, GASB issued Statement No. 89, *Accounting For Interest Cost Incurred Before the End of a Construction Period*. The primary objective of this Statement is to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. VTA implemented the provision of this statement effective July 1, 2021.

GASB Statement No. 91 - In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers, and eliminate diversity in practice associated with: (1) commitments extended by issuers; (2) arrangements associated with conduit debt obligations; and (3) related note disclosures. Issuers are required to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations

and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period. Effective date was deferred effective for reporting periods after December 15, 2021, or the FY 2023. VTA is evaluating the impact of the Statement.

GASB Statement No. 92 - In January 2020, GASB issued Statement No. 92, *Omnibus 2020*. The objective of this Statement is to establish accounting and financial reporting requirements for specific issues related to leases, inter-entity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance-related activities of public entity risk pools, fair value measurements, and derivative instruments. The requirements were deferred to be effective for fiscal years beginning after June 15, 2021, or the FY 2022, except for the Statement 87 and Implementation guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments. VTA is evaluating the impact of the Statement. VTA implemented the provision of this statement effective July 1, 2021.

GASB Statement No. 93 - In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. Some governments have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR)-most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. The removal of LIBOR as an appropriate benchmark interest rate was deferred to be effective for reporting periods ending after December 31, 2022. All other requirements of this Statement were deferred to be effective for reporting periods beginning after June 15, 2021, or FY 2022, except the removal of LIBOR as a benchmark interest rate which is effective for periods beginning after December 31, 2022, or the FY 2023. VTA is evaluating the impact of the Statement.

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

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

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

GASB Statement No. 98 - In October 2021, GASB issued statement No. 98, *The Annual Comprehensive Financial Report*. The objective of this Statement is to establish the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. This Statement was developed in response to concerns raised by stakeholders that the common pronunciation of the acronym for comprehensive annual financial report sounds like a profoundly objectionable racial slur. This Statement's introduction of the new term is founded on a commitment to promoting inclusiveness. The requirements of this Statement are effective for

fiscal years ending after December 15, 2021. VTA implemented the provision of this statement.

GASB Statement No. 99, *Omnibus 2022*. The requirements in paragraph 11-25 are effective for fiscal years beginning after June 30, 2022. The requirements in paragraph 4-10 are effective for fiscal years beginning after June 30, 2023. No expected effect on the VTA's financial statements for the remaining paragraphs.

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. VTA does not expect this standard to have a significant impact to the 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 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, 2022, 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	\$ 19,585	\$ 26,496	\$ 19,756	\$ 10,594	\$ 76,431
Restricted Cash and Cash Equivalents with Fiscal Agents	106,624	—	50,663	—	157,287
Total cash equivalents	126,209	26,496	70,419	10,594	233,718
Investments	994,225	61,752	1,060,506	1,004,503	3,120,986
Total Cash and Investments	\$ 1,120,434	\$ 88,248	\$ 1,130,925	\$ 1,015,097	\$ 3,354,704

As of June 30, 2022, total cash and investments reported in the accompanying financial statements consisted of the following (in thousands):

Cash & Cash Equivalents	\$	76,431
Cash & Cash Equivalents with Fiscal Agents		157,287
Investments		3,120,986
Total	\$	<u>3,354,704</u>

Cash and Cash Equivalents

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

Investments policies

VTA's investments fall into two categories, i.e. investments related to: (1) operations pool, and (2) retiree benefits pool. The first includes investments reported by all 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, insured with no more than 30% of the total operations pool, collateralized savings/money market accounts with no more than 30% of the total operations pool,

negotiable certificates of deposit with five years or less in maturity and no more than 30% of the total operations pool, mortgage and asset-backed obligations with a rating of Aa/AA or higher, invested in these permissible investments mentioned above.

VTA's policy also allows investments in the State Treasurer's Office Local Agency Investment Fund (LAIF). LAIF is commingled within the state of California Pooled Money Investment Account (PMIA). If the state's shares of PMIA is exhausted, then participation by the state in the PMIA is zero. There is no correlation between the state's share of that pool and VTA's. LAIF is not a Securities and Exchange Commission (SEC) registered pool and is unrated, but it is required to invest in accordance with the guidelines established by the California Government Code. The weighted average maturity of the investments in LAIF on June 30, 2022, was 311 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 \$2.3 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, 2022 (in thousands):

	Maturity				
	Less than 1 year	1-5 Years	6-10 Years	Over 10 Years	Total
OPERATIONS POOL					
Corporate Bonds	\$ 44,545	\$ 675,998	\$ —	\$ —	\$ 720,543
Municipal Bonds	52,952	100,739	—	—	153,691
Commercial Paper/CD	123,463	6,728	—	—	130,191
US Government Agency Bonds	58,586	55,835	—	—	114,421
US Treasury	275,282	634,662	7,457	—	917,401
Money Market Funds	5,236	—	—	—	5,236
LAIF	75,000	—	—	—	75,000
Subtotal	<u>\$ 635,064</u>	<u>\$ 1,473,962</u>	<u>\$ 7,457</u>	<u>\$ —</u>	<u>2,116,483</u>
Cash with Fiscal Agents					157,287
Cash Deposits					65,837
Total cash and investments in the operations pool					<u>2,339,607</u>

	Maturity				
	Less than 1 year	1-5 Years	6-10 Years	Over 10 Years	Total
RETIREE BENEFITS POOL					
Corporate Bonds - Pension	\$ 1,334	\$ 10,672	\$ 9,594	\$ 20,435	\$ 42,035
Corporate Bonds - OPEB	1,121	9,233	9,712	15,395	35,461
Municipal Bonds - Pension	—	—	—	1,311	1,311
Municipal Bonds - OPEB	—	—	—	1,120	1,120
US Government Agency Bonds - Pension Plan	135	112	1,053	32,870	34,170
US Government Agency Bonds - OPEB Plan	1706	52	427	27,546	29,731
US Treasury - Pension	—	113	8,551	681	9,345
US Treasury - OPEB	—	4,253	5,665	580	10,498
Money Market Funds - Pension	1,108	—	—	—	1,108
Money Market Funds - OPEB	756	—	—	—	756
Subtotal	<u>\$ 6,160</u>	<u>\$ 24,435</u>	<u>\$ 35,002</u>	<u>\$ 99,938</u>	<u>165,535</u>
Equity Based					572,504
Real Assets Funds					78,600
Alternative Investments					187,864
Cash Deposits					10,594
Total cash and investments in the retiree benefits pool					<u>1,015,097</u>
Total cash and investments					<u>\$ 3,354,704</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 are included below (in thousands):

	Rating as of June 30, 2022		
	Operations Pool	Retiree Benefits Pool	Total
Corporate bonds			
A	\$ 306,444	\$ 4,929	\$ 311,373
AA	75,781	9,513	85,294
BB	227,607	16,809	244,416
BBB	110,711	46,245	156,956
Municipal bonds			
A	29,891	—	29,891
A1	3,319	—	3,319
AA	110,662	1,576	112,238
Aa1	945	—	945
Aa2	999	—	999
Aa3	5,516	—	5,516
AAA	2,359	—	2,359
BBB	—	855	855
Certificates of Deposit			
A1	77,643	—	77,643
BBB	765	—	765
P-1	4,792	—	4,792
Commercial Paper			
A1	46,991	—	46,991
US Government Agencies			
AA	20,299	—	20,299
AAA	2,546	—	2,546
AA+	91,576	63,901	155,477
US Treasury Notes			
AA+	917,401	19,843	937,244
Unrated cash and investments			
Cash with Fiscal Agents	157,287	10,594	167,881
Real Assets Funds	—	78,600	78,600
Equity Based	—	572,504	572,504
Alternative Investments	—	187,864	187,864
LAIF	75,000	—	75,000
Money Market Funds	5,236	1,864	7,100
Deposits with financial institutions	65,837	—	65,837
TOTAL	\$ 2,339,607	\$ 1,015,097	\$ 3,354,704

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, 2022, 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, 2022, the retiree benefits pool held investments in the UBS Core 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, 2022:

Operations Pool	Fair Value Hierarchy			Total
	Level 1	Level 2	Level 3	
Corporate Bonds	\$ —	\$ 720,543	\$ —	\$ 720,543
Municipal Bonds	—	153,691	—	153,691
US Government Agency Bonds	—	114,421	—	114,421
US Treasury	917,401	—	—	917,401
Certificates of Deposit	—	83,200	—	83,200
Subtotal	\$917,401	\$ 1,071,855	\$ —	1,989,256
Not subject to the fair value hierarchy				
Money Market Funds				5,236
Cash with Fiscal Agents				157,287
Commercial Paper				46,991
LAIF				75,000
Cash Deposits				65,837
Subtotal				350,351
Cash and investments in the operations pool				2,339,607

Retiree Benefits Pool	Fair Value Hierarchy			Total
	Level 1	Level 2	Level 3	
Corporate Bonds - Pension Plan	\$ —	\$ 42,035	\$ —	\$ 42,035
Corporate Bonds - OPEB Plan	—	35,461	—	35,461
Municipal Bonds - Pension Plan	—	1,311	—	1,311
Municipal Bonds - OPEB Plan	—	1,120	—	1,120
US Government Agency Bonds - Pension Plan	—	34,170	—	34,170
US Government Agency Bonds - OPEB Plan	—	29,731	—	29,731
US Treasury - Pension Plan	9,345	—	—	9,345
US Treasury - OPEB Plan	10,498	—	—	10,498
Equity Based	—	572,504	—	572,504
Subtotal	\$ 19,843	\$ 716,332	\$ —	736,175
Net Asset Value				
Real Assets Funds				78,600
Alternative Investments				187,864
Subtotal				266,464
Not subject to the fair value hierarchy				
Money Market Funds - Pension				1,108
Money Market Funds - OPEB				756
Cash Deposits				10,594
Subtotal				12,458
Cash and investments in the retiree benefits pool				1,015,097
Total cash and investments				\$3,354,704

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.

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

Foreign Currency Risk

This is the risk that changes in the exchange rates will adversely affect the fair value of underlying investments. The following table provides information as of June 30, 2022, 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	\$ 502
Australian Dollar	9,773
Brazilian Real	2,151
Swiss Franc	12,929
Chilean Peso	220
Chinese Yuan Renminbi Offshore	9
Chinese Yuan Renminbi Onshore	2,143
Columbia Peso	75
Czech Koruna	63
Danish Krone	3,418
Egyptian Pound	35
Euro	38,813
British Pound Sterling	19,768
Hong Kong Dollar	14,293
Hungarian Forint	64
Indonesian Rupiah	821
Israeli new Shekel	602
Indian Rupee	5,822
Japanese Yen	27,696
South Korean Won	4,920
Kuwaiti Dinar	369
Mexican Peso	885
Malaysian Ringgit	701
Norwegian Krone	1,046
New Zealand Dollar	243
Philippine Peso	312
Polish Zloty	281
Qatari Riyal	434
Saudi Riyal	1,738
Swedish Krona	4,233
Singapore Dollar	1,563
Thai Baht	912
Turkish New Lira	161
Taiwan Dollar	6,530
South African Rand	1,509
Total	\$ 165,034

NOTE 4 – INTERFUND TRANSACTIONS

The composition of interfund balances as of June 30, 2022, is as follows (in thousands):

	<u>Due from other funds</u>	<u>Due to other funds</u>
Enterprise Funds		
VTA Transit	\$ 4,535 ^{1,3}	\$ —
Joint Development	6 ²	—
Total	<u>4,541</u>	<u>—</u>
Governmental Funds		
SB83 VRF	5 ²	—
2000 Measure A Program	—	827 ³
2016 Measure B Program	—	1,794 ⁴
Congestion Management & Highway Program	1,386 ^{2,4}	—
Total	<u>1,391</u>	<u>2,621</u>
Fiduciary Funds		
OPEB Trust Fund	—	3,311 ¹
	<u>\$ 5,932</u>	<u>\$ 5,932</u>

¹Largely represents payment of implicit subsidy on behalf of OPEB Trust Fund.

²Represents expenses paid at year-end by other funds on behalf of Congestion Management & Highway Program, but were not reimbursed until the following period. The transactions crossed fiscal years.

³Represents an increase in Measure A Operating Assistance from 4th quarter true up of sales tax.

⁴Represents expenses initially paid by other funds on behalf of 2016 Measure B Program.

The transfer to VTA Transit includes \$664 thousand of fund capital acquisitions from 2000 Measure A (consisting largely of facility modifications for bus rapid transit), \$17.6 million of Measure A Repayment Obligation, \$53.6 million of operating assistance from 2000 Measure A, and \$23.6 million of operating assistance from 2016 Measure B Program. Express Lanes received \$5.7 million capital acquisitions from Congestion Management and Highway Program. The \$174.1 million transfer to BART Operations consists of capital acquisition from 2000 Measure A (including passenger facility stations relating to the Silicon Valley Berryessa Extension and BART vehicle procurement projects). Joint Development received \$76 thousand of lease rent revenue from VTA Transit Fund. A summary of the transfers in/out for the year ended June 30, 2022, is as follows:

Transfer from	Transfer to	Purpose	Amount (in thousands)
2000 Measure A Fund	VTA Transit Fund	Fund capital acquisitions	\$ 664
		Operating Assistance	53,633
		Meas A Repayment Obligation	17,597
2016 Measure B Fund	VTA Transit Fund	Operating Assistance	23,590
VTA Transit Fund	Joint Development	Ground lease rent revenue	(76)
			95,408
VTA Transit Fund	Joint Development	Ground lease rent revenue	76
Congestion Management & Highway Program	Express Lanes	Fund capital acquisitions	5,684
2000 Measure A Fund	BART Operating Fund	Fund capital acquisitions	174,123
			<u>\$ 275,291</u>

NOTE 5 – DUE FROM AND DUE TO OTHER AGENCIES

Due from other agencies as of June 30, 2022 consisted largely of sales tax receivables of \$156.1 million (\$59.7 million under enterprise funds, and \$96.4 million under governmental funds), and State Transit Assistance of \$8.5 million and Transportation Development Fund (TDA) of \$7.7 million. A summary is provided as follows (in thousands):

Due from Other Agencies	Enterprise Funds	Fiduciary Funds	Governmental Funds
Federal Government	\$ 5,731	\$ —	\$ 7,359
State Government	76,718	—	110,537
Cities and other local agencies	1,612	10	16,937
Total	<u>\$ 84,061</u>	<u>\$ 10</u>	<u>\$ 134,833</u>

Due to other agencies as of June 30, 2022 consisted of advances for capital projects received from the entities as provided below (in thousands):

Due to Other Agencies	Enterprise Funds	Governmental Funds
State	\$ 17,640	\$ 5,808
CDTFA CA TDA	31,200	—
Caltrain	9,120	—
Local & Other cities	1,200	24,932
Total	<u>\$ 59,159</u>	<u>\$ 30,740</u>

NOTE 6 – CAPITAL ASSETS

Capital asset changes for VTA’s business-type activities for the year ended June 30, 2022, were as follows (in thousands):

	July 1, 2021	Additions	Retirements	Transfers	June 30, 2022
Capital assets, not being depreciated					
Land and right-of-way	\$ 1,848,342	\$ —	\$ —	\$ 1,876	\$ 1,850,218
Construction in progress	1,019,068	201,969	(1,486)	(151,967)	1,067,584
Total capital assets, not being depreciated	2,867,410	201,969	(1,486)	(150,091)	2,917,802
Capital assets, being depreciated					
Caltrain - Gilroy extension	53,790	—	—	—	53,790
Buildings and improvements	1,184,858	279	(158)	22,643	1,207,622
Furniture and fixtures	491,653	32	—	31,621	523,306
Vehicles	779,400	—	(6,092)	26,941	800,249
Light rail tracks and electrification	1,080,947	—	—	40,357	1,121,304
Leasehold improvement	9,851	—	—	—	9,851
Others	54,176	—	—	28,529	82,705
Total capital assets, being depreciated	3,654,675	311	(6,250)	150,091	3,798,827
Accumulated Depreciation					
Caltrain - Gilroy extension	(22,452)	(1,431)	—	—	(23,883)
Buildings and improvements	(273,813)	(28,654)	5	—	(302,462)
Furniture and fixtures	(206,602)	(80,962)	—	—	(287,564)
Vehicles	(387,947)	(39,575)	6,092	—	(421,430)
Light rail tracks and electrification	(379,270)	(41,695)	—	—	(420,965)
Leasehold improvement	(6,074)	(500)	—	—	(6,574)
Others	(49,052)	(1,323)	—	—	(50,375)
Total accumulated depreciation	(1,325,210)	(194,140)	6,097	—	(1,513,253)
Total capital assets, being depreciated, net	2,329,465	(193,829)	(153)	150,091	2,285,574
Total capital assets, net	5,196,875	8,140	(1,639)	—	5,203,376
Right to use assets					
Right to use assets	2,426	—	—	—	2,426
Accumulated amortization	(202)	—	—	—	(202)
Total Right to use assets	2,224	—	—	—	2,224
Total Right to Use and Capital Assets, net	\$ 5,199,099	\$ 8,140	\$ (1,639)	\$ —	\$ 5,205,600

Construction in Progress (CIP) includes capitalized costs and right-of-way acquisitions associated with the following projects as of June 30, 2022, (in thousands):

Silicon Valley Rapid Transit	\$ 830,904
Light Rail Program	143,088
Bus Program	16,334
Operating Facilities & Equipment	17,689
Revenue Vehicles & Equipment	1,359
Information Systems Technology	17,156
Light Rail - Way, Power & Signal	30,392
Silicon Valley Express	4,607
Non-Revenue Vehicle	159
Passenger Facilities	3,280
Joint Development	2,549
Vasona Corridor Projects	20
Rail Facility Expansion	20
Others	27
Total	<u><u>\$ 1,067,584</u></u>

NOTE 7 - LONG-TERM DEBT & LIABILITIES

Long-term debt as of June 30, 2022, 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 (\$17,550 plus unamortized premium of \$4,138)	\$ 21,688
2018 Series A Refunding (\$62,270 plus unamortized premium of \$11,077)	73,347

Secured by Toll Revenues:

Silicon Valley Express Lanes State Route 237 Loan	23,247
Subtotal	<u>118,282</u>
Less: Current portion of long-term debt	(16,980)
Long term debt, excluding current portion	<u>\$ 101,302</u>

Governmental Activities:

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

2008 Series A-D Measure A Refunding	\$ 235,875
2010 Series A-B Refunding	407,995
2015 Series A-B Refunding (\$16,135 plus unamortized premium of \$4,406)	20,541
2020 Series A Measure A Refunding	69,675
Subtotal	<u>734,086</u>
Less: Current portion of long-term debt	(36,460)
Long term debt, excluding current portion	<u>\$ 697,626</u>

(a) Sales Tax Revenue Bonds, secured by 1976 1/2-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*

- \$236.7 million of 2008 Series A-D Measure A Sales Tax Revenue Refunding Bonds (2008 Measure A Bonds) were issued to current refund Series A-D of the 2006 Measure A Sales Tax Revenue Bonds, none of which remained outstanding. The 2008 Measure A Bonds were issued as variable rate demand bonds and bear interest at a weekly rate, which is determined by the Remarketing Agent to be the rate necessary to remarket the 2008 Measure A Bonds at par value.

The maturities of the 2008 Measure A Bonds extend to April 1, 2036, and are subject to optional and mandatory redemption and optional and mandatory tender for purchase before maturity. Concurrent with the issuance and sale of the 2008 Measure A Bonds, four interest rate swap agreements originally entered into concurrent with the issuance of the Series A-D of the 2006 Measure A Sales Tax Revenue Bonds, were reassigned to the 2008 Measure A Bonds.

- \$645.9 million of 2010 Measure A Bonds, Series A and B, were issued, at a true interest cost of 3.54%, to fund certain 2000 Measure A transit capital improvement projects, most notably the BART Extension to Berryessa. The bonds were issued as a combination of taxable, Build America Bonds (Series A), and traditional tax-exempt bonds (Series B). Related to the Series A Build America Bonds, VTA is entitled to receive a federal subsidy of 35% on its interest cost for the Build America Bonds. However, as a result of the Federal budget impasse and resulting sequestration of funding, the subsidy has been reduced by

various amounts beginning in 2013 and has most recently provided a subsidy of about 33.0%. Both bond series are fixed interest rate bonds. The Series A Bonds have a final maturity date of April 1, 2032 and the Series B Bonds have a final maturity of April 1, 2020. The 2010 Measure A Bonds, Series A (taxable Build America Bonds) are subject to mandatory and optional redemption provisions prior to their stated maturity dates. The 2010 Measure A Bonds Series B (tax-exempt) are not subject to redemption prior to their maturity date.

- \$89.98 million of 2015 Measure A Series A and B were issued to current refund the 2007 Measure A Series A bonds maturing on April 1, 2018, and later. The refunding was done in order to take advantage of the lower interest cost of the refunding bonds. The refunding bonds were issued at an all-in true interest cost of 2.92%.
- In September 2020, \$69.7 million of 2020 Measure A Series A were issued to advance refund the 2027-2036 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%.

(d) *Interest Rate Swaps*

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

Summary

The terms, fair values, and credit ratings of the outstanding swaps as of June 30, 2022, were as follows (dollars in thousands):

Governmental Activities:

Associated Bonds	Current Notional	Effective Date	Fixed Rate Paid	Variable Received	Fair Value*	Termination Date	Counterparty Credit Rating ^{CR}	Fair Value Hierarchy Level
MA 2008A	\$ 85,875	8/10/2006	3.765%	65% 3Mo LIBOR	\$ (14,867)	4/1/2036	Aa3/A+/A+	2
MA 2008B	50,000	8/10/2006	3.765%	65% 3Mo LIBOR	(8,656)	4/1/2036	Aa2/A+/AA	2
MA 2008C	50,000	8/10/2006	3.765%	65% 3Mo LIBOR	(8,656)	4/1/2036	Aa2/AA-/NR	2
MA 2008D	<u>50,000</u>	8/10/2006	3.765%	65% 3Mo LIBOR	<u>(8,656)</u>	4/1/2036	A1/A-/A	2
Total	<u>\$235,875</u>				<u>\$ (40,835)</u>			

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

NR - No rating for Fitch

*This represents the fair value of the base amount without the accrued interest of \$2.0 million.

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

Hedge Effectiveness and Fair Value Hierarchy: The swaps were tested using regression analysis to ensure a high degree of correlation and were determined to be effective hedging derivative instruments and therefore were recorded as deferred outflows of resources in the assets section and as a derivative instrument liability in the liability section of the statement of net position. The fair values of the interest rate swaps were estimated using the zero-coupon method. As of June 30, 2022, the swaps had a negative fair value of \$40.8 million. The fair values of the interest rate swaps were estimated using the zero-coupon method.

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

Credit Risks: Credit risk is the risk of non-payment by the issuer of an obligation such as a bond, other debt instrument, or non-payment by the counterparty to an interest rate swap. Even an increase in the risk of non-payment can adversely affect the value of such an instrument. VTA's Interest Rate Swap Policy seeks to limit credit exposure by requiring

counterparties to initially have strong credit ratings of “AA” at the point the swap is entered into and also require collateral posting by the counterparty based on its credit ratings and market value of the swap. Currently the value of the swaps is negative, no counterparties are posting collateral, and VTA has no posted collateral on any of the four swaps.

Although VTA’s counterparties have experienced declines in their ratings since inception of the swaps, their S&P and Moody’s ratings remain at investment grade levels. All payments due from counterparties continue to be made on time and are current as of June 30, 2022. When the swaps have a positive market value, VTA manages any credit risk associated with termination of swaps by requiring counterparties to post collateral based on the swap’s fair value, less a threshold amount that ranges from zero to \$25 million as determined based on the counterparty’s credit ratings. The following table lists the threshold amounts that would be applicable:

Governmental Activities:

Swap	Counterparty Credit Rating as of 6/30/22 ^{CR}	Collateral Threshold	Credit Rating for Threshold of Zero
MA 2008A	Aa3/A+	10,000,000	A3/A-
MA 2008B	Aa2/A+	10,000,000	A3/A-
MA 2008C	Aa2/AA-	15,000,000	Baa1/BBB+
MA 2008D	A1/A-	5,000,000	Baa1/BBB+

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

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

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

the swap. On June 30, 2022, there was a slightly favorable basis variance of 0.15% for the swaps.

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

Rollover Risk: Rollover risk is the risk that a derivative instrument serving as a hedge has a shorter maturity than the underlying risk that is being hedged and therefore a portion of the term of the underlying risk may be unhedged or an additional hedge may need to be acquired at a future date, possibly under less favorable terms. As of June 30, 2022, VTA did not have any exposure to rollover risk.

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

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

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

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

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

Collateral generally consists of cash, U.S. Government securities and U.S. Agency securities. As of June 30, 2022, VTA has no posted collateral.

Swap Payments and Associated Debt: The table below presents net swap payments using rates as of June 30, 2022, debt service requirements on VTA’s four interest rate swaps and swap-related variable rate debt. As rates vary, variable rate bond interest payments and net swap payments will vary (dollars in thousands).

Governmental Activities:

Year Ending June 30,	Principal Total	Remarketing Interest Total	Interest Rate Swap-Net Total	Debt Service Total
2023	\$ —	\$ 1,392	\$ 5,994	\$ 7,386
2024	—	1,392	5,994	7,386
2025	—	1,392	5,994	7,386
2026	—	1,392	5,994	7,386
2027 - 2031	—	6,958	29,970	36,928
2032 - 2036	235,875	4,587	19,757	260,219
	<u>\$ 235,875</u>	<u>\$ 17,113</u>	<u>\$ 73,703</u>	<u>\$ 326,691</u>

(e) Long-Term Debt Obligation Summary

The table below presents all long-term debt. Interest Rates on all outstanding fixed-rate obligations range from 0.79% - 5.99%. Interest on the variable rate debt is reset daily or weekly, depending on market conditions. Projected principal and interest obligations as of June 30, 2022, are as follows (in thousands):

Business-Type Activities:

	Principal	Interest	Total
Year ending June 30:			
2023	\$ 16,980	\$ 5,116	\$ 22,096
2024	17,805	4,263	22,068
2025	18,625	3,369	21,994
2026	19,510	2,503	22,013
2027-2031	15,370	5,427	20,797
2032-2036	10,445	2,514	12,959
2037-2038	4,332	209	4,541
	<u>103,067</u>	<u>\$ 23,401</u>	<u>\$ 126,468</u>
Unamortized bond premium	15,215		
Total debt	118,282		
Less current portion	(16,980)		
Long-term portion of debt	<u>\$ 101,302</u>		

Governmental Activities:

	Principal	Interest	Total
Year ending June 30:			
2023	\$ 36,460	\$ 34,290	\$ 70,750
2024	38,180	32,207	70,387
2025	41,100	29,969	71,069
2026	43,645	27,614	71,259
2027-2031	249,485	100,335	349,820
2032-2036	320,810	33,426	354,236
	<u>729,680</u>	<u>\$ 257,841</u>	<u>\$ 987,521</u>
Unamortized bond premium	4,406		
Total debt	734,086		
Less current portion	(36,460)		
Long-term portion of debt	<u>\$ 697,626</u>		

(f) Restrictions and Limitations

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

(g) Long Term Liabilities

Business-type Activities:

The amount of pledged revenues recognized during fiscal year 2022 related to the principal and interest requirements for the debt secured by 1976 Half-Cent Sales Tax were \$258.5 million and \$19.9 million, respectively. The debt service coverage ratio was 13.0 in FY 2022.

(Dollars in thousands)	July 1, 2021	Additions	Reductions	June 30, 2022	Amounts Due Within One Year
Sales Tax Revenue Bonds					
Secured by 1976 1/2 Cent Sales Tax					
2017 Series B	\$ 19,865	\$ —	\$ 2,315	\$ 17,550	\$ 2,410
2018 Series A	76,115	—	13,845	62,270	14,500
Silicon Valley Express Lanes State Route 237 Loan	23,302	—	55	23,247	70
Plus (less) premium/discounts	17,180	—	1,965	15,215	—
Outstanding Debt, Net	136,462	—	18,180	118,282	16,980
Claims Liability:					
General Liability	9,774	13,173	4,056	18,891	2,901
Worker's Compensation	30,536	7,143	9,535	28,144	2,748
Compensated Absences	44,138	6,340	9,481	40,997	14,291
Lease Liability	2,426	—	134	2,292	144
Total Long-Term Liabilities	\$ 223,336	\$ 26,656	\$ 41,386	\$ 208,606	\$ 37,064

Governmental Activities:

The amount of pledged revenues recognized during fiscal year 2022 related to the principal and interest requirements for the debt secured by 2000 Measure A Half-Cent Sales Tax were \$258.5 million and \$70.1 million, respectively. The debt service coverage was 3.7 in FY 2022.

(Dollars in thousands)	July 1, 2021	Additions	Reductions	June 30, 2022	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	439,445	—	31,450	407,995	32,720
2015 Series A-B	19,700	—	3,565	16,135	3,740
2020 Series A	69,675	—	—	69,675	—
Plus (less) premium/discounts	5,254	—	848	4,406	—
Outstanding Debt, Net	769,949	—	35,863	734,086	36,460
Derivative Instruments Liability	78,526	—	37,691	40,835	—
Total Long-Term Liabilities	\$ 848,475	\$ —	\$ 73,554	\$ 774,921	\$ 36,460

VTA's Transit Fund reported a deferred amount on refunding in the amount of \$0.3 million related to the 2017 bonds and \$3.5 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 \$0.8 million and \$2.2 million to the 2020 bond as deferred outflows of resources as well as \$2.7 million to the 2008 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 taxes amounted to \$258.5 million individually in FY 2022.

(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 2022 is \$63.3 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 2022 recognized \$258.0 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 BART extension to San Jose consisted of two phases. Phase 1, which went into revenue service on June 13, 2020, extended the service to Milpitas and Berryessa stations. Phase 2 will extend the service further from the Berryessa Transit Center to Downtown San Jose terminating at Santa Clara. On October 25, 2021, VTA received a Letter of Intent (LOI)

from the Federal Transit Administration announcing their intention to obligate federal funds for Phase 2 in the amount of 25% of final project cost (up to \$2.287 billion) as part of a Full Funding Grant Agreement. The LOI will be in effect for up to two years allowing VTA to establish a refined cost estimate based on actual construction bids, further mitigate or eliminate perceived risks, and solidify the funding plan.

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. VTA board approved the environmental documents in June 2019 and March 2021. Utility relocations are expected to be completed by early 2023. As Regional Measure 3 (RM3) funds approved by voters in 2018 are in litigation, timing for light rail construction contract advertisement is dependent on the outcome of pending court decision.

(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, 2022, are summarized as follows (in thousands):

	<u>Enterprise</u>	<u>Special Revenue</u>
Operating Grants:		
FTA Section 9 (49 USC 5307)	\$ 4,375	\$ —
Job Access Reverse Commute Fed Grant	(62)	—
Section 5311	89	—
Mobility	29	—
Department of Labor	261	—
Peninsula Family Services	152	—
CRRSAA	39,355	—
American Rescue Plan	128,415	—
Federal Technical Studies	—	1,603
Pass-through Operating Grants	—	1,042
Total Operating Grants	<u>172,614</u>	<u>2,645</u>
Capital Grants:		
FTA New Starts FFGA	—	3,038
FTA Section 5307, 5309, 5337	8,748	448
Total Capital Grants	<u>8,748</u>	<u>3,486</u>
Total operating & capital grants	<u>\$ 181,362</u>	<u>\$ 6,131</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.

The Coronavirus Response and Relief Supplemental Appropriations (CRRSAA) and American Rescue Plan (ARPA) Acts provided supplemental funding to transit agencies to help prevent, prepare for and respond to the COVID-19 pandemic. The total amount made available to each agency was based on funding appropriated under the Act. In fiscal year 2022, VTA received \$167.8 million from CRRSAA and ARPA which was used to supplement VTA's operating expenses during continued impact from the COVID-19 pandemic.

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. The second iteration of the One Bay Area Grant funds distributed by Metropolitan Transportation Commission from the Federal Highway Administration fund state of good repair projects and projects that expand or modernize transit systems.

(b) State and Local Grants and Assistance

State and local grants for the year ended June 30, 2022, are summarized as follows (in thousands):

	Enterprise Funds	Special Revenue Funds
Operating grants:		
Transportation Development Act	\$ 100,029	\$ —
State Transit Assistance	37,723	—
Apprenticeship Program	2,427	—
State Operating Assistance Grants	—	912
AB 434	3,635	—
Congestion Management & Highway Program-State Grants	—	20,783
SB83	—	15,890
BAAQMD	—	2,427
Congestion Management & Highway Program-2000 Measure A Swap Program	—	1,771
Other Local Grants:		
2016 Measure B	—	44,548
Santa Clara County (Fund Swap Program)	—	311
Various cities, counties and others	—	3,975
Total operating grants	143,814	90,617
Capital grants:		
PTMISEA	112	—
Proposition 1B Fund	419	2,073
Metropolitan Transportation Commission	651	—
SB1	5	4,282
California Energy Commission	21	—
Various cities, counties and others	687	269
Total Capital Grants	1,895	6,624
Total State and Local Grants	\$ 145,709	\$ 97,241

The Transportation Development Act (TDA) funds represent VTA’s share of the 0.25% sales tax collected in the County. The revenue for FY 2022 was reduced by \$31.2 million to recognize 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 includes State Transit Assistance relative to congestion management program, and pass-through grants pertaining to Bay Area Air Quality and Vehicle Registration Fees.

Total State and Local Grants under special revenue funds were \$97.2 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 provides sources of funding for transportation purposes, including for the state highway system and local street and road system. SB1 also provides funding to the 2000 Measure A Program fund. SB 3 provides funding for repair and new construction projects on state highways and freeways, as well as local streets and roads.

Other local grant revenues are mainly derived 2016 Measure B and from the loan agreement with Western Alliance Bank for the SR237 Express Lanes Phase 2 project as well as funding from the City of San Jose. 2016 Measure B enhances transit, highways, expressways and active transportation projects (bicycles, pedestrians and complete streets).

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

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

constructing bus rapid transit, substation rehabilitation, and procurement of vehicles and equipment.

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

Received in prior years	\$ 210,233
Interest earned in prior years	6,954
Spent in prior year	(216,631)
Beginning unspent grant amounts	556
Spent in current year	(112)
Interest earned in current year	2
Total proceeds available plus interest earned	\$ 446

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

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

(a) Plan Description and Benefits Provided

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

Classic Employees

Employees with age of 55 or older, and have at least 15 year of eligibility service, are entitled to full annual pension benefits. Employees with less than 10 years but more than 5 years of eligibility service are entitled to an annual benefit at age 65 provided the Board of Pensions approves such benefit. The Plan permits early retirement if an employee becomes disabled after 10 or more years of eligibility service and deferred vested retirement upon employee termination after 10 or more years of eligibility service, with benefits payable at age 65. Employees may elect to receive their benefits in the form of a joint or survivor annuity, excluding deferred vested and disability retirements. These benefit provisions and all other requirements are established by California statute and the labor agreement with the ATU Local 265. Employees contribute 3.40% effective 9/09/2019.

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, 2022, is as follows:

<u>Membership Status</u>	
Retirees and beneficiaries currently receiving benefits	1,602
Terminated vested members not yet receiving benefits	108
Active Members	<u>1,514</u>
Total	<u><u>3,224</u></u>

(b) *Basis of Accounting*

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

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

(c) *Contribution Requirements*

For FY 2022, the actuarially-determined contribution was \$29.11 million. As the Plan elected to use June 30, 2022 as its measurement date, employer contributions for FY 2022 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, 2021	\$ 832,268	\$ 693,703	\$ 138,565
Changes:			
Service cost	19,528	—	19,528
Interest (includes interest on service cost)	54,663	—	54,663
Differences between expected and actual experience	2,339	—	2,339
Changes of assumptions	(879)	—	(879)
Contributions - Employer	—	29,114	(29,114)
Contributions - Member	—	5,674	(5,674)
Net investment income	—	(55,302)	55,302
Benefit Payments, including Refunds of Employee Contributions	(50,386)	(50,386)	—
Administrative expense	—	(416)	416
Net changes	25,265	(71,316)	96,581
Balance at June 30, 2022	\$ 857,533	\$ 622,387	\$ 235,146

(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 41%. A one percent increase in the discount rate decreases the Net Pension Liability by 34%.

	Discount rate -1% 5.7%	Discount rate 6.7%	Discount rate + 1% 7.7%
Net Pension Liability	\$ 330,943	\$ 235,146	\$ 154,243

(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, 2021, and projected forward to the beginning of the measurement year of June 30, 2021. The TPL at the end of the measurement year, June 30, 2022, is measured as of a valuation date of January 1, 2022, and projected forward to June 30, 2022.

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-2017

(g) *Discount Rate*

The discount rate used to measure the Total Pension Liability was 6.7%. The projection of cash flows used to determine the discount rate assumed that VTA will continue to contribute to the Plan based on an actuarially determined contribution, reflecting a payment equal to the employer's share of the annual normal cost, the expected administrative expenses, and an amount necessary to amortize the remaining unfunded pension liability at a level dollar amount over an open (rolling) 20-year period.

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

Based on these assumptions, the Plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments for current Plan members until at least FYE 2083 when only a portion of the projected benefit payments are expected to be made from the projected Fiduciary Net Position. Projected benefit payments are discounted at the long-term expected return on assets of 6.75% to the extent the Fiduciary Net Position is available to make the payments and the municipal bond rate of 3.54%, based on the Bond Buyer 20-Bond GO Index as of June 30, 2022, to the extent they are not available. The single equivalent rate used to determine the Total Pension Liability as of June 30, 2022 is 6.7%. The single equivalent rate used to determine the Total Pension Liability as of June 30, 2021 is 6.69%.

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 Return ¹
Domestic Equity	30%	4.6%
International Equity	13%	5.7%
Emerging Markets Equity	5%	7.0%
Private Equity	4%	7.8%
Real Estate	10%	2.7%
Diversified Real Assets	5%	3.4%
Private Debt	9%	6.2%
Domestic Fixed Income	14%	1.5%
Treasury	3%	0.9%
Absolute Return FoF	6%	3.8%
Cash	1%	0.4%
	<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, 2022, the plan's fiduciary net position amounts to \$622.4 million.

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

For the measurement period ending June 30, 2022, VTA incurred pension expense of \$42 million and as of June 30, 2022, 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	\$ 4,859	\$ 6,692
Changes in assumptions	15,654	703
Net difference between projected and actual earnings on pension plan investments	35,800	—
Total	<u>\$ 56,313</u>	<u>\$ 7,395</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
2023	\$ 17,216
2024	11,751
2025	(859)
2026	20,810
Thereafter	—
	\$ 48,918

(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	\$ 56,313	\$ 19,535	\$ 75,848
Deferred Inflows of Resources	7,395	41,730	49,125
Net Pension Liability	235,146	81,801	316,947
Pension Expense	41,564	4,676	46,240

NOTE 12 – PUBLIC EMPLOYEES’ RETIREMENT PLAN

(a) Plan Description and Benefits Provided

CalPERS is an agent multiple-employer defined benefit retirement plan that acts as a common investment and administrative agent for various local and state governmental agencies within California. CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 for Classic Members or age 52 for New Members with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 5 years of service credit. The death benefit is one of the following: The Basic Death Benefit or the 1957 Survivor Benefit. These benefit provisions and all other requirements are established by state statute and VTA resolutions. VTA contracts with CalPERS to administer these benefits. The normal retirement benefit is equal to 2% of final compensation for each year of credited services. VTA membership in the Plan as of June 30, 2020, the most recent actuarial valuation, is as follows:

Retirees and beneficiaries receiving benefits	763
Terminated and vested members not yet receiving benefits	364
Active members	<u>626</u>
Total	<u><u>1,753</u></u>

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

(b) Basis of Accounting

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

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

(c) Contribution Requirements

Active members in VTA's CalPERS Plan pay a portion or all (depending on hire date) of the employee contribution to the CalPERS Plan. 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 PEPR (Public Employees' Pension Reform Act) contribute 7.25% effective 7/1/2020 as determined by CalPERS.

The employer's contribution rate from July 1, 2021, through June 30, 2022, was 9.77%. 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 2022, VTA contributed \$17.83 million, which is equal to the actuarially-determined contributions. The required contribution for FY 2022 was based on the actuarial valuation report as of June 30, 2019 using the entry age normal cost method with the contributions determined as a percent of pay. VTA's annual pension contribution of \$17.83 million in FY 2022 was deferred as VTA opted for June 30, 2021, to be its measurement date.

(d) Net Pension Liability

The net pension liability was measured using an actuarial valuation as of June 30, 2020 rolled forward to June 30, 2021 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, 2021	\$ 512,581	\$ 371,935	\$ 140,646
Changes:			
Service cost	11,314	—	11,314
Interest on the Total Pension Liability	36,192	—	36,192
Differences between Expected and Actual Experience	797	—	797
Contributions from the Employer	—	17,813	(17,813)
Contributions from Employees	—	5,721	(5,721)
Net investment income	—	83,986	(83,986)
Benefit Payments, including Refunds of Employee Contributions	(25,705)	(25,705)	—
Administrative Expense	—	(372)	372
Other Miscellaneous Income/(Expense)	—	—	—
Net changes	22,598	81,443	(58,845)
Balance at June 30, 2022	\$ 535,179	\$ 453,378	\$ 81,801

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

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

	Discount Rate -1% 6.15%	Current Discount Rate 7.15%	Discount Rate +1% 8.15%
Net Pension Liability	\$ 149,741	\$ 81,801	\$ 25,197

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

For the measurement period ended June 30, 2021, the total pension liability was determined by rolling forward the June 30, 2020 total pension liability. Total pension liability was based on the following actuarial methods and assumptions:

Valuation date	June 30, 2020
Actuarial cost method	Entry Age Normal Cost Method
Actuarial Assumptions	
Discount rate	7.15%
Inflation	2.50%
Salary increases	Varies by entry age and service
Payroll growth	2.75%
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 7.15%. CalPERS concluded, based on the results of the stress test, that the current 7.15% discount rate is adequate, and the use of the municipal bond rate calculation is not necessary.

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

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

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

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

¹An expected inflation of 2.0% used for this period

²An expected inflation of 2.92% used for this period

(h) Pension Plan's Fiduciary Net Position

The plan's fiduciary net position as of June 30, 2021 is \$453.4 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, 2022, VTA incurred a pension expense of \$4.68 million for the Plan.

As of June 30, 2022, 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	\$ 1,708	\$ —
Net Difference between Projected and Actual Earnings on Pension Plan Investments	—	41,730
Pension Contributions subsequent to measurement date	17,827	—
Total	\$ 19,535	\$ 41,730

Deferred outflows of resources resulting from contributions, made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. 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
2023	\$ (9,208)
2024	(9,397)
2025	(9,914)
2026	(11,503)
<u>\$</u>	<u>(40,022)</u>

(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 PEPRAs 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 \$149 per month in 2022.

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, 2022, the number of retirees and active employees who met the eligibility requirements for the ATU Program and non-ATU are as follows:

OPEB Eligible	ATU	Non-ATU	Total
Retirees	1,185	630	1,815
Active (Vested)	748	455	1,203

(b) Basis of Accounting

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

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

(c) Contribution Requirements

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

As of June 30, 2022, the Plan's net position of \$353.6 million was available to cover costs of the ATU and Non-ATU Programs. The \$6.3 million contribution in FY 22 is entirely cash contribution.

(d) Changes in Net OPEB Asset

The Net OPEB Asset was \$82.0 million as of June 30, 2022. 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, 2021	\$ 274,261	\$ 397,382	\$ (123,121)
Changes:			
Service cost	6,589	—	6,589
Interest (includes interest on service cost)	18,320	—	18,320
Changes of assumptions	6,217	—	6,217
Difference between Expected and Actual Experience	(14,980)	—	(14,980)
Contributions -Employer	—	6,311	(6,311)
Benefit Payments	(18,860)	(18,860)	—
Non-Benefit Related Admin Expenses from Plan Trusts	—	(181)	181
Net Investment Income	—	(31,098)	31,098
Net changes	(2,714)	(43,828)	41,114
Balance at June 30, 2022	\$ 271,547	\$ 353,554	\$ (82,007)

(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	Discount Rate	1% Increase
	5.25%	6.25%	7.25%
Net OPEB Asset	\$ 48,758	\$ 82,007	\$ 109,810

(f) Health Care Trend rates

The following presents the Net OPEB Asset as calculated using the current trend rates of 6.50% for Non-Medicare; 5.65% for Medicare (Non-Kaiser); and 4.60% for Medicare (Kaiser).

	Current Trend		
	1% Decrease	Rate	1% Increase
Net OPEB Asset	\$ 113,731	\$ 82,007	\$ 43,346

(g) Actuarial Methods and Assumptions

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

Description	Methods/Assumptions
Valuation date	July 1, 2021
Actuarial cost method	Entry Age Normal Cost Method
Actuarial assumptions: Discount rate	7%
Inflation	2.5%
Mortality	Rates for ATU participants are adopted from the study of experience over the five years ending in December 31, 2016. In particular, rates of mortality for ATU members and their spouses are based on a Scale MP-2017 generational projection of the respective RP-2014 Blue Collar tables, adjusted back to 2006. Rates for Administrative participants are from the CalPERS study of non-industrial Miscellaneous employer experience over the nine years ending June 30, 2009.
Trend Rates	Non-Medicare (HMO) - 5.75% for 2022/23, decreasing to an ultimate rate of 4% in 2029/30 Non-Medicare (PPO) - 6.25% for 2022/23, decreasing to an ultimate rate of 4% in 2031/32 Medicare - 4.25% for 2022/23, decreasing to an ultimate rate of 4% in 2025/26

(h) Discount Rate need to be updated

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%	4.6%
International Equity	12%	5.7%
Emerging Markets Equity	5%	7.0%
Private Core Real Estate	10%	2.7%
Diversified Real Assets	7%	3.4%
Domestic Fixed Income	17%	1.5%
Private Debt	12%	6.2%
Absolute Return FoF	8%	3.8%
Cash	1%	0.4%
	100%	

(i) Plan's Fiduciary Net Position

This refers to the fair value of assets. As of June 30, 2022, the Plan's Fiduciary Net Position amounts to \$353.6 million. Detailed information about the OPEB Plan's fiduciary position is available in a separate financial report on VTA's website.

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

For the year ended June 30, 2022, the Plan incurred OPEB expense of \$(1.49) million and VTA's deferred outflows of resources and deferred inflows of resources related to the OPEB as of June 30, 2022 are as follows (in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in assumptions	\$ 12,439	\$ 314
Difference between expected and actual experience	—	23,298
Difference between expected and actual investment earnings	21,103	—
Total	<u>\$ 33,542</u>	<u>\$ 23,612</u>

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

Fiscal Year	Deferred Outflows/ (Inflows) of Resources
2023	\$ (1,695)
2024	1,188
2025	(1,243)
2026	9,674
2027	(1,385)
	<u>\$ 6,539</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, 2022, VTA had net position of approximately \$23 million for the ATU Spousal Medical Fund and \$16.2 million for the Retiree Vision and Dental Fund.

The Spousal Medical Fund is a medical insurance benefit for eligible pensioners' spouses. Pursuant to a collective bargaining agreement with ATU, represented employees are required to contribute \$0.40 per hour to the Spousal Medical Fund. As of June 30, 2022, there were 452 participating spouses who were eligible for benefits from the Spousal Medical Fund. FY 2022 contributions were approximately \$1.4 million while benefit payments made by the Fund were approximately \$1.5 million and investment losses were \$2.6 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, 2022, there were 1,152 eligible participants. Contributions and investment losses for the fiscal year were approximately \$358 thousand and \$1.9 million respectively, while benefit payments were approximately \$315 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, 2022, 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	\$ 28,144	\$ 18,891	\$ 41,090	\$ 88,125
Liabilities	28,144	18,891	40,997	88,032
Net Position	\$ —	\$ —	\$ 93	\$ 93

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, 2022 disclosed that the present values of estimated outstanding losses, at 2% average discount rate using a 60% confidence level, are \$28.1 million and \$18.9 million for Workers’ Compensation and General Liability, respectively.

Changes in the balance of Workers’ Compensation and General Liability claims for the two years ended June 30, 2021, and June 30, 2022, are as follows (in thousands):

	Workers' Compensation	General Liability
Unpaid claims at June 30, 2020	\$ 20,841	\$ 8,501
Provision for claims and claims adjustment expense	6,467	3,449
Changes in estimates for provision for future claims	9,715	1,669
Payment for claims and other adjustments	<u>(6,487)</u>	<u>(3,845)</u>
Unpaid claims at June 30, 2021	30,536	9,774
Provision for claims and claims adjustment expense	7,262	3,384
Changes in estimates for provision for future claims	(119)	9,789
Payment for claims and other adjustments	<u>(9,535)</u>	<u>(4,056)</u>
Unpaid claims at June 30, 2022	<u>\$ 28,144</u>	<u>\$ 18,891</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, 2022, the outstanding balance of compensated absences liability is \$40.9 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 \$2 million per occurrence in excess of a \$2.5 million self-insured retention.

VTA purchases first party Property Insurance for loss or damage to its property arising out of various risk perils (excluding earthquake), and damage from bus and rail transit collisions, overturn or derailment. Coverage provides stated value/replacement cost per occurrence with various deductibles not exceeding \$750,000.

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	2,000,000
Crime	25,000	3,000,000
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

Skanska Shimmick Herzog, Joint Venture (“SSH”) v. VTA, et al.

SSH, VTA's design-build contractor for the line, track, stations, and systems of VTA's BART Silicon Valley Berryessa Extension filed suit against VTA seeking unspecified damages and alleging breach of contract, breach of the implied covenant of good faith and fair dealing, and violation of California's prompt payment statutes. VTA asserts various defenses and has cross-complained against SSH alleging breach of contract, breach of the implied covenant of good faith and fair dealing, and negligence. SSH's subcontractor, Aldridge/Rosendin JV, and its lower-tier subcontractor, HSQ Technology, are also parties to the action and cross-actions. The case is in discovery. A mediation took place on June 16 and 17, 2021 and was unsuccessful in resolving the case. A second mediation is expected to take place in October 2022. Trial is scheduled to begin on January 4, 2023.

Estrada v. VTA

Passenger fall case. The issue is whether plaintiff simply suffered a near fainting episode or fell due to the braking of the bus. Plaintiff was standing up, holding packages, and not holding on after the bus driver passed her stop. After the plaintiff called out to stop the bus, the driver made a controlled stop, but the plaintiff lost her balance and fell. At the hospital, the diagnosis became syncope (fainting) and anemia, due to a second observed fainting episode at the hospital. Subsequent fainting episodes are documented in plaintiff's medical records, in addition to preexisting anemia and cardiac issues. Plaintiff was referred by her lawyer to a chiropractor and thereafter to a spine surgeon, the latter who takes cases on lien. Plaintiff went on to receive spine surgery that was paid for in part through a medical finance company. Medical bills are approximately \$200,000. Trial date is November 14, 2022.

Espinoza v. VTA

A 14-year-old girl on a bicycle, while wearing ear buds, ignored bells, flashing red lights and downed crossing arms. She ducked under one of the crossing arms and rode her bike into the path of an oncoming light rail train. She was struck and suffered severe brain damage. The accident was witnessed by an off-duty CHP officer and recorded on video. Plaintiff sued VTA and the City of San Jose. VTA obtained summary judgment against plaintiff. VTA remains in the case due to a cross-complaint filed by the City of San Jose. Plaintiff claims injuries including loss of cognition, speech, walk, and muscle loss of function that prevent her from properly operating and moving her entire body. Trial is scheduled for March 13, 2023.

Lopez/Pacheco v. VTA

Two pedestrians struck by a speeding car resulting 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. No trial date has been set.

Villegas v. VTA

Two pedestrians crossed four lanes of travel and the light rail tracks located in the center divider. They were struck by a westbound passenger car that was facing a very bright setting sun. The light rail tracks were not fenced at location for a short distance. The tracks are separated from the westbound travel lanes by removable pilons to allow for placement and removal of mobile homes through an adjacent street connected to a mobile park. The 90-year-old pedestrian died. Her 12-year-old granddaughter survived, but sustained a subdural hematoma, left orbital floor fracture, right scapula

fracture, right elbow open fracture, and surgical repair of her right and left elbows. She is also claiming PTSD and some neuropsychological issues, including some cognitive speech deficits and headaches. Defendants include the driver of the passenger car, the City of Sunnyvale and the entity owning the mobile home park. Written discovery has been exchanged, with no depositions as yet. VTA plans a summary judgment motion. No trial date has been set.

Cruz v. VTA

A 33-year-old female bus passenger jumped from a hijacked bus just as it was being driven away from the curb by the hijacker. Plaintiff struck her head but did not lose consciousness. The plaintiff passenger pushed past the operator standing at the front door and jumped off the bus as the hijacker floored the accelerator and overcame the parking brake. Plaintiff claims neck, low back, and a traumatic brain injury, with neuropsychological testing allegedly demonstrating evidence of peripheral vestibular dysfunction, a central vestibular dysfunction, abnormalities in cognitive processing, reaction time, executive function, visual attention, immediate recall and delayed recall, suggesting frontal lobe dysfunction, cerebellum dysfunction and parietofrontal dysfunction. She also claimed poor balance, dizziness, concentration, and memory difficulties. Discovery is just beginning. Claimed future medical costs exceed \$2M. No trial date has been set.

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 almost 100 employees were evacuated from the facility. The VTA's light rail facility was forced to shut down for weeks. A tenth employee committed suicide, presumably as a result of the mental health challenges that understandably resulted from witnessing the horrific event. VTA has received a total of 52 Worker's Compensation claims. Government tort claims have been filed by the surviving family members/estate of the nine fallen employees; the family members of the employee that committed suicide; and two other employees who were onsite during the shooting.

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. With the passage of Measure RR, VTA will no longer contribute to the operating and capital costs of the Caltrain commuter rail service administered by PCJPB; however, in FY 2022, VTA paid \$9.1 million for the delay in payment and outstanding balance owed pursuant to the 2008 Real Property Ownership Amendment and agreement to assign certain rights as Managing Agency to JPB.

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

(b) *Altamont Corridor Express*

The Altamont Corridor Express (ACE) is a commuter rail service covering over 85 miles between Stockton and San Jose with stops in Manteca, Tracy, Livermore, Pleasanton, Fremont, Santa Clara, and San Jose. ACE is funded by VTA, the Alameda County Congestion Management Agency, and the San Joaquin Regional Rail Commission which also serves as the managing agency. ACE commenced operations in October 1998, and now provides four daily round trips commuter rail service from San Joaquin County through the Tri-Valley Area of Alameda County to Santa Clara County. In June 2003, VTA entered into a Cooperative Service Agreement with the San Joaquin Regional Rail Commission (SJRRC) and the Alameda County Transportation Commission (Alameda CTC) for continued VTA funding of ACE commuter rail service. The cooperative agreement replaced the ACE Joint Powers Agreement (JPA) executed by the ACE member agencies – VTA, SJRRC, and Alameda CTC. Per the cooperative agreement, VTA's financial subsidy is the amount paid in FY 2003, increased annually by the consumer price index (CPI). During the year ended June 30, 2022, VTA contributed approximately \$3.3 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 three ground leases, as well as bus and light rail wrap advertising. The remaining receivable and deferred inflows of resources related to these leases were \$67 million and \$65.4 million respectively, as of June 30, 2022. Interest revenue recognized on these leases was \$893 thousand for FY 2022. Principal receipts of \$1.8 million 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 2022 (in thousands):

Lessor leases (in thousands):	Leases Receivable	Leases Amortization	Totals	Due within 1 Year
Ground Lease - Almaden Lake	\$ 42,196	\$ 104	\$ 42,092	\$ 87
Ground Lease - Eden Housing	11,306	172	11,134	164
Ground Lease - Sprint Communication	3,256	98	3,158	103
Bus/Light Rail lease for wrap advertising	12,096	1,468	10,628	2,465
Total leases receivable	\$ 68,854	\$ 1,842	67,012	\$ 2,819
Less current portion			(2,819)	
Long-term receivable, net			\$ 64,193	

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
2023	\$ 2,819	\$ 910	\$ 3,729
2024	2,972	828	3,800
2025	3,129	743	3,872
2026	3,292	652	3,944
2027	469	598	1,067
2028-2032	2,843	2,864	5,707
2033-2037	3,803	2,594	6,397
2038-2042	3,716	2,295	6,011
2043-2047	4,143	2,100	6,243
2048-2052	5,150	1,869	7,019
2053-2057	6,334	1,584	7,918
2058-2062	7,727	1,233	8,960
2063-2067	9,360	808	10,168
2068-2072	10,733	294	11,027
2073-2074	522	5	527
	\$ 67,012	\$ 19,377	\$ 86,389

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 \$2.2 million separately as of June 30, 2022. Interest expense recognized on these leases was \$72.8 thousand and principal payment during the year of \$206.5 thousand were recognized during the year.

Below is a schedule of the changes in the right to use assets with the accumulated amortization for the FY 2022 (in thousands):

Right to use assets:		
Palo Alto Transit Center Depot	\$	2,426
Less: Accumulated amortization		202
Right to use assets, net	\$	<u>2,224</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
2023	\$ 144	\$ 69	\$ 213
2024	156	64	220
2025	167	60	227
2026	179	55	234
2027	192	49	241
2028-2032	1,172	153	1,325
2033	282	8	290
	<u>\$ 2,292</u>	<u>\$ 458</u>	<u>\$ 2,750</u>

NOTE 21 - RESTATEMENT DUE TO CHANGE IN ACCOUNTING PRINCIPLES

As discussed in Note 2(p), VTA implemented the GASB Statement No. 87, *Lease*, which required the recognition of a lease receivable with related deferred inflows of resources and lease asset with a related right to use asset at the present value of the payments expected to be received or made during the lease term.

The following is a summary of the restatements due to change in accounting principles (in thousands):

	2021 Previously Presented	Fund Recognition and Net Position Restatement	2021 Restated
VTA Transit Fund			
Leases receivable	\$ —	\$ 68,854	\$ 68,854
Deferred inflows: Lease Asset	—	(68,854)	(68,854)
Right to use assets	—	2,426	2,426
Leases payable	—	(2,426)	(2,426)
Net position	<u>\$ 2,463</u>	<u>\$ —</u>	<u>\$ 2,463</u>
Business-type Activities			
Leases receivable	\$ —	\$ 68,854	\$ 68,854
Deferred inflows: Lease Asset	—	(68,854)	(68,854)
Right to use assets	—	2,426	2,426
Leases payable	—	(2,426)	(2,426)
Net position	<u>\$ 5,809</u>	<u>\$ —</u>	<u>\$ 5,809</u>



REQUIRED SUPPLEMENTARY INFORMATION
(Other than MD&A)

THIS PAGE IS INTENTIONALLY LEFT BLANK

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)

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability									
Service cost	\$19,528	\$17,118	\$18,275	\$17,818	\$16,953	\$16,024	\$14,788	\$13,468	\$12,094
Interest (includes interest on service cost)	54,663	53,888	52,368	51,921	47,850	46,152	45,110	43,069	41,417
Difference between expected and actual experience	2,339	(5,186)	2,349	(17,900)	12,285	6,440	7,748	4,517	—
Changes in Assumptions	(879)	15,130	7,307	—	21,918	13,105	14,577	—	—
Benefit payments, including refunds of member contributions	(50,386)	(48,506)	(47,023)	(44,311)	(41,566)	(38,454)	(35,588)	(33,418)	(30,967)
Net Change in Total Pension Liability	25,265	32,444	33,276	7,528	57,440	43,267	46,635	27,636	22,544
Total Pension Liability - Beginning	832,268	799,824	766,548	759,020	701,580	658,313	611,678	584,042	561,498
Total Pension Liability - Ending	857,533	832,268	799,824	766,548	759,020	701,580	658,313	611,678	584,042
Plan Fiduciary Net Position									
Contributions - Employer	29,114	28,770	30,552	32,282	28,524	27,385	25,751	25,590	25,787
Contributions - Member	5,674	5,222	4,850	3,343	2,725	1,070	—	—	—
Net Investment Income	(55,302)	157,392	(12,424)	23,408	40,605	60,472	2,245	16,094	64,139
Benefit payments, including refunds of member contributions	(50,386)	(48,506)	(47,023)	(44,311)	(41,566)	(38,454)	(35,588)	(33,418)	(30,967)
Administrative Expense	(416)	(420)	(375)	(409)	(403)	(324)	(281)	(301)	(313)
Net Change in Plan Fiduciary Net Position	(71,316)	142,458	(24,420)	14,313	29,885	50,149	(7,873)	7,965	58,646
Plan Fiduciary Net Position - Beginning	693,703	551,245	575,665	561,352	531,467	481,318	489,191	481,226	422,580
Plan Fiduciary Net Position - Ending	622,387	693,703	551,245	575,665	561,352	531,467	481,318	489,191	481,226
Net Pension Liability - Ending	\$235,146	\$138,565	\$248,579	\$190,883	\$197,668	\$170,113	\$176,995	\$122,487	\$102,816
Measurement Date	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
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	72.58 %	83.35 %	68.92 %	75.10 %	73.96 %	75.75 %	73.11 %	79.98 %	82.40 %
Covered Payroll	\$143,982	\$130,271	\$137,584	\$133,749	\$139,288	\$131,544	\$126,796	\$115,914	\$107,880
Net Pension Liability as a percentage of covered payroll	163.32 %	106.37 %	180.67 %	142.72 %	141.91 %	129.32 %	139.59 %	105.67 %	95.31 %
Annual money-weight rate of return, net of investment expense	(11.79)%	26.46 %	2.53 %	4.75 %	4.77 %	12.80 %	1.34 %	3.69 %	15.42 %

Information not available prior to FY 2014.

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)

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Actuarially-determined Contribution	\$29,114	\$28,770	\$30,552	\$32,282	\$28,524	\$27,385	\$25,720	\$25,549	\$25,787	\$24,413
Contributions in Relation to the Actuarially-determined Contribution	29,114	28,770	30,552	32,282	28,524	27,385	25,751	25,590	25,787	24,413
Contributions Deficiency/ (Excess)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (31)</u>	<u>\$ (41)</u>	<u>\$ —</u>	<u>\$ —</u>
Covered Payroll	\$143,982	\$130,271	\$137,584	\$133,749	\$139,288	\$131,544	\$126,796	\$115,914	\$107,880	\$104,136
Contributions as a Percentage of Covered Payroll	20.22 %	22.08 %	22.21 %	24.14 %	20.48 %	20.82 %	20.31 %	22.08 %	23.90 %	23.44 %

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)

	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability								
Service cost	\$ 11,314	\$ 11,441	\$ 11,662	\$ 11,641	\$ 11,137	\$ 9,488	\$ 9,551	\$ 9,055
Interest	36,192	34,592	32,961	30,936	29,286	27,998	26,479	24,724
Changes in Assumptions	—	—	—	(3,287)	24,077	—	(6,447)	—
Difference between Expected and Actual Experience	797	217	5,563	3,653	(2,259)	(1,007)	2,488	—
Benefit payments, including refunds of employee contributions	(25,705)	(23,048)	(20,821)	(18,843)	(17,083)	(15,940)	(14,341)	(12,834)
Net Change in Total Pension Liability	22,598	23,202	29,365	24,100	45,158	20,539	17,730	20,945
Total Pension Liability - Beginning	512,581	489,379	460,014	435,914	390,756	370,217	352,487	331,542
Total Pension Liability - Ending	535,179	512,581	489,379	460,014	435,914	390,756	370,217	352,487
Plan Fiduciary Net Position								
Contributions - Employer	17,813	15,179	13,486	11,976	11,865	10,248	8,684	8,845
Contributions - Employee	5,721	4,972	5,089	4,899	4,875	4,259	4,075	4,482
Net Investment Income	83,986	17,927	22,290	26,775	31,689	1,430	6,042	41,263
Benefit payments, including refunds of employee contributions	(25,705)	(23,048)	(20,821)	(18,843)	(17,083)	(15,940)	(14,341)	(12,834)
Plan to Plan Resource Movement	—	—	—	78	37	(40)	—	—
Administrative Expense	(372)	(504)	(241)	(490)	(418)	(173)	656	—
Other Miscellaneous Income/(Expense)	—	—	1	(930)	—	—	—	—
Net Change in Fiduciary Net Position	81,443	14,526	19,804	23,465	30,965	(216)	5,116	41,756
Plan Fiduciary Net Position - Beginning	371,935	357,409	337,605	314,140	283,175	283,391	278,275	236,519
Plan Fiduciary Net Position - Ending	453,378	371,935	357,409	337,605	314,140	283,175	283,391	278,275
Plan Net Pension Liability - Ending	<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	84.72 %	72.56 %	73.03 %	73.39 %	72.06 %	72.47 %	76.55 %	78.95 %
Covered Payroll	\$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	116.69 %	199.76 %	186.73 %	174.48 %	184.95 %	175.76 %	143.81 %	136.69 %
Measurement Date	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014

Information not available prior to FY 2015.

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$17,827	\$16,710	\$15,208	\$13,572	\$12,208	\$11,516	\$10,567	\$8,965	\$8,845	\$7,497
Contributions in Relation to the Contractually Required	<u>17,827</u>	<u>16,710</u>	<u>15,208</u>	<u>13,572</u>	<u>12,208</u>	<u>11,516</u>	<u>10,567</u>	<u>8,965</u>	<u>8,845</u>	<u>7,497</u>
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)	\$71,542	\$71,385	\$70,084	\$73,461	\$71,140	\$68,156	\$61,209	\$60,375	\$54,294	\$52,712
Contributions as a Percentage of Covered Payroll	24.92 %	23.41 %	21.70 %	18.48 %	17.16 %	16.90 %	17.26 %	14.85 %	16.29 %	14.22 %

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)

	2022	2021	2020	2019	2018	2017
Total OPEB Liability						
Service cost	\$ 6,589	\$ 6,300	\$ 6,141	\$ 6,190	\$ 5,697	\$ 5,888
Interest cost	18,320	18,298	17,810	17,190	16,695	15,872
Benefit payments	(18,860)	(14,194)	(13,771)	(13,142)	(12,539)	(13,055)
Effect of Change in Actuarial Assumptions/Methods	6,217	7,004	(12)	6,523	(1,057)	—
Difference between Expected and Actual Experience	(14,980)	(8,435)	(3,064)	(7,876)	(1,670)	—
Effect of Plan Amendments	—	—	—	306	—	—
Net change in Total OPEB Liability	(2,714)	8,973	7,104	9,191	7,126	8,705
Total OPEB Liability - Beginning	274,261	265,288	258,184	248,993	241,867	233,162
Total OPEB Liability - Ending (a)	271,547	274,261	265,288	258,184	248,993	241,867
Plan Fiduciary Net Position						
Contributions to Plan Trusts	6,311	5,717	5,799	9,086	—	4,047
Benefit Payments from Plan Trusts	(18,860)	(14,194)	(13,771)	(13,142)	(12,539)	(13,054)
Administrative Expenses from Plan Trusts	(181)	(94)	(91)	(93)	(109)	(25)
Expected Investment Return	(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	(43,828)	66,416	341	15,254	15,477	24,294
Plan Fiduciary Net Position - Beginning	397,382	330,966	330,625	315,371	299,894	275,600
Plan Fiduciary Net Position - Ending (b)	353,554	397,382	330,966	330,625	315,371	299,894
Net OPEB Asset - Ending (a) - (b)	<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)	130.20 %	144.89 %	124.76 %	128.06 %	126.66 %	123.99 %
Covered Payroll ¹	\$233,952	\$187,551	\$186,300	\$181,761	\$185,861	\$176,709
Net OPEB Asset as a Percentage of Covered Payroll	(35.05)%	(65.65)%	(35.25)%	(39.85)%	(35.71)%	(32.84)%
Measurement Date	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	(7.87)%	19.50 %	1.03 %	6.44 %	9.83 %	12.51 %

Information not available prior to 2017.

¹Covered payroll for FY 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)

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Actuarially-determined Contribution	\$ (5,483)	\$ (5,657)	\$ (5,035)	\$ 3,410	\$ (2,113)	\$ 4,574	\$ 4,785	\$ 12,093	\$ 14,100	\$ 17,315
Contributions in Relation to the Actuarially-determined Contribution	6,311	5,717	5,799	9,086	—	4,047	4,785	12,093	14,100	37,965
Contributions Deficiency/(Excess)	<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>	<u>\$ —</u>	<u>\$ (20,650)</u>
Covered Payroll ¹	\$233,952	\$187,551	\$186,300	\$181,761	\$185,861	\$176,709	\$168,869	\$167,124	\$162,902	\$152,218
Contributions as a Percentage of Covered Payroll	2.70%	3.05%	3.11%	5.00%	—%	2.29%	2.83%	7.24%	8.66%	24.94%

¹Covered payroll for FY 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, 2022

(In thousands)

	Original Operating Budget*	Final Operating Budget	Actual	Variance Final to Actual Positive/ (Negative)
Revenues:				
Sales tax receipts	\$ 236,381	\$ 236,381	\$ 258,470	\$ 22,089
Investment earnings	575	575	2,223	1,648
Federal subsidy for Build America Bonds	8,271	8,271	8,379	108
Other income	1,519	1,519	474	(1,045)
Total revenues	<u>246,746</u>	<u>246,746</u>	<u>269,546</u>	<u>22,800</u>
Non-project expenditures:				
Operating assistance to VTA Transit	49,049	55,049	53,633	1,416
Professional, special and other services	559	559	489	70
Miscellaneous	30	30	28	2
Repayment of debt service to VTA Transit	17,593	17,593	17,597	(4)
Principal payment, bond interest and other bond charges	71,934	65,934	64,100	1,834
Total non-project expenditures:	<u>139,165</u>	<u>139,165</u>	<u>135,847</u>	<u>3,318</u>
Change in fund balance	<u>\$ 107,581</u>	<u>\$ 107,581</u>	<u>133,699</u>	<u>\$ 26,118</u>
GAAP reconciliation and unbudgeted items:				
Federal, state and local grant revenues			10,110	
Contribution to other agencies			(17,711)	
Unrealized gain/(loss) on investments			(7,080)	
Amortization of premium/discounts on investment			(354)	
Interest not requiring use of financial resources			(831)	
Other expenditures			(564)	
Transfers out			(181,407)	
Total GAAP reconciliation and unbudgeted items			<u>(197,837)</u>	
Change in fund balance, on a GAAP basis			(64,138)	
Fund balance, beginning of year			337,284	
Fund balance, end of year			<u>\$ 273,146</u>	

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

See Note accompanying this schedule

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Required Supplementary Information

Budgetary Comparison Schedule

2016 Measure B Program Special Revenue Fund

For the year ended June 30, 2022

(In thousands)

	Original Budget	Final Budget	Actual	Variance Final to Actual Positive/ (Negative)
Revenues:				
Sales Tax Revenues	\$ 236,381	\$ 236,381	\$ 258,000	\$ 21,619
Investment earnings (losses)	1,421	1,421	(21,142)	(22,563)
Total Revenues	<u>237,802</u>	<u>237,802</u>	<u>236,858</u>	<u>(944)</u>
Expenditures:				
Labor and overhead costs	—	1,236	1,236	—
Professional services	—	846	810	(36)
Miscellaneous	—	—	36	36
Total Expenditures	<u>—</u>	<u>2,082</u>	<u>2,082</u>	<u>—</u>
Change in fund balance, on a budgetary basis	<u>\$ 237,802</u>	<u>\$ 235,720</u>	234,776	<u>\$ (944)</u>
Expenditures not budgeted:				
Contributions to other agencies			(101,455)	
Transfers out			<u>(23,590)</u>	
Change in fund balance, on a GAAP basis			109,731	
Fund Balance, Beginning of Year			746,303	
Fund Balance, End of Year			<u>\$ 856,034</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, 2022

(In thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual Positive/ (Negative)</u>
Revenues:				
Assessments to member agencies	\$ 2,942	\$ 2,943	\$ 2,942	\$ (1)
Federal grant revenues	1,465	1,465	1,603	138
Administrative fees	—	—	140	140
State and local operating assistance grants	1,402	1,402	912	(490)
Other revenues	760	760	315	(445)
Investment earnings	<u>2</u>	<u>2</u>	<u>2</u>	<u>—</u>
Total Revenues	<u>6,571</u>	<u>6,572</u>	<u>5,914</u>	<u>(658)</u>
Expenditures:				
VTA labor and overhead costs	5,165	5,531	5,530	1
Services and other:				
Professional services	650	571	570	1
Other services	15	15	17	(2)
Data processing	8	—	—	—
Contribution to Other Agencies	<u>357</u>	<u>79</u>	<u>78</u>	<u>1</u>
Total Expenditures	<u>6,195</u>	<u>6,196</u>	<u>6,195</u>	<u>1</u>
Change in fund balance	<u>\$ 376</u>	<u>\$ 376</u>	<u>(281)</u>	<u>\$ (657)</u>
Fund Balance, Beginning of Year			<u>2,217</u>	
Fund Balance, End of Year			<u>\$ 1,936</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, 2022
 (In thousands)

	Original Budget	Final Budget	Actual	Variance Final to Actual Positive/ (Negative)
Revenues:				
Federal, state, and local grants	\$ 72,411	\$ 72,411	\$ 72,430	\$ —
Expenditures:				
Capital expenditures on behalf of other agencies, and transfers out	72,411	72,411	72,430	—
Change in fund balance, on a budgetary basis	\$ —	\$ —	—	\$ —
Fund Balance, Beginning of Year			—	
Fund Balance, End of Year			\$ —	

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, 2022
 (In thousands)

	Original Budget	Final Budget	Actual	Variance Final to Actual Positive/ (Negative)
Revenues:				
State and local operating assistance grants	\$ 2,427	\$ 2,427	\$ 2,427	\$ —
Investment earnings (losses)	(93)	(93)	(93)	—
Total Revenues	2,334	2,334	2,334	—
Expenditures:				
Program payments	2,835	2,835	2,835	—
Change in fund balance, on a budgetary basis	\$ (501)	\$ (501)	(501)	\$ —
Fund Balance, Beginning of Year			4,728	
Fund Balance, End of Year			\$ 4,227	

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, 2022
 (In thousands)

	Original Budget	Final Budget	Actual	Variance Final to Actual Positive/ (Negative)
Revenues:				
Federal, state, and local grants	\$ 15,890	\$ 15,890	\$ 15,890	\$ —
Investment earnings	(693)	(693)	(692)	1
Total Revenues	15,197	15,197	15,198	1
Expenditures:				
Program payments	17,346	17,346	17,346	—
Total Expenditures	17,346	17,346	17,346	—
Change in fund balance, on a budgetary basis	\$ (2,149)	\$ (2,149)	(2,148)	\$ 1
Fund Balance, Beginning of Year			33,507	
Fund Balance, End of Year			\$ 31,359	

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 were not budgeted as these report on 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.

THIS PAGE IS INTENTIONALLY LEFT BLANK



SUPPLEMENTARY INFORMATION
(Combining and Individual Fund Information)

THIS PAGE IS INTENTIONALLY LEFT BLANK

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Comparative Schedule of Fund Net Position

Enterprise Funds

June 30,

(In thousands)

	2022	2021
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 19,585	\$ 18,635
Investments	994,225	737,652
Receivables, net	6,826	5,147
Leases receivable*	2,819	—
Due from other agencies	84,061	83,188
Inventories	28,571	27,726
Due from other funds	4,541	39,258
Other current assets	6,117	5,518
Restricted cash and investments with fiscal agent	106,624	131,511
Total current assets	1,253,369	1,048,635
Non-current assets:		
Long-term receivable	266	354
Leases receivable*	64,193	—
Net OPEB asset	82,007	123,121
Capital Assets		
Nondepreciable:		
Land and right-of-way	1,850,218	1,848,342
Construction in progress	1,067,584	1,019,068
Depreciable:		
Right to use assets*	2,426	—
Caltrain - Gilroy extension	53,790	53,790
Buildings and improvements	1,207,622	1,184,858
Furniture and fixtures	523,306	491,653
Vehicles	800,249	779,400
Light-rail tracks and electrification	1,121,304	1,080,947
Leasehold improvement	9,851	9,851
Others	82,705	54,176
Less: Accumulated depreciation/amortization	(1,513,455)	(1,325,210)
Net capital assets	5,205,600	5,196,875
Total assets	6,605,435	6,368,985
DEFERRED OUTFLOWS OF RESOURCES		
Refunding amounts	3,826	4,754
Pension-related	75,848	55,423
OPEB-related	33,542	9,403
Total deferred outflows of resources	113,216	69,580

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

	2022	2021
LIABILITIES		
Current liabilities:		
Current portion of long-term debt	16,980	16,215
Accounts payable and accrued expenses	30,256	32,780
Leases Liability*	144	—
Deposits	623	473
Accrued payroll and related liabilities	11,620	5,966
Bond interest and other fees payable	632	400
Unearned revenues	31,824	2,931
Due to other funds	—	37,069
Due to other agencies	59,159	17,790
Other accrued liabilities	520	103
Total current liabilities	151,758	113,727
Non-current liabilities		
Long-term debt, excluding current portion	101,302	120,247
Leases Liability*	2,148	—
Net pension liability**	316,947	279,210
Total non-current liabilities	420,397	399,457
Total liabilities	572,155	513,184
DEFERRED INFLOWS RELATED TO PENSION, OPEB AND LEASE*	138,104	116,376
NET POSITION	\$ 6,008,392	\$ 5,809,005

*The 2021 amounts were not restated for GASB Statement 87 because the information was not available.

**Resulting from GASB 68 implementation. In 2022, this consisted of \$81.8 million for CalPERS and \$235.1 million for ATU. In FY 2021, this consisted of \$140.6 million for CalPERS and \$138.6 million for ATU.

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

	2022	2021
OPERATING REVENUES:		
Fares - Transit	\$ 20,885	\$ 13,075
Fares - Paratransit	1,036	470
Fares - Bart	4,182	1,698
Toll revenues collected	7,797	3,140
Advertising and others	3,057	3,236
Charges for services	3,264	634
Total operating revenues	40,221	22,253
OPERATING EXPENSES:		
Labor cost	345,614	332,104
Materials and supplies	37,405	29,303
Services	124,079	111,426
Utilities	9,226	9,734
Casualty and Liability	17,331	8,702
Purchased transportation	25,783	21,658
Leases and rentals	1,326	898
Miscellaneous	1,440	1,581
Depreciation/amortization expense	194,342	179,056
Costs allocated to capital and other programs	(33,222)	(37,071)
Total operating expenses	723,324	657,391
Operating loss	(683,103)	(635,138)
NON-OPERATING REVENUES (EXPENSES)		
Sales tax revenue	321,768	274,498
Federal operating assistance and other grants	172,614	76,096
State and local operating assistance grants	143,814	145,778
Caltrain subsidy	(9,120)	(10,800)
Capital expenses on behalf of, and contribution to other agencies	(3,178)	(5,850)
Altamont Corridor Express subsidy	(3,337)	(3,893)
Investment earnings/(losses)	(22,024)	5,069
Interest expense	(5,206)	(5,972)
Other income	1,906	2,383
Other expense	(681)	(618)
Non-operating revenues, net	596,556	476,691
INCOME (LOSS) BEFORE CONTRIBUTIONS	(86,547)	(158,447)
CAPITAL CONTRIBUTIONS	10,643	20,133
TRANSFERS IN/(OUT)	275,291	239,152
CHANGE IN NET POSITION	199,387	100,838
NET POSITION, BEGINNING OF YEAR, AS RESTATED	5,809,005	5,708,167
NET POSITION, END OF YEAR	\$ 6,008,392	\$ 5,809,005

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Comparative Schedule of Cash Flows

Enterprise Funds

For the years ended June 30,

(In thousands)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from transit fares	\$ 22,145	\$ 14,478
Cash received from paratransit fares	1,036	470
Cash received from toll revenues collected	7,797	3,140
Cash received from advertising	3,683	3,454
Cash paid for labor costs	(344,854)	(305,420)
Cash paid to suppliers	(130,188)	(160,633)
Cash paid for purchased transportation	(25,783)	(21,658)
Other receipts/(payments)	4,632	736
Net cash provided by/(used in) operating activities	<u>(461,532)</u>	<u>(465,433)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating grants received	321,773	210,301
Sales tax received	318,711	258,613
Caltrain subsidy	(9,120)	(10,800)
Altamont Corridor Express subsidy	(3,337)	(3,893)
Capital contribution from/(to) other agencies	(5,401)	(5,947)
Transfers in	94,820	77,182
Net cash provided by/(used in) non-capital financing activities	<u>717,446</u>	<u>525,456</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payment of long-term debt	(19,680)	(16,540)
Advance (to)/from other governments	23,608	17,283
Interest and other fees paid on long-term debt	(4,211)	(4,182)
Acquisition and construction of capital assets	(299,542)	(90,605)
Capital contribution from other entities	46,434	58,411
Capital acquisition from other funds	180,547	2,263
Net cash provided by/(used in) capital and related financing activities	<u>(72,844)</u>	<u>(33,370)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	838,209	873,185
Purchases of investments	(1,055,893)	(920,333)
Interest income received	10,677	17,395
Net cash provided by/(used in) investing activities	<u>(207,007)</u>	<u>(29,753)</u>
Net increase/(decrease) in cash and cash equivalents	<u>(23,937)</u>	<u>(3,100)</u>
Cash and cash equivalents, beginning of year	<u>150,146</u>	<u>157,772</u>
Cash and cash equivalents, end of year	<u>\$ 126,209</u>	<u>\$ 154,672</u>

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Comparative Schedule of Cash Flows *(Continued)*

Enterprise Funds

For the years ended June 30,

(In thousands)

	<u>2022</u>	<u>2021</u>
RECONCILIATION OF OPERATING INCOME/(LOSS) TO NET CASH PROVIDED BY/(USED IN) OPERATING ACTIVITIES:		
Operating income/(loss)	\$ (683,103)	\$ (638,957)
Adjustments to reconcile operating income/(loss) to net cash provided by/(used in) operating activities:		
Depreciation	194,342	179,056
Changes in operating assets and liabilities:		
Other current assets	(605)	151
Receivables	(71,075)	(296)
Due from other governmental agencies	—	(1,746)
Deferred Outflow of Resources: Pension related	—	5,176
Inventories	(845)	735
Accounts payable	64,062	(168)
Other accrued liabilities	6,071	24
Deposits from others	(3)	(142)
Unearned revenue	68,235	2,137
Pension and OPEB related	(38,611)	(46,837)
Deferred Inflow of Resources: Pension related	—	35,434
Net cash provided by/(used in) operating activities	<u>\$ (461,532)</u>	<u>\$ (465,433)</u>
Reconciliation of cash and cash equivalents to the Statement of Fund Net Position:		
Cash and cash equivalents, end of year:		
Unrestricted	\$ 19,585	\$ 18,635
Restricted	106,624	131,511
	<u>\$ 126,209</u>	<u>\$ 150,146</u>
NONCASH ACTIVITIES:		
Increase/(Decrease) in fair value of investments	\$ (28,381)	\$ (9,468)
Noncash capital contributions	5	1,340
GASB 87 leased asset related	2,044	—
Total non-cash activities	<u>\$ (26,332)</u>	<u>\$ (8,128)</u>

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
 Budgetary Comparison Schedule - Enterprise Fund
 VTA Transit Fund
 For the year ended June 30, 2022
 (In thousands)

	FY 2022 Adopted Budget	Final Budget	Actual	Variance Final to Actual Positive / (Negative)
REVENUES				
Fares - Transit	\$ 15,558	\$ 15,558	\$ 20,885	\$ 5,327
Fares - Paratransit	873	873	1,036	163
1976 1/2 Cent Sales Tax	236,381	236,381	258,474	22,093
Transportation Development Act funds	123,104	123,104	100,029	(23,075)
2000 Measure A Sales Tax Operating Assistance	49,049	49,049	53,633	4,584
2016 Measure B -Transit Operations	23,586	23,586	23,590	4
STA	31,486	31,486	37,723	6,237
Federal Operating Grants	5,054	38,654	33,444	(5,210)
State Operating Grants	2,406	4,763	6,062	1,299
Investment Earnings	4,230	4,230	2,181	(2,049)
Advertising Income	2,636	2,636	2,311	(325)
Other Income	19,834	19,833	21,202	1,369
Total revenues	514,196	550,153	560,570	10,417
OPERATING EXPENSES				
Labor Costs	358,641	361,323	353,484	7,839
Materials & Supplies	25,616	23,316	20,177	3,139
Security	24,775	19,775	19,743	32
Professional & Special Services	10,206	9,357	8,316	1,041
Other Services	12,731	12,411	13,951	(1,540)
Fuel	10,386	10,386	12,556	(2,170)
Traction Power	5,946	3,946	3,350	596
Tires	1,624	1,624	1,514	110
Utilities	4,313	4,313	3,889	424
Insurance	8,546	16,696	16,890	(194)
Data Processing	7,471	7,171	6,452	719
Office Expense	286	286	236	50
Communications	1,866	1,866	1,885	(19)
Employee Related Expense	1,081	1,309	458	851
Leases & Rents	983	983	1,460	(477)
Miscellaneous	1,083	1,083	862	221
Reimbursements	(44,328)	(44,328)	(37,133)	(7,195)
Total operating expenses	431,227	431,517	428,090	3,427

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
 Budgetary Comparison Schedule - Enterprise Fund (*continued*)
 VTA Transit Fund
 For the year ended June 30, 2022
 (In thousands)

	FY 2022			Variance
	Adopted	Final		Final to Actual
	Budget	Budget	Actual	Positive / (Negative)
OTHER EXPENSES				
Paratransit	29,206	24,206	23,562	644
Caltrain	—	9,120	9,120	—
Altamont Corridor Express	6,054	6,054	5,545	509
Highway 17 Express	419	419	392	27
Contribution to Other Agencies	1,061	1,061	828	233
Debt Service	20,909	20,909	20,903	6
Transfer to capital reserve	40,000	40,000	40,000	—
Contingencies	3,000	800	—	800
Total other expenses	100,649	102,569	100,350	2,219
Total operating and other expenses	531,876	534,086	528,440	5,646
Change in net position, on a budgetary basis	\$ (17,680)	\$ 16,067	32,130	\$ 16,063
Reconciliation of net income on a budgetary basis to net income on a GAAP Basis:				
Capital Contributions			10,260	
Emergency Operating Assistance/CRRSSA			139,170	
Project Expenditures			(3,492)	
Capital Contributions to Other Agencies			(210)	
Bond Principal Payment			16,160	
Amortization of investment premium and discount			(484)	
Amortization of bond premium and deferred loss			1,038	
Unrealized loss on investment			(16,887)	
Debt Reduction Fund Interest Earnings			1,986	
Other non-operating income/(loss)			(1,105)	
Other non-budgetary revenues/(expenses)			(5,768)	
Pension-related (GASB 68) & OPEB-related (GASB 75) expenses			(8,474)	
OPEB-related (GASB 87) lease income			2,597	
PERS employer contribution deferred			17,827	
Transfer to capital reserve			40,000	
Transfers in (net of transfers out)			588	
Depreciation			(85,526)	
Net change in net position, on a GAAP Basis			\$ 139,810	

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

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

	2022						2021							
	2000 Measure A Program	2016 Measure B Program	Congestion Management Program	Congestion Management & Highway Program	BAAQMD Program	SB83 VRF	Total	2000 Measure A Program	2016 Measure B Program	Congestion Management Program	Congestion Management & Highway Program	BAAQMD Program	SB83 VRF	Total
Sales tax revenue	\$ 258,470	\$ 258,000	\$ —	\$ —	\$ —	\$ —	\$ 516,470	\$ 220,500	\$ 220,362	\$ —	\$ —	\$ —	\$ —	\$ 440,862
Federal grant revenues	3,486	—	1,603	1,042	—	—	6,131	17,398	—	2,084	1,039	—	—	20,521
State and local grants	6,624	—	912	71,388	2,427	15,890	97,241	10,173	—	912	61,434	2,447	16,292	91,258
Federal subsidy for Build America Bonds	8,379	—	—	—	—	—	8,379	8,759	—	—	—	—	—	8,759
Investment earnings	(5,211)	(21,142)	2	—	(93)	(692)	(27,136)	1,573	1,857	2	—	15	154	3,601
Assessment to member agencies	—	—	2,942	—	—	—	2,942	—	—	2,843	—	—	—	2,843
Other revenues	474	—	315	—	—	—	789	430	—	251	—	—	—	681
Administrative fees	—	—	140	—	—	—	140	—	—	164	—	—	—	164
Total Revenues	272,222	236,858	5,914	72,430	2,334	15,198	604,956	258,833	222,219	6,256	62,473	2,462	16,446	568,689
Capital expenditures on behalf of, and contribution to other agencies	(17,711)	(101,455)	(78)	(66,746)	—	—	(185,990)	(34,217)	(60,160)	(168)	(55,291)	—	—	(149,836)
Program payments	—	—	—	—	(2,835)	(17,346)	(20,181)	—	—	—	—	(2,238)	(15,529)	(17,767)
Debt Service:														
Principal	(35,015)	—	—	—	—	—	(35,015)	(33,680)	—	—	—	—	—	(33,680)
Interest	(37,051)	—	—	—	—	—	(37,051)	(27,258)	—	—	—	—	—	(27,258)
Salaries and benefits	(2)	(1,236)	(5,530)	—	—	—	(6,768)	—	(1,342)	(5,538)	—	—	—	(6,880)
Other expenditures	(564)	(36)	—	—	—	—	(600)	(1,438)	(15)	—	—	—	—	(1,453)
Professional services	—	(810)	(570)	—	—	—	(1,380)	—	(667)	(361)	—	—	—	(1,028)
Material and Services	—	—	(17)	—	—	—	(17)	—	—	(15)	—	—	—	(15)
Total Expenditures	(90,343)	(103,537)	(6,195)	(66,746)	(2,835)	(17,346)	(287,002)	(96,593)	(62,184)	(6,082)	(55,291)	(2,238)	(15,529)	(237,917)
Transfers out	(246,017)	(23,590)	—	(5,684)	—	—	(275,291)	(217,470)	(14,500)	—	(7,182)	—	—	(239,152)
Proceed from bond issuance	—	—	—	—	—	—	—	67,173	—	—	—	—	—	67,173
Payment for bond refunding	—	—	—	—	—	—	—	(68,234)	—	—	—	—	—	(68,234)
Change in fund balances	(64,138)	109,731	(281)	—	(501)	(2,148)	42,663	(56,291)	145,535	174	—	224	917	90,559
Fund balances, beginning of year	337,284	746,303	2,217	—	4,728	33,507	1,124,039	393,575	600,768	2,043	—	—	—	996,386
Restatement due to change in accounting principles - GASB 84	—	—	—	—	—	—	—	—	—	—	—	4,504	32,590	37,094
Fund balances, beginning of year as restated	337,284	746,303	2,217	—	4,728	33,507	1,124,039	393,575	600,768	2,043	—	4,504	32,590	1,033,480
Fund balances, end of year	\$ 273,146	\$ 856,034	\$ 1,936	\$ —	\$ 4,227	\$ 31,359	\$1,166,702	\$ 337,284	\$ 746,303	\$ 2,217	\$ —	\$ 4,728	\$ 33,507	\$1,124,039

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Combining Statement of Fiduciary Net Position
Retiree Benefits Trust Funds
June 30, 2022
(In thousands)

	ATU Pension Trust	OPEB Trust	ATU Medical Trusts			Total
			Spousal Medical	Vision/ Dental	Total Medical Trusts	
ASSETS						
Cash and cash equivalents	\$ 7,523	\$ 2,682	\$ 228	\$ 161	\$ 389	\$ 10,594
Investments	611,810	353,845	22,797	16,051	38,848	1,004,503
Receivables	618	557	—	—	—	1,175
Due from other agencies	—	10	—	—	—	10
Total assets	<u>619,951</u>	<u>357,094</u>	<u>23,025</u>	<u>16,212</u>	<u>39,237</u>	<u>1,016,282</u>
LIABILITIES						
Accounts payable	94	230	—	—	—	324
Due to other funds	—	3,311	—	—	—	3,311
Unearned revenues	29	—	—	—	—	29
Total liabilities	<u>123</u>	<u>3,541</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>3,664</u>
NET POSITION						
<i>Restricted for:</i>						
Pension benefits	619,828	—	—	—	—	619,828
Other post-employment benefits	—	353,553	—	—	—	353,553
Spousal medical benefits	—	—	23,025	—	23,025	23,025
Retiree dental and vision benefits	—	—	—	16,212	16,212	16,212
TOTAL NET POSITION	<u>\$ 619,828</u>	<u>\$ 353,553</u>	<u>\$ 23,025</u>	<u>\$ 16,212</u>	<u>\$ 39,237</u>	<u>\$1,012,618</u>

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Combining Statement of Changes in Fiduciary Net Position
Retiree Benefits Trust Funds
For the year ended June 30, 2022
(In thousands)

	ATU Medical Trusts					Total
	ATU Pension Trust	OPEB Trust	Spousal Medical	Vision/ Dental	Total Medical Trusts	
ADDITIONS						
Employee contributions	\$ 5,674	\$ —	\$ 1,433	\$ 359	\$ 1,792	\$ 7,466
Employer contributions	29,114	6,311	—	—	—	35,425
Total contributions	<u>34,788</u>	<u>6,311</u>	<u>1,433</u>	<u>359</u>	<u>1,792</u>	<u>42,891</u>
Investment earnings/(loss):						
Investment income	23,578	12,018	—	1	1	35,597
Net change in the fair value of investments	(77,537)	(40,835)	(2,639)	(1,859)	(4,498)	(122,870)
Investment expense	(3,867)	(2,281)	(9)	(7)	(16)	(6,164)
Net investment earnings/(loss)	<u>(57,826)</u>	<u>(31,098)</u>	<u>(2,648)</u>	<u>(1,865)</u>	<u>(4,513)</u>	<u>(93,437)</u>
Total additions	<u>(23,038)</u>	<u>(24,787)</u>	<u>(1,215)</u>	<u>(1,506)</u>	<u>(2,721)</u>	<u>(50,546)</u>
DEDUCTIONS						
Benefit payments	50,387	18,860	1,507	315	1,822	71,069
Services	—	—	3	—	3	3
Administrative expenses	416	181	—	—	—	597
Total deductions	<u>50,803</u>	<u>19,041</u>	<u>1,510</u>	<u>315</u>	<u>1,825</u>	<u>71,669</u>
Change in net position	(73,841)	(43,828)	(2,725)	(1,821)	(4,546)	(122,215)
Net position, beginning of year	<u>693,669</u>	<u>397,381</u>	<u>25,750</u>	<u>18,033</u>	<u>43,783</u>	<u>1,134,833</u>
Net position, end of year	<u>\$ 619,828</u>	<u>\$ 353,553</u>	<u>\$ 23,025</u>	<u>\$ 16,212</u>	<u>\$ 39,237</u>	<u>\$ 1,012,618</u>

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

THIS PAGE IS INTENTIONALLY LEFT BLANK

Table 1
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Financial Trend - Changes in Net Position
Ten Years Ended June 30, 2022
(In thousands)

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u> ¹	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
EXPENSES										
<i>Business-type activities:</i>										
Transit										
Operations and Operating Projects	\$ 375,086	\$ 392,042	\$ 407,618	\$ 431,212	\$ 471,655	\$ 495,785	\$ 487,725	\$ 528,001	\$ 638,943	\$ 708,316
Caltrain Subsidy	13,700	7,291	8,390	8,414	8,390	8,967	10,790	10,800	10,800	9,120
Capital Expenses on behalf of, and contribution to other agencies	138,794	93,952	61,445	53,094	6,497	7,344	23,809	189,358	5,850	3,178
Altamont Corridor Express Subsidy	2,939	3,019	3,097	3,166	3,270	3,383	3,502	3,634	3,893	3,337
Interest Expense	31,655	27,088	15,204	11,330	7,326	6,972	13,060	6,464	5,972	5,206
Other Expenses	5,865	11,096	5,734	4,177	576	657	5,446	1,444	618	681
Benefit Payments	10,689	17,947	8,881	12,999	12,654	17,437	15,359	15,096	19,067	15,594
Total Business-Type Activities Expenses	<u>578,728</u>	<u>552,435</u>	<u>510,369</u>	<u>524,392</u>	<u>510,368</u>	<u>540,545</u>	<u>559,691</u>	<u>754,797</u>	<u>685,143</u>	<u>745,432</u>
<i>Governmental activities:</i>										
Congestion Management										
Operations and operating projects	7,622	7,544	8,071	8,228	8,868	8,159	8,122	6,533	7,923	8,165
Interest Expense	—	—	—	—	7,928	8,068	7,833	10,730	26,528	35,158
Program Payments	—	—	—	—	—	—	—	—	17,767	20,181
Other Expenses	—	—	—	—	2,352	1,452	1,155	2,277	1,453	600
Capital expenditures on behalf of, and contribution to other agencies ²	34,270	36,252	20,295	11,399	89,556	68,188	53,663	169,105	149,836	185,990
Total governmental activities expenses	<u>41,892</u>	<u>43,796</u>	<u>28,366</u>	<u>19,627</u>	<u>108,704</u>	<u>85,867</u>	<u>70,773</u>	<u>188,645</u>	<u>203,507</u>	<u>250,094</u>
Total primary government expenses	<u>620,620</u>	<u>596,231</u>	<u>538,735</u>	<u>544,019</u>	<u>619,072</u>	<u>626,412</u>	<u>630,464</u>	<u>943,442</u>	<u>888,650</u>	<u>995,526</u>
PROGRAM REVENUES										
<i>Business-type activities:</i>										
Charges for services	41,821	42,420	43,054	42,316	40,194	42,434	44,720	37,897	22,253	40,221
Operating grants	142,577	148,669	134,796	126,988 ³	115,191	130,919	160,967	214,022	221,874	316,428
Capital grants	272,950	193,899	277,421	271,057	38,713	58,259	53,855	29,212	20,133	10,643
Total business-type activities program revenues	<u>457,348</u>	<u>384,988</u>	<u>455,271</u>	<u>440,361</u>	<u>194,098</u>	<u>231,612</u>	<u>259,542</u>	<u>281,131</u>	<u>264,260</u>	<u>367,292</u>
<i>Governmental activities:</i>										
Charges for services	2,520	2,519	2,526	2,529	2,549	2,664	2,814	3,044	3,007	3,082
Operating grants	1,775	2,424	2,096	16,585 ⁴	172,844	107,957	112,348	131,088	120,538	111,751
Capital grants	37,612	38,989	22,964	—	—	—	—	—	—	—
Total governmental activities program revenues	<u>41,907</u>	<u>43,932</u>	<u>27,586</u>	<u>19,114</u>	<u>175,393</u>	<u>110,621</u>	<u>115,162</u>	<u>134,132</u>	<u>123,545</u>	<u>114,833</u>
Total primary government revenues	<u>499,255</u>	<u>428,920</u>	<u>482,857</u>	<u>459,475</u>	<u>369,491</u>	<u>342,233</u>	<u>374,704</u>	<u>415,263</u>	<u>387,805</u>	<u>482,125</u>
NET PROGRAM (EXPENSES)/REVENUES										
Business-type activities	(121,380)	(167,447)	(55,098)	(84,031)	(316,270)	(308,933)	(300,149)	(473,666)	(420,883)	(378,140)
Governmental activities	15	136	(780)	(513)	66,689	24,754	44,389	(54,513)	(79,962)	(135,261)
Total primary government net program (expenses)/revenues	<u>(121,365)</u>	<u>(167,311)</u>	<u>(55,878)</u>	<u>(84,544)</u>	<u>(249,581)</u>	<u>(284,179)</u>	<u>(255,760)</u>	<u>(528,179)</u>	<u>(500,845)</u>	<u>(513,401)</u>

Table 1
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Financial Trend - Changes in Net Position (continued)
Ten Years Ended June 30, 2022
(In thousands)

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u> ¹	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION										
Business-type activities:										
Sales tax revenue	395,163	417,486	446,374	460,316	259,029	257,380	295,873	260,596	274,498	321,768
Investment income	316	9,861	9,420	19,102	2,055	3,222	27,033	29,294	5,197	(22,637)
Proceeds from sale of land	4,052	—	16,732	—	—	—	—	—	—	—
Federal subsidy for Build America Bonds	9,126	8,755	8,715	—	—	—	—	—	—	—
Other income	3,254	7,325	4,261	3,335	5,233	3,317	7,237	5,494	2,874	3,198
Transfers	—	—	—	—	286,989	250,769	297,919	297,934	239,152	275,291
Total business-type activities	<u>411,911</u>	<u>443,427</u>	<u>485,502</u>	<u>482,753</u>	<u>553,306</u>	<u>514,688</u>	<u>628,062</u>	<u>593,318</u>	<u>521,721</u>	<u>577,620</u>
Governmental activities:										
Sales tax revenue	—	—	—	—	208,672	207,870	474,538	419,209	440,862	516,470
Investment income	8	23	9	16	2,411	2,813	24,782	39,482	3,601	(27,136)
Other income	115	279	250	155	531	760	628	1,086	681	789
Transfers	—	—	—	—	(340,682)	(250,769)	(297,919)	(297,934)	(239,152)	(275,291)
Extraordinary item ⁵	—	—	—	—	—	—	256,090	—	—	—
Total governmental activities	<u>123</u>	<u>302</u>	<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>
TOTAL PRIMARY GOVERNMENT CHANGE IN NET POSITION	<u>412,034</u>	<u>443,729</u>	<u>485,761</u>	<u>482,924</u>	<u>424,238</u>	<u>475,362</u>	<u>1,086,181</u>	<u>755,161</u>	<u>727,713</u>	<u>792,452</u>
Business-type activities	290,531	275,980	430,404	398,722	290,729	205,755	327,913	119,652	100,838	199,480
Governmental activities	138	438	(521)	(342)	(62,379)	(14,572)	502,508	107,330	126,030	79,571
Total primary government	<u>\$ 290,669</u>	<u>\$ 276,418</u>	<u>\$ 429,883</u>	<u>\$ 398,380</u>	<u>\$ 228,350</u>	<u>\$ 191,183</u>	<u>\$ 830,421</u>	<u>\$ 226,982</u>	<u>\$ 226,868</u>	<u>\$ 279,051</u>

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 projects for the benefit of other agencies were pooled into one account.

³Starting with FY 2016, BABs subsidy was reported under Program Revenues-Operating Grants.

⁴Capital Grants under governmental activities were reported under Operating Grants starting with FY 2016. These grants operate assets that will be owned by other entities.

⁵This represents collections of 2016 Measure B Sales Tax prior to FY2019.

Table 2
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Financial Trends - Net Position by Component
Ten Years Ended June 30, 2022
(In thousands)

	2013	2014	2015 ¹	2016	2017 ²	2018 ³	2019	2020	2021	2022
BUSINESS-TYPE ACTIVITIES										
Net Investment in Capital Assets	\$2,481,805	\$2,613,290	\$2,950,181	\$3,394,540	\$4,616,263	\$4,839,251	\$5,058,104	\$5,059,705	\$5,078,709	\$5,097,498
Restricted	649,724	759,608	822,834	789,000	11,572	9,910	6,003	9,286	10,388	10,030
Unrestricted	321,948	356,559	197,852	186,049	384,850	411,441	524,408	639,176	719,908	900,957
Total Business-Type Activities Net Position	<u>3,453,477</u>	<u>3,729,457</u>	<u>3,970,867</u>	<u>4,369,589</u>	<u>5,012,685</u>	<u>5,260,602</u>	<u>5,588,515</u>	<u>5,708,167</u>	<u>5,809,005</u>	<u>6,008,485</u>
GOVERNMENTAL ACTIVITIES										
Restricted	1,582	2,020	1,499	1,157	72,868	56,746	597,807	790,771	914,620	983,898
Unrestricted	—	—	—	—	(486,458)	(484,907)	(523,460)	(609,094)	(569,819)	(559,526)
Total Governmental-Type Activities Fund Balance	<u>1,582</u>	<u>2,020</u>	<u>1,499</u>	<u>1,157</u>	<u>(413,590)</u>	<u>(428,161)</u>	<u>74,347</u>	<u>181,677</u>	<u>344,801</u>	<u>424,372</u>
PRIMARY GOVERNMENT										
Net Investment in Capital Assets	2,481,805	2,613,290	2,950,181	3,394,540	4,616,263	4,839,251	5,058,104	5,059,705	5,078,709	5,097,498
Restricted	651,306	761,628	824,333	790,157	84,440	66,656	603,810	800,057	925,008	993,928
Unrestricted	321,948	356,559	197,852	186,049	(101,608)	(73,466)	948	30,082	150,089	341,431
Total Primary Governmental Net Position	<u>\$3,455,059</u>	<u>\$3,731,477</u>	<u>\$3,972,366</u>	<u>\$4,370,746</u>	<u>\$4,599,095</u>	<u>\$4,832,441</u>	<u>\$5,662,862</u>	5,889,844	6,153,806	<u>\$6,432,857</u>
Restatement due to GASB84 implemented in FY2021⁴								37,094	—	
Restated Total Primary Governmental Net Position								<u>\$5,926,938</u>	<u>\$6,153,806</u>	

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.

⁴FY 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, 2022
(Modified Accrual Basis of Accounting)
(In thousands)

	Fiscal Years									
	2013	2014	2015	2016	2017 ¹	2018	2019	2020	2021	2022
REVENUES										
Member Agency Assessment Revenue	\$ 2,407	\$ 2,407	\$ 2,407	\$ 2,407	\$ 2,407	\$ 2,528	\$ 2,654	\$ 2,880	\$ 2,843	\$ 2,942
Federal Technical Studies Operating Assistance Grants	1,014	1,728	1,371	1,887	1,219	2,178	2,439	2,171	2,084	1,603
Administrative Fees	113	112	119	122	142	136	160	164	164	140
Federal, State and Local Grant Revenues	38,373	39,685	23,689	14,698	162,872	96,995	101,102	120,080	109,695	101,769
Federal subsidy for Build American Bonds	—	—	—	—	8,753	8,784	8,807	8,837	8,759	8,379
Sales tax revenue	—	—	—	—	208,672	207,870	474,538	419,209	440,862	516,470
Investment Earnings	8	23	9	16	2,411	2,813	24,782	39,482	3,601	(27,136)
Other Revenues	115	279	250	155	531	760	628	1,086	681	789
Total Revenues	42,030	44,234	27,845	19,285	387,007	322,064	615,110	593,909	568,689	604,956
EXPENDITURES										
Congestion Management - Current:										
VTA Labor and Overhead Costs	7,044	7,160	6,826	7,031	6,128	7,328	7,487	5,637	6,880	6,768
Professional Services	563	359	1,225	1,176	2,721	817	619	881	1,028	1,380
Program Expenditures	15	25	19	21	19	14	16	15	15	17
Program Payments	—	—	—	—	—	—	—	—	17,767	20,181
Other expenditures	—	—	1	—	2,352	1,452	1,155	2,277	1,453	600
Debt Service:										
Principal	—	—	—	—	28,160	29,530	30,575	32,080	33,680	35,015
Interest	—	—	—	—	10,721	10,107	9,745	12,105	27,258	37,051
Capital expenditures on behalf of, and contribution to other agencies ²	34,270	36,252	20,295	11,399	89,556	68,188	53,663	169,105	149,836	185,990
Total Expenditures	41,892	43,796	28,366	19,627	139,657	117,436	103,260	222,100	237,917	287,002
Excess (Deficiency) of Revenues Over Expenditures	138	438	(521)	(342)	247,350	204,628	511,850	371,809	330,772	317,954
OTHER FINANCING SOURCES (USES):										
Transfers Out	—	—	—	—	(340,682)	(250,769)	(297,919)	(297,934)	(239,152)	(275,291)
Bond issuance, net	—	—	—	—	—	—	—	—	(1,061)	—
Extraordinary Items ³	—	—	—	—	—	—	256,090	—	—	—
Total Other Financing Sources (Uses)	—	—	—	—	(340,682)	(250,769)	(41,829)	(297,934)	(239,152)	(275,291)
Net Change in Fund Balances	138	438	(521)	(342)	(93,332)	(46,141)	470,021	73,875	91,620	42,663
TOTAL GOVERNMENTAL FUNDS										
Restricted – Special Revenue Funds	1,582	2,020	1,499	1,157	500,293	454,153	922,511	996,386	1,124,039	1,166,702
Unassigned – Special Revenue Funds	—	—	—	—	(1,663)	(1,663)	—	—	—	—
Total Governmental Funds	\$ 1,582	\$ 2,020	\$ 1,499	\$ 1,157	\$498,630	\$452,490	\$922,511	\$996,386	\$1,124,039	\$1,166,702
Ratio of debt service expenditures to non-capital expenditures	— %	— %	— %	— %	38.58 %	50.95 %	64.06 %	24.83 %	34.43 %	33.53 %

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

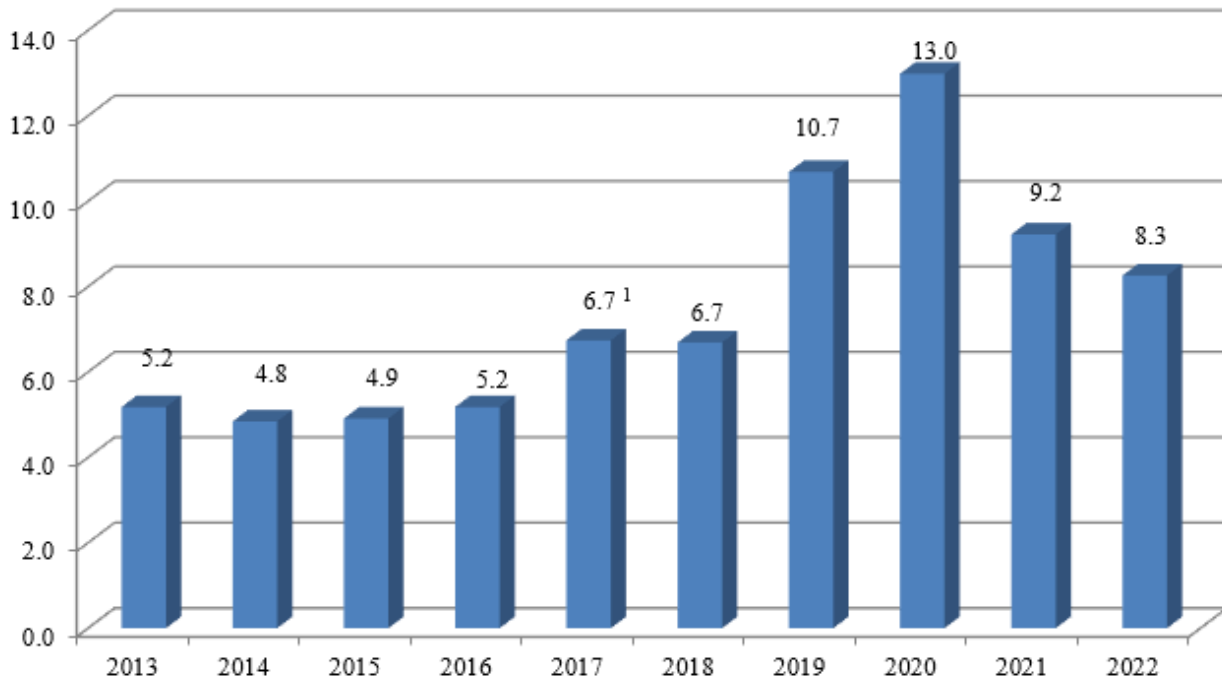
²In FY2020, the contributions to other agencies and capital improvement projects were pooled into one account.

³In FY2019, \$256.1million 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, 2022

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

Current Ratio

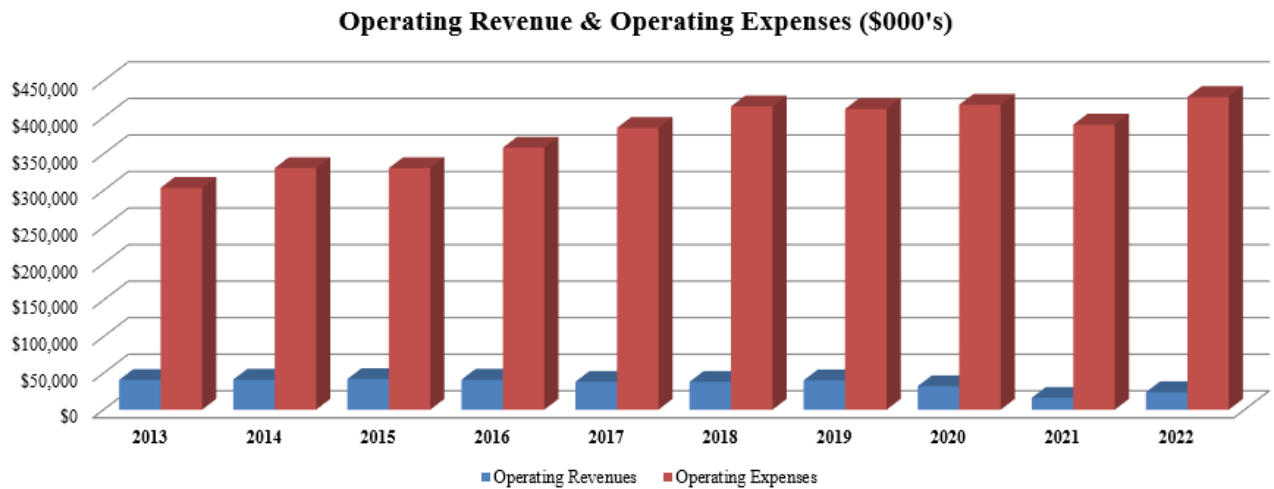


	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Current and Restricted Assets (\$000's)	\$1,098,625	\$1,284,402	\$1,375,968	\$1,332,998	\$ 685,914	\$ 700,885	\$ 793,181	\$ 945,004	\$1,048,635	\$1,253,369
Current and Restricted Liabilities (\$000's)	212,127	265,298	280,262	257,399	101,779	104,929	74,239	72,785	113,727	151,758
Net Working Capital (\$000's)	\$ 886,498	\$1,019,104	\$1,095,706	\$1,075,599	\$ 584,135	\$ 595,956	\$ 718,942	\$ 872,219	\$ 934,908	\$1,101,611
Current Ratio	5.2	4.8	4.9	5.2	6.7	6.7	10.7	13.0	9.2	8.3

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, 2022

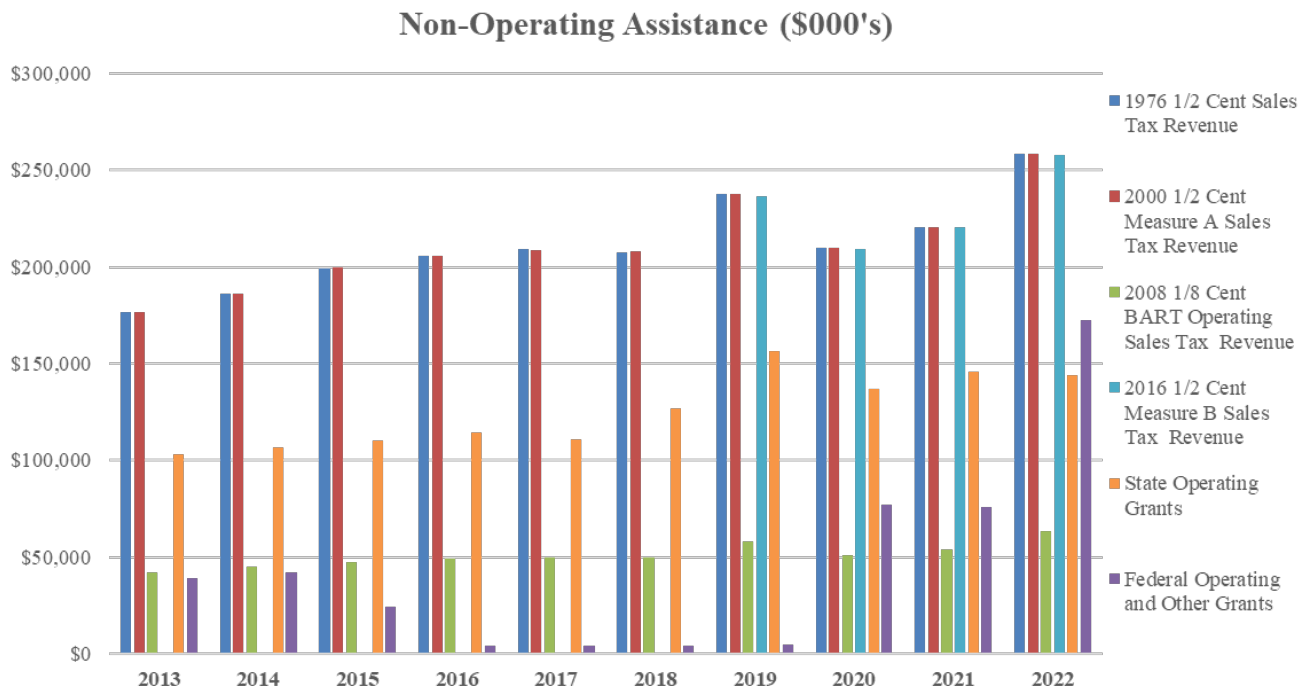
The chart below shows a comparison of operating revenues to expenses. Operating revenues exclude paratransit fares and charges for services (which in FY 2022, included lease income from GASB 87 implementation). Operating expenses are exclusive of purchased transportation and depreciation to more accurately reflect operating expenses related to direct operating service.



	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Operating Revenues	\$40,772	\$ 41,198	\$41,897	\$41,042	\$ 38,261	\$ 38,160	\$40,201	\$32,199	\$16,311	\$23,942
Operating Expenses	303,622	330,614	330,466	358,538	385,528	414,975	411,524	417,206	390,099	427,859

Table 6
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
 Financial Trends - Non-Operating Assistance
 Sales Tax Revenues and Enterprise Operating Grants
 Ten Years Ended June 30, 2022
 (In thousands)

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



	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
1976 1/2 Cent Sales Tax Revenue	\$176,716	\$186,431	\$199,221	\$205,418	\$209,005	\$207,589	\$237,869	\$209,828	\$220,581	\$258,474
2000 1/2 Cent Measure A Sales Tax Revenue ¹	176,533	186,302	199,653	205,636	208,672	207,870	237,874	209,885	220,500	258,470
2008 1/8 Cent BART Operating Sales Tax Revenue ²	41,914	44,753	47,500	49,262	50,024	49,791	58,004	50,768	53,917	63,294
2016 1/2 Cent Measure B Sales Tax Revenue ³	—	—	—	—	—	—	236,664	209,324	220,362	258,000
State Operating Grants	103,213	106,439	110,243	114,135	110,959	126,689	156,565	137,081	145,778	143,814
Federal Operating and Other Grants ⁴	39,364	42,230	24,553	4,105	4,232	4,230	4,402	76,941	76,096	172,614

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

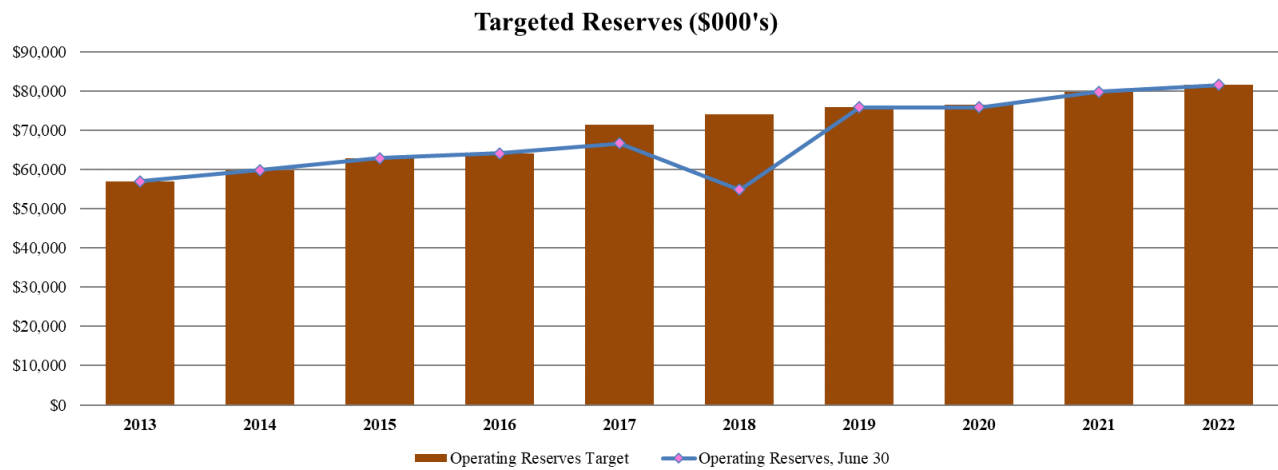
²The collection of 1/8 cent sales tax for BART Operating started on July 1, 2012.

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, 2022

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 (except current portion of long-term debt). Current Net Position is then reduced by inventory and other current assets to reach a current operating reserve total.



	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Current Assets, excluding restricted asset	\$101,726	\$110,906	\$124,284	\$130,096	\$143,377	\$136,012	\$159,219	\$144,854	\$151,432	\$185,309
Total Current Liabilities, excluding restricted liability	(24,329)	(29,790)	(36,878)	(32,334)	(40,030)	(44,540)	(46,997)	(36,989)	(41,412)	(72,044)
Current Net Position	\$ 77,397	\$ 81,116	\$ 87,406	\$ 97,762	\$103,347	\$ 91,472	\$112,222	\$107,865	\$110,020	\$113,265
Less: Inventory & Other Current Assets	(20,373)	(21,289)	(24,469)	(33,615)	(36,688)	(36,665)	(36,408)	(32,051)	(30,239)	(31,688)
Operating Reserves, June 30	\$ 57,024	\$ 59,827	\$ 62,937	\$ 64,147	\$ 66,659	\$ 54,807	\$ 75,814	\$ 75,814	\$ 79,781	\$ 81,577
Operating Reserves Target	\$ 57,024	\$ 59,827	\$ 62,937	\$ 64,147	\$ 71,322	\$ 73,979	\$ 75,814	\$ 76,485	\$ 79,781	\$ 81,577

Table 8
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Revenue Capacity – Revenue Base and Revenue Rates
Ten Years Ended June 30, 2022

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Passenger Fares ¹ (In thousands)	\$38,331	\$38,372	\$39,108	\$37,663	\$33,719	\$34,511	\$35,773	\$27,318	\$14,773	\$25,067
Percentage Increase/(Decrease) from Prior Year	1.6%	0.1%	1.9%	(3.7)%	(10.5)%	2.3%	3.7%	(23.6)%	(45.9)%	69.7%
Revenue Base										
Number of Passengers ²	43,174,646	43,428,492	43,944,096	42,918,436	38,189,131	36,555,500	35,465,604	27,968,308	11,876,114	17,465,232
Percentage Increase/(Decrease) from Prior Year	1.8%	0.6%	1.2%	(2.3)%	(11.0)%	(4.3)%	(3.0)%	(21.1)%	(57.5)%	47.1%
Fare Structure										
Adult Local Fare	\$2.00	\$2.00	\$2.00	\$2.00	\$2.00	\$2.25	\$2.50	\$2.50	\$2.50	\$2.50
Youth Local Fare	1.75	1.75	1.75	1.75	1.75	1.00	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	\$ 176,716	\$ 186,431	\$ 199,221	\$ 205,418	\$ 209,005	\$ 207,589	\$ 237,869	\$ 209,828	\$ 220,581	\$ 258,474
2000 Measure A 1/2Cent Sales Tax ⁴	176,533	186,302	199,653	205,636	208,672	207,870	237,874	209,885	220,500	258,470
2008 1/8 Cent BART Operating Sales Tax ⁵	41,914	44,753	47,500	49,262	50,024	49,791	58,004	50,768	53,917	63,294
2016 Measure B 1/2 Cent Sales Tax ⁶	—	—	—	—	—	—	236,664	209,324	220,362	258,000
Total Sales Tax Revenue Receipts ⁷	<u>\$ 395,163</u>	<u>\$ 417,486</u>	<u>\$ 446,374</u>	<u>\$ 460,316</u>	<u>\$ 467,701</u>	<u>\$ 465,250</u>	<u>\$ 770,411</u>	<u>\$ 679,805</u>	<u>\$ 715,360</u>	<u>\$ 838,238</u>
Percentage Increase/(Decrease) from Prior Year										
1976 1/2 Cent Sales Tax	6.1%	5.5%	6.9%	3.1%	1.7%	(0.7)%	14.6%	(11.8)%	5.1%	17.2%
2000 Measure A 1/2 Cent Sales Tax	6.2%	5.5%	7.2%	3.0%	1.5%	(0.4)%	14.4%	(11.8)%	5.1%	17.2%
2008 1/8 Cent BART Operating Sales Tax	N/A	6.8%	6.1%	3.7%	1.5%	(0.5)%	16.5%	(12.5)%	6.2%	17.4%
2016 Measure B 1/2 Cent Sales Tax	N/A	N/A	N/A	N/A	N/A	N/A	N/A	(11.6)%	5.3%	17.1%

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 2022 Preliminary 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, 2022

Fiscal Year	State	City	VTA¹	Total
2013 ²	6.63%	1.00%	1.12%	8.75%
2014	6.63%	1.00%	1.12%	8.75%
2015	6.63%	1.00%	1.12%	8.75%
2016 ³	6.38%	1.25%	1.12%	8.75%
2017 ⁴	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 ⁵	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.

² There was a 0.125% increase for Bart Operation and Maintenance tax effective July 1, 2012. Due to the approval of Proposition 30, the statewide base sales and use tax rate increased by 0.25% effective January 1, 2013. The higher tax rate will apply for four years- January 1, 2013 through December 31, 2016. Effective 4/1/2013, there was a 0.125% increase for Retail Transactions and Use tax.

³ 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%.

⁴ Beginning April 1, 2017, Santa Clara Transportation Solution Tax also known as 2016 Measure B Sales tax became effective.

⁵ 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
(In millions)

Principal Revenue Payers	Fiscal Year 2021 ¹			Fiscal Year 2012		
	Rank	Percentage of Taxable Sales	Taxable Sales Amount	Rank	Percentage of Taxable Sales	Amount
Retail Trade	1	54.7 %	\$ 23,681	1	53.0 %	\$ 17,930
Manufacturing	2	16.1 %	6,988	2	18.1 %	6,132
Accommodation and Food Services	3	8.9 %	3,834	3	10.4 %	3,505
Construction	4	5.6 %	2,415	4	4.1 %	1,401
Agriculture, Forestry, Fishing and Hunting	5	3.8 %	1,644	5	3.7 %	1,267
Mining, Quarrying, and Oil and Gas Extraction	6	3.3 %	1,436	6	3.4 %	1,167
Utilities	7	2.5 %	1,066	7	2.4 %	799
Educational Services	8	1.7 %	727	8	1.4 %	484
Real Estate and Rental and Leasing	9	0.9 %	404	9	1.2 %	407
Information	10	0.9 %	401	11	0.8 %	261
Other Services (except Public Administration)	11	0.7 %	294	10	0.8 %	283
Professional, Scientific, and Technical Services	12	0.5 %	237	12	0.5 %	165
Total All Other Outlets ²	13	0.4 %	192	13	0.2 %	72
Total		<u>100.0 %</u>	<u>\$ 43,319</u>		<u>100.0 %</u>	<u>\$ 33,873</u>

¹2022 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 MuniServices

Table 11
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Debt Capacity – Total Outstanding Debt by Type
Ten Years Ended June 30, 2022
(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	
2013	\$ —	\$ 209,007	\$ 1,021,127	\$ 1,230,134
2014	—	210,536	983,255	1,193,791
2015	—	199,054	961,711	1,160,765
2016	—	184,116	932,049	1,116,165
2017	—	168,877	901,545	1,070,422
2018	2,126	154,230	870,348	1,026,704
2019	15,287	145,182	838,218	998,687
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

Table 12
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
 Debt Capacity - Ratios of Outstanding Debt
 Ten Years Ended June 30, 2022

Fiscal Year	Total Outstanding Debt * (In thousands)	Total County Taxable Sales and Express Lane Toll Revenues (In thousands)	Total Debt as a % of Taxable Sales and Toll Revenues	Personal Income¹ (In thousands)	Total Debt as a % of Personal Income	Santa Clara County Population (In thousands)	Total Debt per Capita
2013	\$ 1,230,134	\$ 37,013,000	3.32%	\$ 130,624,491	0.94%	1,842	\$ 668
2014	1,193,791	38,318,000	3.12%	141,873,705	0.84%	1,894	630
2015	1,160,765	40,617,475	2.86%	158,728,715	0.73%	1,918	605
2016	1,116,165	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	42,372,627	2.42%	209,019,944	0.49%	1,947	527
2019	998,687	44,323,768	2.25%	223,624,580	0.45%	1,954	511
2020	958,058	41,968,993	2.28%	235,835,442	0.41%	1,962	488
2021	906,411	44,117,964	2.05%	238,193,796	0.38%	1,934	469
2022	852,368	51,699,000	1.65%	240,575,734	0.35%	1,895	450

¹Actual personal income is available through Fiscal Year 2020. FY 2021 and 2022 assume a 1% increase over the prior year's numbers.

*The total outstanding debt is pledged by 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. The total outstanding debt also includes debt relating to Santa Clara Express Lanes Program, secured by toll revenues.

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

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

Table 14
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Debt Capacity – Pledged Revenue Coverage – 1976 Half-Cent Sales Tax
Revenue Bonds
Ten Years Ended June 30, 2022
(In thousands)

Fiscal Year	Available Sales Tax Revenue	Annual Debt Service ¹			Coverage
		Principal	Interest²	Total	
2013	\$ 176,716	\$ 10,400	\$ 9,194	\$ 19,594	9.0
2014	186,431	10,435	9,766	20,201	9.2
2015	199,221	10,705	7,965	18,670	10.7
2016	205,418	14,310	7,485	21,795	9.4
2017	209,005	14,820 ³	7,325	22,145	9.4
2018	207,589	14,322	6,972	21,294	9.7
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

¹ This schedule includes Junior and Senior Lien debts.

² FY 2022 reflects interest only. 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, 2022
(In thousands)

Fiscal Year	Available Sales Tax Revenue	Annual Debt Service		Total	Coverage²
		Principal	Interest¹		
2013	\$ 176,533	\$ 2,625	\$ 44,262	\$ 46,887	3.8
2014	186,302	24,595	45,577	70,172	2.7
2015	199,653	25,775	45,086	70,861	2.8
2016	205,636	26,965	44,118	71,083	2.9
2017	208,672	28,160	43,783	71,943	2.9
2018	207,870	29,530	42,954	72,484	2.9
2019	237,874	30,575	40,866	71,441	3.3
2020	209,885	32,080	40,319	72,399	2.9
2021	220,500	33,680	37,428	71,108	3.1
2022	258,470	35,015	34,212	69,227	3.7

¹ FY 2022 reflects interest only. Prior years included bond-related fees.

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, 2023 through 2027.

1976 Sales Tax Revenues and Senior Lien Debt Service Coverage
 Fiscal Years Ending June 30, 2023 – 2027 (Proforma and Unaudited)
 (\$ in thousands)

Fiscal Year Ending June 30	Projected Sales Tax Revenue	Percent Increase/ (Decrease) ^{1*}	Aggregate Debt Service ²	Projected Coverage
2023	\$ 251,631	(2.65)%	\$ 20,831	12.08
2024	250,678	(0.38)%	20,782	12.06
2025	255,867	2.07 %	20,718	12.35
2026	261,113	2.05 %	20,737	12.59
2027	266,413	2.03 %	3,873	68.79

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, 2023 through 2027.

2000 Measure A Sales Tax Revenues and Debt Service Coverage
 Fiscal Years Ending June 30, 2023 – 2027 (Proforma and Unaudited)
 (\$ in thousands)

Fiscal Year Ending June 30,	Projected Sales Tax Revenue	Percent Increase/ (Decrease) ^{1*}	Aggregate Debt Service ⁴	Projected Coverage ³
2023	\$ 251,631	(2.65)%	\$ 70,750	3.56
2024	250,678	(0.38)%	70,387	3.56
2025	255,867	2.07%	71,069	3.60
2026	261,113	2.05%	71,259	3.66
2027	266,413	2.03%	70,880	3.76

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 Excludes debt service for certain 2015 Bonds that have been advance refunded and legally defeased.

⁴ Includes scheduled debt service on the 2010 Bonds, 2015 Bonds and 2020 Bonds, and calculated debt service for the 2008 Bonds based on the fixed interest rate of 3.765% as established in the 2008 Swap Agreement.

*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 continued to decrease by approximately 0.03 % in 2022 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	2022
Campbell	24,731	26,843	36,048	38,138	39,349	42,288	42,833
Cupertino	18,216	34,297	40,263	50,546	58,302	59,549	59,610
Gilroy	12,665	21,641	31,487	41,464	48,821	57,084	59,269
Los Altos	24,872	25,769	26,303	27,693	28,976	30,876	31,526
Los Altos Hills	6,862	7,421	7,514	7,902	7,922	8,413	8,400
Los Gatos	23,466	26,906	27,357	28,592	29,413	31,439	33,062
Milpitas	27,149	37,820	50,686	62,698	66,790	77,961	80,839
Monte Sereno	3,074	3,434	3,287	3,483	3,341	3,594	3,488
Morgan Hill	6,485	17,060	23,928	33,556	37,882	46,454	46,451
Mountain View	54,206	58,655	67,460	70,708	74,066	82,272	83,864
Palo Alto	55,999	55,225	55,900	58,598	64,403	69,226	67,473
San Jose	445,779	629,400	782,248	894,943	945,942	1,049,187	976,482
Santa Clara	87,717	87,700	93,613	102,361	116,468	129,104	130,127
Saratoga	27,199	29,261	28,061	29,843	29,926	31,030	30,667
Sunnyvale	95,408	106,618	117,229	131,760	140,081	156,503	156,234
Unincorporated	152,181	127,021	106,193	100,300	89,960	86,989	84,458
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>1,894,783</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>39,185,605</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, 2022

Year	Santa Clara County Personal Income (In thousands) ^{1, 2}	Santa Clara County Per Capita Personal Income ^{1, 2}	Unemployment Rate ³
2013	\$ 130,624,491	\$ 70,151	6.8%
2014	141,873,705	74,883	5.2%
2015	158,728,715	82,756	3.9%
2016	170,672,534	88,920	4.0%
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	238,193,796	124,898	5.2%
2022	240,575,734	126,147	2.2%

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

²Actual data is available through 2020. Years 2021 and 2022 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, 2021

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Civilian Labor Force¹ (In thousands)	910.9	924.0	993.7	1,018.4	1,026.5	1,041.7	1,048.8	1,053.7	1,044.6	1,071.3
Civilian Employment	830.6	857.5	942.3	976.1	987.9	1,008.0	1,021.5	1,027.5	990.7	1,046.9
Civilian Unemployment	80.3	66.5	51.4	42.3	38.6	33.7	27.3	26.2	53.9	24.4
Civilian Unemployment Rate										
County	8.8%	7.2%	5.2%	4.2%	3.8%	3.2%	2.6%	2.5%	5.2%	2.2%
State of California	10.6%	8.5%	7.4%	6.2%	5.7%	4.4%	4.1%	15.1%	8.0%	4.0%
Wage and Salary Employment² (In thousands)										
Total Farm Agriculture	\$ 3.5	\$ 5.1	\$ 3.6	\$ 3.6	\$ 3.9	\$ 3.5	\$ 3.5	\$ 3.1	\$ 5.9	\$ 5.6
Construction and Mining	35.6	37.6	38.6	42.3	47.9	48.5	48.0	51.2	50.4	54.9
Manufacturing	155.1	156.3	156.6	159.4	161.3	163.4	169.1	169.7	170.7	175.1
Transportation & Public Utilities	12.7	13.9	14.7	15.0	14.8	14.9	15.5	15.7	16.6	17.0
Wholesale Trade	34.4	36.2	36.2	36.0	37.4	35.2	31.4	31.3	28.3	28.1
Retail Trade	80.3	84.2	82.3	84.9	85.0	85.0	85.0	82.2	73.1	75.3
Finance, Insurance & Real Estate	33.6	33.9	35.1	35.0	35.2	35.8	36.8	37.4	37.4	37.5
Services	455.4	450.0	469.1	491.4	509.3	522.8	539.3	549.4	514.6	564.5
Government	90.2	93.5	92.4	89.9	91.2	92.8	94.0	94.2	90.1	96.8
Information	N/A	N/A	66.2	74.7	74.5	85.0	91.6	100.7	109.3	111.7
Total³	<u>\$ 900.8</u>	<u>\$ 910.7</u>	<u>\$ 994.8</u>	<u>\$1,032.2</u>	<u>\$ 1,060.5</u>	<u>\$ 1,086.9</u>	<u>\$1,114.2</u>	<u>\$1,134.9</u>	<u>\$1,096.4</u>	<u>\$1,166.5</u>

¹Labor force data are based upon place of residence. Employment includes self-employed, unpaid family, workers domestics, and workers involved in labor-management disputes. Data are benchmarked to 2021. FY 2021 is the most recent available data.

²Wage and salary employment is reported by place of work. Data is benchmarked to 2021.

³Totals may not be precise due to independent rounding.

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

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

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

Company Name	Nature of Operations	FY 2022		FY 2013	
		Number of Employees	Rank	Number of Employees	Rank
Alphabet/Google LLC	Search, Advertising and Web	41,665	1	11,000	7
Apple Inc.	Computer Electronics	25,000	2	12,000	5
Tesla Motors Inc.	Electric Vehicle Designer &	22,000	3		
County of Santa Clara	County Government	18,700	4	15,465	2
Meta Platforms Inc. (formerly Facebook Inc.)	Online Social Networking Service	18,500	5		
Stanford University	Research University	15,750	6	11,442	6
Stanford Health Care	Health System	15,708	7	8,451	9
Kaiser Permanente Northern	Integrated Healthcare Delivery Plan	14,675	8	13,500	4
Cisco System Inc.	Computer Network Equipment	10,847	9	16,461	1
County of Santa Clara Health	Health System	10,626	10		
Santa Clara Valley Medical Center	Health System	9,246	11	6,325	12
Safeway Northern California	Supermarket Chain	8,673	12		
Applied Materials Inc.	Semiconductor Equipment	8,500	13		
Gilead Sciences Inc.	Biotechnology Company	8,481	14		
University of California Santa Cruz	Public University	7,997	15		
City of San Jose	City Government	7,627	16	5,650	14
VMware Inc.	Cloud Computing and Virtualization	7,495	17		
Intel Corp.	Semiconductor	7,400	18	5,800	13
Stanford Children's Health	Specializes in the care of babies,	5,980	19	4,422	18
San Mateo County	County Government	5,683	20	5,000	15
LinkedIn Corp.	Employment-oriented Online Service	5,508	21		
Amazon.Com Services	Providers fulfilling services for products sold in the Amazon store	5,048	22		
HP Inc.	Computer Hardware, Software & Services	5,000	23	5,000	15
Western Digital Corp.	Computer Harddisk Drive Manufacturer & Data Storage Company	4,653	24		
Palo Alto Medical Foundation	Health System	3,975	25		

Source: Silicon Valley/San Jose Business Journal July 2022

The concentration of Santa Clara County's productivity is derived primarily from numerous high-technology and healthcare systems. Public-sector employers continue to rank high among the largest employers in Silicon Valley. As depicted in the chart above, as an employer, Santa Clara County itself, continues to have the largest public-sector employee base with 18,700 workers.

Table 21
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
 Operating Information – Operating Indicators
 Ten Years Ended June 30, 2022

BUS

<u>Fiscal Year</u>	<u>Total Ridership</u>	<u>Average Weekday Ridership</u>	<u>Scheduled Miles</u>	<u>Scheduled Revenue Hours</u>	<u>Scheduled Revenue Miles</u>	<u>Passenger Miles (000's)</u>	<u>Peak Buses</u>	<u>Active Buses</u>	<u>Bus Fleet</u>
2013	32,432,354	106,161	17,491,993	1,213,571	14,582,508	166,576	358	426	443
2014	32,475,527	105,969	17,835,921	1,367,433	14,817,700	173,539	371	432	443
2015	32,623,599	106,214	18,435,525	1,427,554	15,247,087	174,863	384	495	540
2016	32,195,504	104,009	18,629,140	1,461,553	15,517,448	190,321	388	499	500
2017	29,057,047	94,740	18,882,700	1,480,467	15,712,674	150,429	389	460	460
2018	28,048,405	91,270	19,063,629	1,487,575	15,883,914	136,902	384	472	472
2019	27,027,678	88,165	18,967,456	1,489,857	15,761,984	134,921	382	469	469
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

LIGHT RAIL

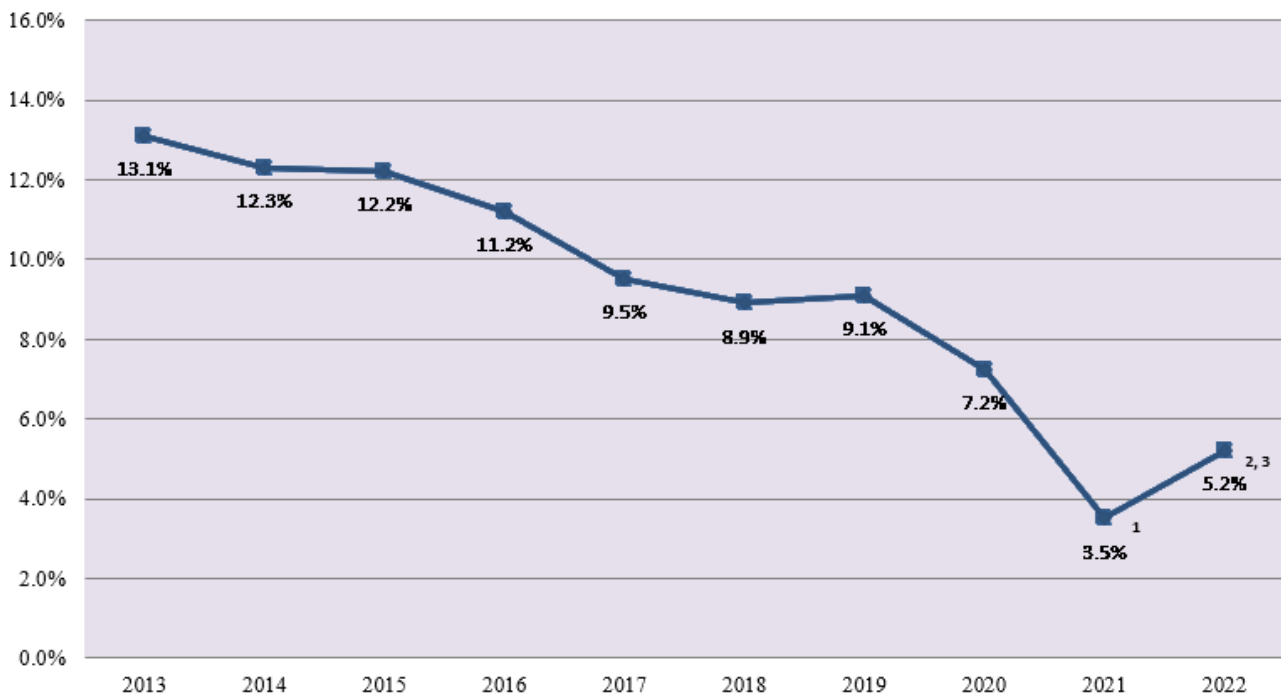
<u>Fiscal Year</u>	<u>Total Ridership</u>	<u>Average Weekday Ridership</u>	<u>Total Miles</u>	<u>Total Hours</u>	<u>Train Revenue Miles</u>	<u>Passenger Miles (000's)</u>	<u>Peak Cars</u>	<u>Light Rail Fleet</u>
2013	10,742,292	34,242	2,199,018	137,134	2,055,418	58,116	57	99
2014	10,952,965	35,102	2,205,492	139,021	2,057,106	61,631	57	99
2015	11,320,497	34,935	2,232,077	152,821	2,081,092	60,717	59	99
2016	10,722,932	33,301	2,235,167	140,000	2,077,964	54,655	59	99
2017	9,132,084	29,262	2,243,377	139,489	2,081,289	47,937	59	99
2018	8,507,095	27,361	2,094,690	143,136	2,093,852	46,981	57	99
2019	8,437,926	27,090	2,157,184	146,197	2,156,537	49,402	57	98
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

Sources: VTA Operations Division - August 2022 Fact Sheets and June 2022 Preliminary Summary of Operating Statistics.

Table 22
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
 Operating Information - Farebox Recovery Ratio
 Ten Years Ended June 30, 2022

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.

Farebox Recovery Ratio



	2013	2014	2015	2016	2017	2018	2019	2020	2021 ¹	2022 ^{2,3}
Farebox Recovery Ratio	13.1%	12.3%	12.2%	11.2%	9.5%	8.9%	9.1%	7.2%	3.5%	5.2%
Farebox Revenue (In thousands)	\$ 38,331	\$ 38,372	\$ 39,108	\$ 37,663	\$ 33,719	\$ 34,511	\$ 35,773	\$ 27,318	\$ 13,075	\$ 20,885
Operating Expenses (In thousands)	293,447	311,287	319,978	335,140	354,494	387,109	393,038	378,157	377,463	401,620

¹ Based on audited NTD data.

² Based on proforma and unaudited NTD data.

³ Increase in farebox revenue is the result of growth in ridership from the prior year. Farebox recovery ratio improved despite increases in operating expenses. The increase in Operating Expenses is attributed primarily to labor cost increases from salary adjustments per various collective bargaining agreements, rise in diesel prices, higher actuarially-required provisions for liability and casualty expenses resulting from the Guadalupe incident, and procurement of professional services in support of employee mental health resiliency program.

Table 23
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
 Operating Information – Revenue Miles
 Ten Years Ended June 30, 2022

The following chart shows total vehicle miles in revenue service:

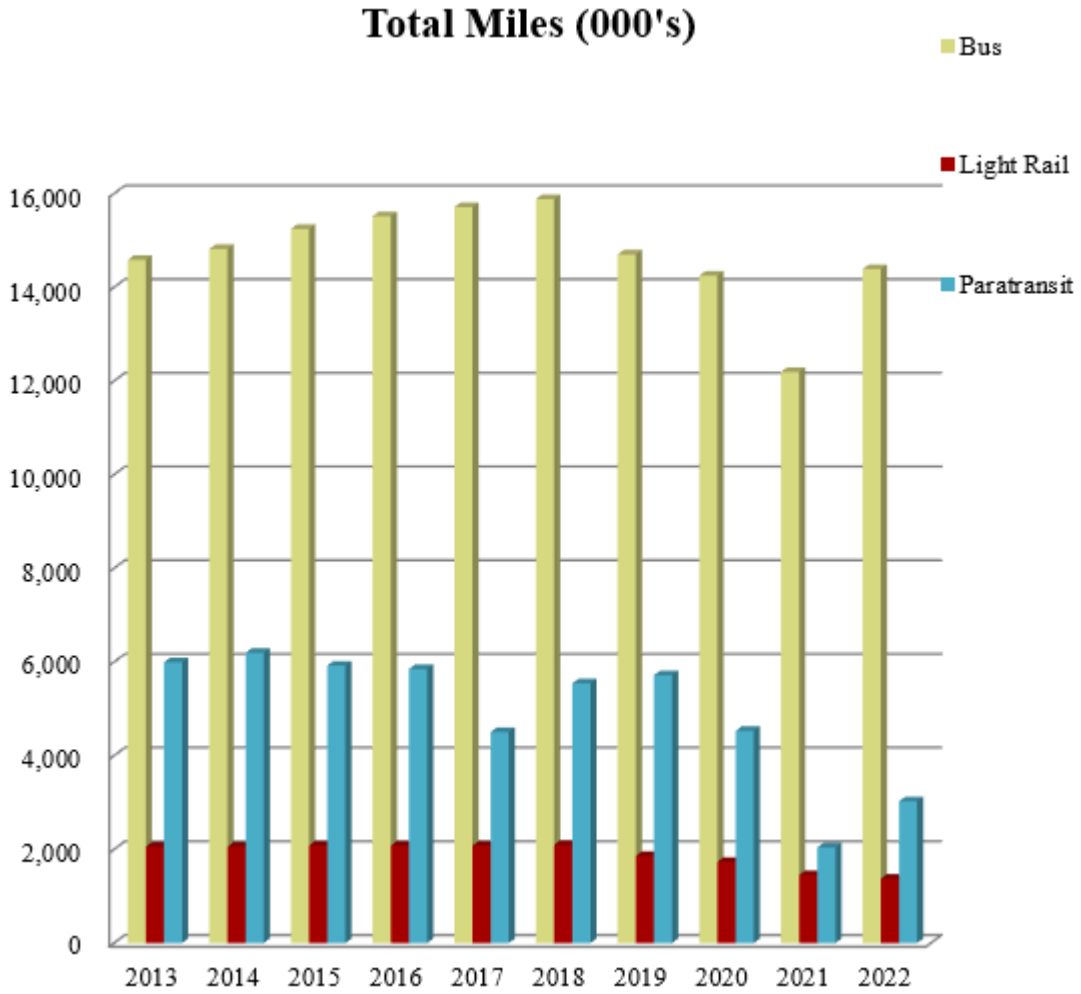


Table 24
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
 Operating Information – Passenger Miles
 Ten Years Ended June 30, 2022

Passenger mile statistics are presented in the chart below. In FY 2022 the total passenger miles increased by 43.2 % from FY 2021.

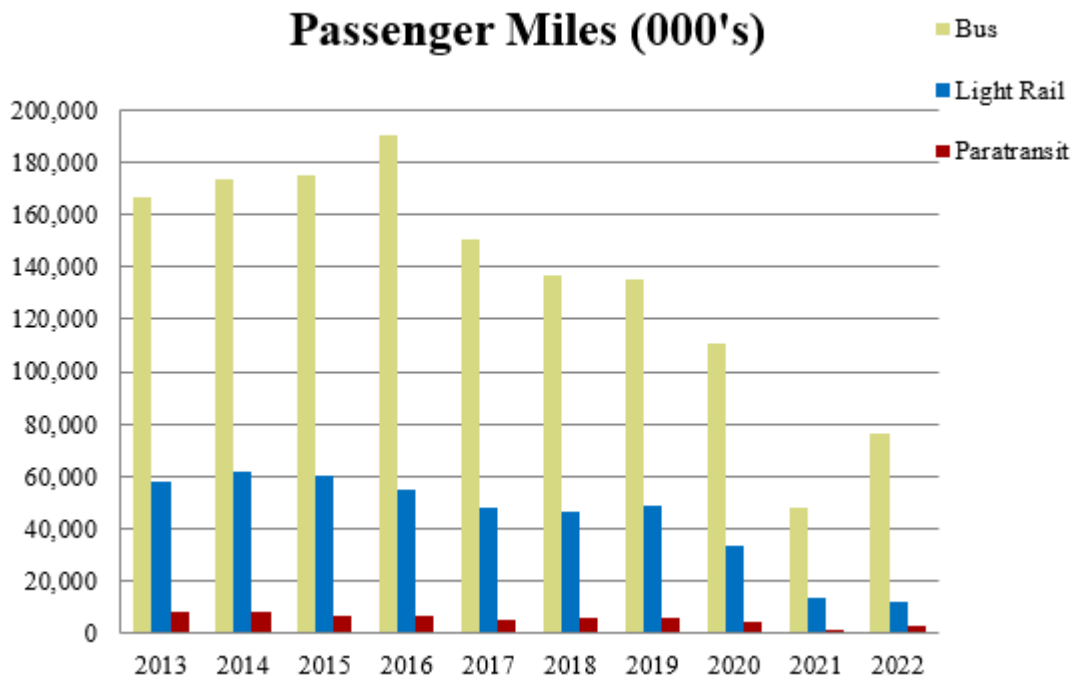


Table 25
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
 Operating Information – Selected Statistical Data
 Ten Years Ended June 30, 2022

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
FAREBOX REVENUE (\$000's)^{1,2}	\$ 38,331	\$ 38,372	\$ 39,108	\$ 37,663	\$ 34,783	\$ 36,555	\$ 38,061	\$ 28,816	\$ 15,243	\$ 26,103
VEHICLE REVENUE MILES (000's)										
BUS	14,583	14,818	15,247	15,517	15,713	15,884	15,761	14,277	12,193	14,389
LIGHT RAIL	2,056	2,057	2,081	2,078	2,081	2,094	2,156	1,736	1,450	1,371
PARATRANSIT	5,995	6,196	5,922	5,851	4,503	5,544	5,718	4,531	2,041	3,026
PASSENGER MILES (000's)										
BUS	166,576	173,539	174,863	190,321	150,429	136,902	134,921	110,680	48,473	76,182
LIGHT RAIL	58,116	61,632	60,717	54,980	47,937	46,981	49,402	33,325	13,971	12,469
PARATRANSIT	8,205	8,097	6,827	6,493	5,318	6,338	5,760	4,458	1,400	2,774
FLEET SIZE										
BUS	443	443	540	500	460	472	469	473	435	440
LIGHT RAIL	99	99	99	99	99	99	98	98	98	98
CASH FARE SINGLE RIDE										
ADULT	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.25	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50
YOUTH	\$ 1.75	\$ 1.75	\$ 1.75	\$ 1.75	\$ 1.75	\$ 1.00	\$ 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 2022 Fact Sheets and June 2022 Preliminary Summary of Operating Statistics.

Table 26
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
 Operating Information - System Data
 As of June 30, 2022

URBANIZED AREA (UZA):

346 Square Miles

ROUTES

<u>Type of Route</u>	<u>Number of Routes</u>
Local	23
Express	4
Rapid	5
Frequent	15
Other	9
Total	<u>56</u>

HOURS OF OPERATION

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

PARK AND RIDE LOTS:

	<u>Number of Lots</u>	<u>Number of Parking Spaces</u>
Bus	3	633
Caltrain - Bus	15	4,817
Light Rail	23	6,242
Caltrain - near Light Rail	4	1,589
Total	<u>45</u>	<u>13,281</u>

FACILITIES

<u>Type of Facility</u>	<u>Number of Facilities</u>
Bus Stops	3,294
Shelters	612
Benches	2,027
Trash Receptacles	748
Transit Centers	30

Source: VTA Operations Division - August 2022 Fact Sheets

Table 27
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
 Operating Information – Employee Headcount
 Ten Years Ended June 30, 2022

Fiscal Year¹	Operations	Planning & Programming²	Finance, Budget & Real Estate³	Planning & Engineering⁴	SVRT Program⁵	External Affairs⁶	Office of the Chief of Staff⁶	HR and Procurement⁷	Safety & Compliance⁸	General Counsel	General Manager	Total
2013	1,614	51	88	90	6	55	NA	99	NA	11	13	2,027
2014	1,687	42	69	79	6	37	25	138	NA	12	5	2,100
2015	1,724	43	74	81	NA	4	55	135	30	13	5	2,164
2016	1,758	50	75	74	NA	26	NA	192	33	13	11	2,232
2017	1,761	50	76	74	NA	30	41	196	NA	14	2	2,244
2018	1,795	48	73	86	NA	4	75	173	NA	13	10	2,277
2019	1,690	NA	251	96	NA	54	NA	NA	24	14	16	2,145
2020	1,668	42	246	62	NA	54	NA	NA	22	13	15	2,122
2021	1,607	43	285	61	NA	52	NA	23	NA	12	20	2,103
2022 ⁹	1,648	41	245	59	NA	51	NA	20	NA	13	23	2,100

¹Employee headcount as provided by Human Resources department. FY 2022 excludes 290 Vacant Positions and 36 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 FY2015, Engineering & Construction Program merged with SVRT Program to form Engineering & Transportation Infrastructure Development, which became the Planning & Engineering division in FY2019.

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

⁷Previously referred to as Administrative Service Division, as a result of the reorganization in FY 2014. 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.

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

⁹FY2022 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 forming part of Operations Division.

Table 28
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Operating Information - Capital Assets
Ten Years Ended June 30, 2022
(In thousands)

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017¹</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
<i>Capital assets, not being depreciated:</i>										
Land and right of way	\$1,122,368	\$1,126,373	\$1,124,646	\$1,126,359	\$1,126,872	\$1,126,872	\$1,126,796	\$1,714,243	\$1,848,342	\$1,850,218
Construction in Progress	1,347,410	1,728,066	2,177,750	2,611,823	2,906,098	3,131,777	3,353,507	1,179,070	1,019,068	1,067,584
Total capital assets, not being depreciated	<u>2,469,778</u>	<u>2,854,439</u>	<u>3,302,396</u>	<u>3,738,182</u>	<u>4,032,970</u>	<u>4,258,649</u>	<u>4,480,303</u>	<u>2,893,313</u>	<u>2,867,410</u>	<u>2,917,802</u>
<i>Capital assets, being depreciated/ amortized:</i>										
Right to use assets	—	—	—	—	—	—	—	—	—	2,426
Intangible Assets	—	—	—	—	2,203	2,203	2,203	2,203	—	—
Buildings, improvements, furniture and fixtures	508,345	516,184	548,139	569,079	586,041	592,244	600,054	1,518,642	1,676,511	1,730,928
Vehicles	486,460	488,229	566,821	553,886	586,754	618,806	661,753	758,045	779,400	800,249
Light-rail tracks and electrification	413,674	415,905	415,905	418,195	418,195	418,194	418,194	1,052,757	1,080,947	1,121,304
Caltrain – Gilroy extension	43,072	43,072	43,072	43,072	43,072	43,072	43,072	53,790	53,790	53,790
Other operating equipment	45,876	46,062	47,156	47,289	47,561	48,890	50,035	50,442	54,176	82,705
Leasehold Improvement	9,686	9,686	9,686	9,686	9,686	9,686	9,686	9,851	9,851	9,851
Total capital assets, being depreciated	<u>1,507,113</u>	<u>1,519,138</u>	<u>1,630,779</u>	<u>1,641,207</u>	<u>1,693,512</u>	<u>1,733,095</u>	<u>1,784,997</u>	<u>3,445,730</u>	<u>3,654,675</u>	<u>3,801,253</u>
<i>Less accumulated depreciation/ amortization</i>										
Total accumulated depreciation/ amortization	<u>(706,428)</u>	<u>(768,364)</u>	<u>(833,095)</u>	<u>(881,683)</u>	<u>(950,005)</u>	<u>(1,006,414)</u>	<u>(1,069,031)</u>	<u>(1,152,951)</u>	<u>(1,325,210)</u>	<u>(1,513,455)</u>
Total capital assets, being depreciated/ amortized, net	<u>800,685</u>	<u>750,774</u>	<u>797,684</u>	<u>759,524</u>	<u>743,507</u>	<u>726,681</u>	<u>715,966</u>	<u>2,292,779</u>	<u>2,329,465</u>	<u>2,287,798</u>
Total capital assets, net	<u><u>\$3,270,463</u></u>	<u><u>\$3,605,213</u></u>	<u><u>\$4,100,080</u></u>	<u><u>\$4,497,706</u></u>	<u><u>\$4,776,477</u></u>	<u><u>\$4,985,330</u></u>	<u><u>\$5,196,269</u></u>	<u><u>\$5,186,092</u></u>	<u><u>\$5,196,875</u></u>	<u><u>\$5,205,600</u></u>

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.

END OF DOCUMENT

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 may not fully reflect the economic impact of the COVID-19 pandemic and the resulting economic recession. Accordingly, they are 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, separated by roughly 10 miles. The northern portion of the County is densely populated, extensively urbanized and heavily industrialized. The County contains 15 cities, the largest of which is the City of San Jose, the third 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 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 San Francisco and 42 miles south of the City of Oakland. These are the three largest cities of the nine-county San Francisco Bay Area, with the City of San Jose being the largest.

Population

Historical Population Growth. Over the past 60 years, the County’s population growth pattern has exhibited three decades of rapid growth followed by three decades of more sustainable growth rates.

According to U.S. Census figures, the number of County residents grew by 66% between 1940 and 1950, with most of the increase concentrated in the unincorporated areas and in the largest cities of San Jose, Palo Alto and Santa Clara. In the next decade, from 1950 to 1960, population grew by 121% with every major city as well as the unincorporated areas experiencing huge increases. The County also recorded the incorporation of four new cities during the 1950s, raising the total number of cities to its current level of fifteen.

The County’s population growth subsided somewhat during the 1960s, although the 66% growth rate was over four times the 15.4% statewide increase. The population of San Jose doubled for the second decade in a row, while the cities of Mountain View, Santa Clara, and Sunnyvale added at least 23,000 residents each. As a result of the incorporation of four cities, the unincorporated area of the County posted its first decline in the 1960s, setting the stage for further drops in each of the subsequent three decades.

The County population growth rate fell to 21.5% during the 1970s. San Jose continued to add more residents (183,621) than any other city, while two of the larger cities (Palo Alto and Santa Clara) recorded small population declines and residents in the unincorporated area fell by 25,160. The slower growth of

the 1970s reflected a slowing urbanization, due in part to policies adopted by the County to preserve agricultural areas.

The data from the 2010 U.S. Census indicate that the County’s population reached 1,781,642, representing a 37.6% overall increase from the population base in 1980, an average rate of 11.2% per Census count. Over the same period, statewide population grew more rapidly at a rate of 16.3%. 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 4.9%) of residents living in unincorporated areas. Between 2010 and 2023, the County population grew approximately 5.9%.

Recent Annual Population Performance. Between 2020 and 2023, the County population dropped approximately 2.63%. Currently, approximately 4.9% 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>2021</u>	<u>2022</u>	<u>2023</u>
Campbell	23,797	26,910	36,088	38,138	39,349	43,886	43,541	43,092	42,713
Cupertino	17,895	34,297	39,967	50,602	58,302	60,557	60,183	59,673	59,154
Gilroy	12,684	21,641	31,487	41,464	48,821	59,975	60,063	59,709	60,078
Los Altos	25,062	25,769	26,599	27,693	28,976	31,667	31,507	31,257	31,021
Los Altos Hills	6,871	7,421	7,514	8,025	7,922	8,503	8,468	8,414	8,380
Los Gatos	22,613	26,906	27,357	28,592	29,413	33,566	33,423	33,167	33,102
Milpitas	26,561	37,820	50,690	62,698	66,790	82,014	80,633	80,862	81,067
Monte Sereno	2,847	3,434	3,287	3,483	3,341	3,489	3,467	3,481	3,519
Morgan Hill	5,579	17,060	23,928	33,586	37,882	45,447	46,568	46,201	45,892
Mountain View	54,132	58,655	67,365	70,708	74,066	82,173	83,520	83,856	83,601
Palo Alto	56,040	55,225	55,900	58,598	64,403	68,500	67,953	67,693	67,287
San Jose	459,913	629,400	782,224	895,131	945,942	1,015,826	989,396	963,745	959,256
Santa Clara	86,118	87,700	93,613	102,361	116,468	128,110	129,926	130,462	132,476
Saratoga	26,810	29,261	28,061	29,849	29,926	31,204	30,990	30,758	30,567
Sunnyvale	95,976	106,618	117,324	131,844	140,081	155,898	156,085	156,364	156,317
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>84,828</u>	<u>92,233</u>	<u>91,649</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>1,910,551</u>	<u>1,890,967</u>	<u>1,886,079</u>

⁽¹⁾ For 2021, 2022 and 2023, 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 2018 through 2022. For May 2023, unemployment rates (not seasonally adjusted) for the County, State and United States were 3.3%, 4.5% and 3.4%, respectively.

County of Santa Clara Average Annual Employment	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Civilian Labor Force	1,042,500	1,050,600	1,025,600	1,012,400	1,040,900
Employment	1,015,000	1,024,200	952,500	963,700	1,013,300
County Unemployment	27,600	26,400	73,100	48,600	27,600

Source: Employment Development Department.

County of Santa Clara Unemployment Rate	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
County Unemployment Rate	2.6%	2.5%	7.1%	4.8%	2.6%
State Unemployment Rate	4.2%	4.1%	10.1%	7.3%	4.2%
United States Unemployment Rate	3.9%	3.7%	8.1%	5.3%	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 2017 through 2021. Industry employment information for 2022 is not yet available.

County of Santa Clara Industry Employment					
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Total, All Industries	1,093,700	1,115,200	1,137,900	1,068,600	1,090,400
Total Farm	3,600	3,500	3,300	3,100	3,000
Total Nonfarm	1,090,100	1,090,100	1,134,700	1,065,500	1,087,400
Goods Producing	211,200	217,200	220,500	214,300	216,700
Mining and Logging	200	200	200	200	200
Construction	47,900	48,300	51,400	48,600	50,200
Manufacturing	163,100	168,700	168,900	165,500	166,300
Service Providing	878,900	894,500	914,200	851,200	870,800
Transportation, Warehousing & Utilities	14,900	15,300	15,600	15,400	16,000
Financial Activities	21,400	21,400	21,800	22,700	23,200
Professional & Business Services	84,600	92,100	100,500	236,300	242,900
Educational & Health Services	167,400	171,900	177,200	171,200	176,600
Leisure & Hospitality	102,000	104,200	105,900	71,700	77,600
Other Services	28,400	28,400	28,400	21,700	21,800
Government	92,700	93,800	94,300	90,900	90,200

Source: Employment Development Department.

Major Employers

The County is home to numerous high technology and computer software and hardware manufacturing companies. According to the Silicon Valley Business Journal, as of July 2022, Cisco Systems, Inc. was the largest employer of the Silicon Valley with approximately 16,500 employees. Second on the list was the County which employed approximately 15,500. Stanford University, Kaiser Permanente Northern California and Apple Inc. 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 (2023)

<u>Employer</u>	<u>Industry</u>
Adobe Inc	Publishers-Computer Software (mfrs)
Advanced Micro Devices Inc	Semiconductor Devices (mfrs)
Alphabet Inc	Internet Search Engines
Apple Inc	Computers-Electronic-Manufacturers
Applied Materials Inc	Semiconductor Manufacturing Equip (mfrs)
California's Great America	Amusement & Theme Parks
Christopher Ranch LLC	Garlic (mfrs)
Cisco Systems Inc.	Computer Peripherals (mfrs)
Ebay Inc.	Online Retailers & Marketplaces
Flextronics International	Semiconductor Devices (mfrs)
Fujitsu Laboratories of America	Laboratories-Research & Development
Intel Corp	Semiconductor Devices (mfrs)
Intuitive Surgical Inc.	Physicians & Surgeons Equip & Supls (mfrs)
Lockheed Martin Space Systems	Satellite Equipment & Systems (mfrs)
Lucile Packard Children's Hosp.	Hospitals
Lumileds	Lighting Fixtures-Supplies & Parts (mfrs)
Maxim Integrated Products Inc.	Printed & Etched Circuits (mfrs)
NASA	Federal Government-Space Research/Tech
Netapp Inc.	Computer Storage Devices (mfrs)
Nvidia Corp	Computer Software
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)
VA Palo Alto Health Care System	Government-Specialty Hosp Ex Psychiatric

Source: Employment Development Department. America's Labor Market Information System (ALMIS) Employer Database, 2023 2nd Edition.

Income

The following table sets forth the median income for the County and the State for the calendar years shown. Median income figures for the County and the State for 2022 are not available.

County of Santa Clara and State of California Median Income 2012 through 2021

<u>Year</u>	<u>County of Santa Clara</u>	<u>State of California</u>
2012	91,195	57,020
2013	91,843	60,794
2014	97,219	60,487
2015	102,191	63,636
2016	110,843	66,637
2017	118,468	70,038
2018	125,933	70,489
2019	132,444	78,105
2020	139,462	77,652
2021	141,161	81,575

Source: Federal Reserve Bank of St. Louis, Economic Data

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 2018 through 2022.

County of Santa Clara
Taxable Transactions by Sector
2018 through 2022
(In thousands)⁽¹⁾

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Motor Vehicle and Parts Dealers	\$ 5,189,061	\$ 4,896,751	\$ 4,065,436	\$ 4,707,033	\$ 4,771,869
Home Furnishings and Appliance Stores	2,523,914	2,339,709	1,922,040	2,315,524	2,502,181
Building Material and Garden Equipment and Supplies Dealers	2,054,769	2,087,494	2,234,754	2,400,377	2,440,096
Food and Beverage Stores	1,302,032	1,336,763	1,356,847	1,358,674	1,412,995
Gasoline Stations	2,289,673	2,297,298	1,407,810	2,011,596	2,614,757
Clothing and Clothing Accessories Stores	2,642,634	2,671,927	1,749,974	2,706,850	2,870,687
General Merchandise Stores	2,750,161	2,818,593	2,526,702	2,968,951	3,270,517
Food Services and Drinking Places	5,086,588	5,351,378	3,336,476	4,535,017	5,695,340
Other Retail Group	3,046,303	4,082,146	8,867,372	8,389,278	7,936,031
Total Retail and Food Services	<u>\$26,885,137</u>	<u>\$27,882,060</u>	<u>\$27,467,410</u>	<u>\$31,393,299</u>	<u>\$33,514,473</u>
All Other Outlets	<u>18,467,936</u>	<u>19,119,905</u>	<u>18,977,240</u>	<u>21,601,395</u>	<u>23,977,279</u>
Total All Outlets	<u>\$45,353,073</u>	<u>\$47,001,964</u>	<u>\$46,444,650</u>	<u>\$52,994,694</u>	<u>\$57,491,752</u>

⁽¹⁾ Totals may not add due to independent rounding.

Source: California Department of Tax and Fee Administration, Taxable Sales in California (Sales and Use Tax).

Construction Activity and Home Sales

The following tables provide a summary of building permit valuations and the number of new dwelling units authorized in the County from 2013 through 2022.

County of Santa Clara Building Permit Valuations 2013 through 2022 (In Millions of Dollars)

<u>Year</u>	<u>New Residential</u>	<u>New Non-Residential</u>	<u>Total</u>
2013	\$2,060.04	\$4,183.20	\$6,243.25
2014	2,230.35	2,655.41	4,885.76
2015	1,866.60	3,589.80	5,456.40
2016	1,709.88	4,698.16	6,408.04
2017	2,308.26	3,359.32	5,667.61
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

Source: Construction Industry Research Board (CIH/CIRB).

County of Santa Clara Number of New Dwelling Units 2013 through 2022

<u>Year</u>	<u>Single Family</u>	<u>Multiple Family</u>	<u>Total</u>
2013	1,859	6,009	7,868
2014	1,602	8,310	9,912
2015	1,710	3,906	5,616
2016	1,608	3,297	4,905
2017	2,022	6,526	8,548
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

Source: Construction Industry Research Board (CIH/CIRB).

APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following is a brief summary of certain provisions of the Indenture, dated as of August 1, 2006, between the Santa Clara Valley Transportation Authority (the “Issuer”) and U.S. Bank National Association, as successor trustee (the “Trustee”), as supplemented and amended by the First Supplemental Indenture, dated as of August 1, 2006 (the “First Supplemental Indenture”), the Second Supplemental Indenture, dated as of September 1, 2007 (the “Second Supplemental Indenture”), the Third Supplemental Indenture, dated as of June 1, 2008 (the “Third Supplemental Indenture”), the Fourth Supplemental Indenture, dated as of November 1, 2010 (the “Fourth Supplemental Indenture”), the Fifth Supplemental Indenture, dated as of January 1, 2015 (the “Fifth Supplemental Indenture”), the Sixth Supplemental Indenture, dated as of September 1, 2020 (the “Sixth Supplemental Indenture”), and as further supplemented and amended by the Seventh Supplemental Indenture, dated as of August 1, 2023 (the “Seventh Supplemental Indenture” and, together with the First Supplemental Indenture, the Second Supplemental Indenture, the Third Supplemental Indenture, the Fourth Supplemental Indenture, the Fifth Supplemental Indenture and the Sixth Supplemental Indenture, hereinafter collectively referred to as the “Indenture”), between the Issuer and the Trustee. Such summary is not intended to be complete or definitive, is supplemental to the summary of other provisions of the Indenture contained elsewhere in this Official Statement, and is qualified in its entirety by reference to the full terms of the Indenture. All capitalized terms used and not otherwise defined in this Official Statement shall have the meanings assigned to such terms in the Indenture.

Definitions

Accreted Value means, with respect to any Capital Appreciation Bond, the principal amount thereof plus the interest accrued thereon, compounded at the approximate interest rate thereon on each date specified therein. The Accreted Value at any date shall be the amounts set forth in the Accreted Value Table as of such date, if such date is a compounding date, and if not, as of the immediately preceding compounding date.

Accreted Value Table means the table denominated as such which appears as an exhibit to, and to which reference is made in, a Supplemental Indenture providing for a Series of Capital Appreciation Bonds issued pursuant to such Supplemental Indenture.

Act means the Santa Clara Valley Transportation Authority Act, Part 12 of Division 10 (Section 100000 et seq.) of the Public Utilities Code of the State of California and Chapter 6 of Part 1 of Division 2 of Title 5 (Section 54300 et seq.) of the Government Code of the State of California as referenced in the Santa Clara Valley Transportation Authority Act.

Alternate Liquidity Facility means, with respect to a Series of Bonds, a line of credit, letter of credit, standby purchase agreement or similar liquidity facility, issued by a commercial bank or other financial institution, and delivered or made available to the Trustee, as a replacement or substitute for any Liquidity Facility then in effect.

Annual Debt Service means, for any Fiscal Year, the aggregate amount (without duplication) of principal and interest on all Bonds and Parity Obligations becoming due and payable during such Fiscal Year calculated using the principles and assumptions set forth under the definition of Debt Service.

Assumed Debt Service means for any Fiscal Year the aggregate amount of principal and interest which would be payable on all Bonds if each Excluded Principal Payment were amortized on a

substantially level debt service basis for a period commencing on the date of calculation of such Assumed Debt Service and ending on the earlier of (i) the date specified by the Issuer, which date may be the final maturity date of such Bonds or (ii) the Tax Expiration Date, such Assumed Debt Service to be calculated based on a fixed interest rate equal to the rate at which the Issuer could borrow for such period, as set forth in a certificate of a financial advisor or investment banker, delivered to the Trustee, who may rely conclusively on such certificate, such certificate to be delivered within thirty (30) days of the date of calculation.

Authority or Issuer means the Santa Clara Valley Transportation Authority, a public transit district duly established and existing under the laws of the State of California.

Authorized Denominations with respect to the 2023 Series A Bonds means \$5,000 and any integral multiple thereof.

Authorized Representative means the Chairperson of the Board, the General Manager, the Chief Financial Officer or such other person as may be designated to act on behalf of the Issuer by a written certificate furnished to the Trustee containing the specimen signature of such person and signed on behalf of the Issuer by an Authorized Representative.

Beneficial Owner mean, so long as the 2023 Series A Bonds are held in the Book-Entry System, any Person who acquires a beneficial ownership interest in a 2023 Series A Bond held by the Securities Depository. If at any time the 2023 Series A Bonds are not held in the Book-Entry System, Beneficial Owner shall mean the registered owner for purposes of the Seventh Supplemental Indenture.

Board means the Board of Directors of the Issuer.

Bond Counsel means any firm of nationally recognized municipal bond attorneys selected by the Issuer and experienced in the issuance of municipal bonds and matters relating to the exclusion of the interest thereon from gross income for federal income tax purposes.

Bond Obligation means, as of any given date of calculation, (1) with respect to any Outstanding Current Interest Bond, the principal amount of such Bond, and (2) with respect to any Outstanding Capital Appreciation Bond, the Accreted Value thereof.

Bond Reserve Fund means any fund by that name established with respect to one or more Series of Bonds pursuant to the Supplemental Indenture establishing the terms and provisions of such Series of Bonds.

Bond Reserve Requirement with respect to a Series of Bonds for which the Issuer shall have established a Bond Reserve Fund shall have the meaning specified in the Supplemental Indenture establishing the terms and provisions of such Series of Bonds. No Bond Reserve Fund is established for the 2023 Series A Bonds.

Bondholder or Holder or Owner, whenever used in the Indenture or in this Official Statement with respect to a Bond, means the person in whose name such Bond is registered.

Bonds means the Santa Clara Valley Transportation Authority 2000 Measure A Sales Tax Revenue Bonds authorized by, and at any time Outstanding pursuant to, the Indenture.

Book-Entry System means a system under which physical bond certificates in fully registered form are registered only in the name of a Securities Depository or its nominee.

Business Day means, except as is otherwise provided in the Supplemental Indenture pursuant to which a Series of Bonds are issued, any day other than (1) a Saturday, Sunday, or a day on which banking institutions in the State or the State of New York are authorized or obligated by law or executive order to be closed, (2) for purposes of payments and other actions relating to Bonds secured by a Credit Enhancement or supported by a Liquidity Facility, a day upon which commercial banks in the city in which is located the office of the issuing bank at which demands for payment under the Credit Enhancement or Liquidity Facility, as applicable, are to be presented are authorized or obligated by law or executive order to be closed, and (3) a day on which the New York Stock Exchange is closed.

Capital Appreciation Bonds means the Bonds of any Series designated as Capital Appreciation Bonds in the Supplemental Indenture providing for the issuance of such Series of Bonds and on which interest is compounded and paid at maturity or on prior redemption.

Certificate, Statement, Request, Requisition and Order of the Issuer mean, respectively, a written certificate, statement, request, requisition or order signed in the name of the Issuer by an Authorized Representative.

Code means the Internal Revenue Code of 1986, and the regulations applicable thereto or issued thereunder, or any successor to the Internal Revenue Code of 1986. Reference to any particular Code section shall, in the event of such a successor Code, be deemed to be reference to the successor to such Code section.

Continuing Disclosure Certificate means, with respect to each Series of Bonds requiring an undertaking regarding disclosure under Rule 15c2-12, the Continuing Disclosure Certificate, dated the date of issuance of such Series of Bonds, executed by the Issuer, as the same may be supplemented, modified or amended in accordance with its terms.

Conversion Date shall have the meaning specified in the Indenture.

Corporate Trust Office or **corporate trust office** means the corporate trust office of the Trustee.

Costs of Issuance means all items of expense directly or indirectly payable by or reimbursable to the Issuer and related to the authorization, execution, sale and delivery of a Series of Bonds, including but not limited to advertising and printing costs, costs of preparation and reproduction of documents, filing and recording fees, travel expenses and costs relating to rating agency meetings and other meetings concerning such Series of Bonds, initial fees and charges of the Trustee, legal fees and charges, fees and disbursements of consultants and professionals, financial advisor fees and expenses, rating agency fees, fees and charges for preparation, execution, transportation and safekeeping of Bonds, surety, insurance, credit enhancement and liquidity costs, and any other cost, charge or fee in connection with the initial delivery of a Series of Bonds or any Parity Obligations delivered in connection with a Series of Bonds.

Costs of Issuance Fund means a fund by that name established pursuant to the provisions of a Supplemental Indenture to pay Costs of Issuance with respect to a Series of Bonds being issued pursuant to such Supplemental Indenture.

Counterparty means an entity which has entered into an Interest Rate Swap Agreement with the Issuer.

Credit Enhancement means, with respect to a Series of Bonds, any Insurance, letter of credit, line of credit, surety bond or other instrument, if any, which secures or guarantees the payment of

principal of and interest on a Series of Bonds, issued by an insurance company, commercial bank or other financial institution, and delivered or made available to the Trustee, as from time to time supplemented or amended pursuant to its terms, or, in the event of the delivery or availability of an Alternate Credit Enhancement, such Alternate Credit Enhancement.

Credit Enhancement Provider means, with respect to a Series of Bonds, the Insurer, commercial bank or other financial institution issuing (or having primary obligation, or acting as agent for the financial institutions obligated, under) a Credit Enhancement then in effect with respect to such Series of Bonds.

Current Interest Bonds means the Bonds of any Series designated as Current Interest Bonds in the Supplemental Indenture providing for the issuance of such Series of Bonds and which pay interest at least semiannually to the Holders thereof excluding the first payment of interest thereon.

Debt Service, when used with respect to any Bonds, means, as of any date of calculation and with respect to any Fiscal Year, the sum of (1) the interest falling due on such Bonds during such Fiscal Year and (2) the principal or mandatory sinking account payments required with respect to such Bonds during such Fiscal Year; computed on the assumption that no portion of such Bonds shall cease to be Outstanding during such Fiscal Year except by reason of the application of such scheduled payments; provided, however, that for purposes of such computation:

(a) Excluded Principal Payments and the interest related thereto, provided such interest is being paid by the same source as the Excluded Principal Payments, shall be excluded from such calculation and Assumed Debt Service shall be included in such calculation;

(b) in determining the principal amount due in each Fiscal Year, payment shall (unless a different subsection of this definition applies for purposes of determining principal maturities or amortization) be assumed to be made in accordance with any amortization schedule established for such Bonds, including any Mandatory Sinking Account Payments or any scheduled redemption or payment of Bonds on the basis of Accreted Value, and for such purpose, the redemption payment or payment of Accreted Value shall be deemed a principal payment and interest that is compounded and paid as Accreted Value shall be deemed due on the scheduled redemption or payment date of such Capital Appreciation Bond;

(c) if any Bonds bear, or if any Bonds proposed to be issued will bear, interest at a variable interest rate for which an Interest Rate Swap Agreement is not in place and the interest on which is excluded or expected to be excluded from gross income for federal income tax purposes, the interest rate on such variable interest rate Bonds shall be calculated at an interest rate listed in The Bond Buyer "25 Revenue Bond Index" published on a date selected by the Issuer, which date shall be no earlier than the first day of the calendar month preceding the date of sale of such Bonds and no later than the date of sale of such Bonds plus twenty-five (25) basis points or if such index is not published on the date of sale such Bonds, at the interest rate listed in such index published immediately prior to the date of sale such Bonds plus twenty-five (25) basis points (provided, however, that if such index is no longer published, the interest rate on such Bonds shall be calculated based upon such index as the Issuer shall designate in writing to the Trustee);

(d) if any Bonds bear, or if any Bonds proposed to be issued will bear, interest at a variable interest rate for which an Interest Rate Swap Agreement is not in place and the interest on which is included or expected to be included in gross income for federal income tax purposes, the interest rate on such Bonds shall be calculated at an interest rate equal to 110% of the average One Month USD LIBOR Rate during the three (3) months preceding the month of sale of such Bonds, or if the One Month

USD LIBOR Rate is no longer available, such similar rate as the Issuer shall designate in writing to the Trustee;

(e) with respect to any Bonds bearing interest, or expected to bear interest, at a variable interest rate for which an Interest Rate Swap Agreement is in place, if (i) the interest rate on such Bonds, plus (ii) the payments received and made by the Issuer under an Interest Rate Swap Agreement with respect to such Bonds, are expected to produce a synthetic fixed rate to be paid by the Issuer (e.g., an interest rate swap under which the Issuer pays a fixed rate and receives a variable rate that is expected to equal or approximate the rate of interest on such Bonds), such Bonds shall be treated as bearing such synthetic fixed rate for the duration of the synthetic fixed rate;

(f) if any Bonds bear, or are expected to bear, a fixed interest rate and an Interest Rate Swap Agreement is entered into with respect to such Bonds, if (i) the interest rate on such fixed interest rate Bonds, plus (ii) the payments received and made by the Issuer under an Interest Rate Swap Agreement with respect to such fixed interest rate Bonds, are expected to produce a synthetic variable rate to be paid by the Issuer (e.g., an interest rate swap under which the Issuer pays a variable rate and receives a fixed rate that is expected to equal or approximate the rate of interest on such fixed interest rate Bonds), the fixed interest rate Bonds, shall be treated as bearing such synthetic variable rate for the duration of the Interest Rate Swap Agreement calculated as provided in subparagraph (c) or subparagraph (d), as applicable, above; and

(g) principal and interest payments on Bonds shall be excluded to the extent such payments are to be paid from amounts on deposit with the Trustee or other fiduciary in escrow specifically therefor, including Investment Securities and interest to be paid therefrom, and interest payments shall be excluded to the extent that such interest payments are to be paid from the proceeds of Bonds, including Investment Securities and interest to be paid therefrom, held by the Trustee or other fiduciary as capitalized interest specifically to pay such interest or are to be paid from Revenues then held on deposit by the Trustee or from Subsidy Payments the Issuer expects to receive.

Designated Banking Institution means a financial institution of national standing which is a primary United States government securities dealer designated by the Issuer.

DTC means The Depository Trust Company.

Event of Default means any of the events of default specified in the Indenture.

Excluded Principal Payments means each payment of principal of Bonds which the Issuer determines (in the Supplemental Indenture) that the Issuer intends to pay with moneys which are not Revenues (such as commercial paper, balloon indebtedness or bond anticipation notes) but from future debt obligations of the Issuer, grants from the State or federal government, or any agency or instrumentality thereof, or any other source of funds of the Issuer, upon which determination of the Issuer the Trustee may conclusively rely. No such determination shall affect the security for such Bonds or the obligation of the Issuer to pay such payments from Revenues. No payment of principal of Bonds may be determined to be an Excluded Principal Payment unless it is due on or prior to the later of April 1, 2036 or the Tax Expiration Date.

Favorable Opinion of Bond Counsel means an Opinion of Bond Counsel, addressed to the Trustee, to the effect that the action proposed to be taken will not, in and of itself, adversely affect any exclusion from gross income of interest on the 2023 Series A Bonds.

Fees and Expenses Fund means the fund by that name established pursuant to the Indenture.

Fiscal Year means the period beginning on July 1 of each year and ending on the next succeeding June 30, or any other 12-month period hereafter selected and designated as the official fiscal year period of the Issuer, which designation shall be provided to the Trustee in a Certificate delivered by the Issuer.

Fitch means Fitch Inc., and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term “Fitch” shall be deemed to refer to any other nationally recognized securities rating agency selected by the Issuer.

Holder or **Bondholder**, whenever used in the Indenture with respect to a Bond, means the person in whose name such Bond is registered.

Indenture means the Indenture, dated as of August 1, 2006, between the Trustee and the Issuer, as originally executed or as it may from time to time be supplemented or amended by any Supplemental Indenture delivered pursuant to the provisions of the Indenture.

Insurance means any financial guaranty insurance policy or municipal bond insurance policy issued by an Insurer insuring the payment when due of principal of and interest on a Series of Bonds as provided in such financial guaranty insurance policy or municipal bond insurance policy.

Insurer means any provider of Insurance with respect to a Series of Bonds.

Interest Fund means the fund by that name established pursuant to the Indenture.

Interest Payment Date, with respect to each Series of Bonds, shall have the meaning specified in the Supplemental Indenture establishing the terms and provisions of such Series of Bonds. Interest Payment Date with respect to the 2023 Series A Bonds means April 1 and October 1 of each year, commencing October 1, 2023.

Interest Rate Swap Agreement or **Swap** means an interest rate swap, cap, collar, option, floor, forward, derivative or other hedging agreement, arrangement or security, however denominated, entered into between the Issuer and a Counterparty, in connection with, or incidental to, the issuance or carrying of Bonds including, without limitation, an interest rate swap, cap, collar, option, floor, forward, derivative or other hedging agreement, arrangement or security entered into in advance of the issuance of Bonds.

Investment Policy means the investment policy adopted by the Board on April 4, 1996 and reaffirmed by the Board on February 5, 2009, and most recently amended on June 4, 2015, as heretofore modified, amended and supplemented, and as such investment policy may be further modified, amended or supplemented from time to time by action of the Board.

Investment Securities means any of the following to the extent such Investment Securities are permitted pursuant to the Investment Policy:

(A) The following obligations may be used as Investment Securities for all purposes, including defeasance investments in refunding escrow accounts:

(1) Cash (insured at all times by the Federal Deposit Insurance Corporation or otherwise collateralized with obligations described in paragraph (2) below);

(2) Direct obligations of (including obligations issued or held in book entry form on the books of) the Department of the Treasury of the United States of America;

(3) Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including

- Export-Import Bank
- Farm Credit System Financial Assistance Corporation
- Rural Economic Community Development Administration (formerly the Farmers Home Administration)
- General Services Administration
- U.S. Maritime Administration
- Small Business Administration
- Government National Mortgage Association (GNMA)
- U.S. Department of Housing & Urban Development (PHA's)
- Federal Housing Administration
- Federal Financing Bank; and

(4) Direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America:

- Senior debt obligations rated “Aaa” by Moody’s and “AAA” by Standard & Poor’s issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC)
- Obligations of the Resolution Funding Corporation (REFCORP)
- Senior debt obligations of the Federal Home Loan Bank System
- Senior debt obligations of other Government Sponsored Agencies approved by each Credit Enhancement Provider then providing Credit Enhancement for a Series of Bonds.

(B) The following obligations may be used as Investment Securities for all purposes other than defeasance investments in refunding escrow accounts:

(1) U.S. dollar denominated deposit accounts, federal funds and bankers’ acceptances with domestic commercial banks (including the Trustee and its affiliates) which have a rating (ratings on holding companies are not considered as the rating of the banks) on their short-term certificates of deposit on the date of purchase of “A-1” or “A-1+” by Standard & Poor’s and “P-1” by Moody’s and maturing no more than three hundred sixty (360) days after the date of purchase;

(2) Commercial paper which is rated at the time of purchase in the single highest classification, “A-1” by Standard & Poor’s or “P-1” by Moody’s and which matures not more than two hundred seventy (270) days after the date of purchase;

(3) Investments in a money market fund rated “AAAm or “AAAm-G” or better by Standard & Poor’s including funds for which the Trustee or an affiliate provides investment advice or other services;

(4) Pre-refunded Municipal Obligations defined as follows: Any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior

to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and

(A) which are rated, based on an irrevocable escrow account or fund (the “escrow”), in the highest rating category of Standard & Poor’s and Moody’s or any successors thereto; or

(B) (i) which are fully secured as to principal and interest and prepayment premium, if any, by an escrow consisting only of cash or obligations described in paragraph A(2) above, which escrow may be applied only to the payment of such principal of and interest and prepayment premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified prepayment date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and prepayment premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate;

(5) General obligations of states with a rating of at least “A2/A” or higher by both Moody’s and Standard & Poor’s;

(6) Any investment agreement with a financial institution or insurance company which has at the date of execution thereof an outstanding issue of unsecured, uninsured and unguaranteed debt obligations or a claims paying ability rated (or the parent company or guarantor of which is rated) in either of the two highest long-term Rating Categories by Moody’s and Standard & Poor’s;

(7) The Local Agency Investment Fund managed by the Treasurer of the State of California, as referred to in Section 16429.1 of the Government Code of the State but only to the extent such investment is registered in the name of the Trustee;

(8) Shares in a common law trust established pursuant to Title 1, Division 7, Charter 5 of the Government Code of the State which invests exclusively in investments permitted by Section 53601 of Title 5 Division 2, Chapter 4 of the Government Code of the State, as it may be amended (“CAMP”);

(9) The commingled investment fund of the County of Santa Clara, California, which is administered in accordance with the investment policy of said County as established by the Director of Finance thereof, as permitted by Section 53601 of the Government Code of the State, copies of which policy are available upon written request to said Director of Finance; and

(10) Any other forms of investments, including repurchase agreements, approved in writing by each Credit Enhancement Provider then providing Credit Enhancement for a Series of Bonds.

Issuer or Authority means the Santa Clara Valley Transportation Authority, a public transit district duly established and existing under the laws of the State of California.

Liquidity Facility means, with respect to a Series of Bonds, a line of credit, letter of credit, standby purchase agreement or similar liquidity facility, issued by a commercial bank, insurance company, pension fund or other financial institution, and delivered or made available to the Trustee, as from time to time supplemented or amended pursuant to its terms, or, in the event of the delivery or availability of an Alternate Liquidity Facility, such Alternate Liquidity Facility.

Liquidity Facility Bonds means any Bonds purchased with moneys drawn under (or otherwise obtained pursuant to the terms of) a Liquidity Facility, but excluding any Bonds no longer considered to be Liquidity Facility Bonds in accordance with the terms of the applicable Liquidity Facility.

Liquidity Facility Provider means, with respect to a Series of Bonds, the commercial bank, insurance company, pension fund or other financial institution issuing (or having primary obligation, or acting as agent for the financial institutions obligated, under) a Liquidity Facility then in effect with respect to such Series of Bonds.

Liquidity Facility Rate means, with respect to a Series of Bonds, the interest rate per annum, if any, specified in the Liquidity Facility delivered in connection with such Series of Bonds as applicable to Liquidity Facility Bonds.

Mandatory Sinking Account Payment means, with respect to Bonds of any Series and maturity, the amount required by the Supplemental Indenture establishing the terms and provisions of such Series of Bonds to be deposited by the Issuer in a Sinking Account for the payment of Term Bonds of such Series and maturity.

Maturity Date means, with respect to a Series of Bonds, the date of maturity or maturities specified in the Supplemental Indenture establishing the terms and provisions of such Series of Bonds.

Maximum Annual Debt Service means the maximum amount of Annual Debt Service becoming due and payable on all Bonds Outstanding and all Parity Obligations outstanding during the period from the date of such calculation through the final maturity date of the Bonds and Parity Obligations, calculated utilizing the assumptions set forth under the definition of Debt Service.

Maximum Rate means the lesser of (i) twelve percent (12%) and (ii) the maximum rate of interest that may legally be paid on the Bonds from time to time.

Moody's means Moody's Investors Service, a corporation duly organized and existing under the laws of the State of Delaware, and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency selected by the Issuer.

Notice Parties means, as and to the extent applicable, the Issuer, the Trustee, the Credit Enhancement Provider, if any, for the Series of Bonds to which the notice being given relates, the Auction Agent, if any, for the Series of Bonds to which the notice being given relates, the Broker-Dealer, if any, for the Series of Bonds to which the notice being given relates, the Liquidity Facility Provider, if any, for the Series of Bonds to which the notice being given relates, and the Remarketing Agent, if any, for the Series of Bonds to which the notice being given relates.

One Month USD LIBOR Rate means the British Banker's Association average of interbank offered rates in the London market for deposits in U. S. dollars for a one month period as reported in The

Wall Street Journal or, if not reported in such newspaper, as reported in such other source as may be selected by the Issuer.

Opinion of Bond Counsel means a written opinion of a law firm of national standing in the field of public finance selected by the Issuer.

Opinion of Counsel means a written legal opinion from a firm of attorneys or an attorney, who is acceptable to the Trustee. The Counsel may be an employee of, or counsel to, the Issuer or the Trustee.

Ordinance means Ordinance No. 01.1 adopted by the Board on March 1, 2001, pursuant to the provisions of Article 9 of Chapter 5 of the Act, as now in effect and as it may from time to time hereafter be amended or supplemented.

Outstanding, when used as of any particular time with reference to Bonds, means (subject to the provisions of the Indenture) all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under the Indenture except: (1) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (2) Bonds with respect to which all liability of the Issuer shall have been discharged in accordance with the provisions of the Indenture described below under the caption "Discharge of Liability on Bonds," and (3) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Trustee pursuant to the Indenture; provided, however, that in the event the principal of or interest due on any Bonds shall be paid by the Credit Enhancement Provider pursuant to the Credit Enhancement issued in connection with such Bonds, such Bonds shall remain Outstanding for all purposes and shall not be considered defeased or otherwise satisfied or paid by the Issuer and the pledge of 2000 Measure A Sales Tax Revenues and all covenants, agreements and other obligations of the Issuer to the Holders shall continue to exist and shall run to the benefit of such Credit Enhancement Provider and such Credit Enhancement Provider shall be subrogated to the rights of such Holders.

Parity Obligations means (i) any indebtedness, installment sale obligation, lease obligation or other obligation of the Issuer for borrowed money or (ii) any Interest Rate Swap Agreement (excluding fees and expenses and termination payments on Interest Rate Swap Agreements which fees and expenses and termination payments shall be secured by a lien and charge on the 2000 Measure A Sales Tax Revenues subordinate to the lien and charge upon the 2000 Measure A Sales Tax Revenues which secures the Bonds, Parity Obligations and payment of principal and interest on Subordinate Obligations) entered into in connection with a Series of Bonds, in each case incurred in accordance with the Indenture and having an equal lien and charge upon the 2000 Measure A Sales Tax Revenues and therefore payable on a parity with the Bonds (whether or not any Bonds are Outstanding).

Participating Underwriter means any of the original underwriters of a Series of Bonds required to comply with Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission, under the Securities Act of 1934, as the same may be amended from time to time.

Person shall mean an individual, a corporation, an association, a joint venture, a partnership, a trust, an unincorporated organization or any other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

Principal Fund means the fund by that name established pursuant to the Indenture.

Project means the acquisition, construction improvement or equipping of any or all real and personal and intellectual property, equipment, computers, information services, software rights or interests to be owned, held or used for transit purposes, including, but not limited to, rights-of-way, rail

lines, bus lines, stations, platforms, switches, yards, terminals, parking lots and any and all facilities necessary or convenient for transit service within or partly without the County as permitted under the Ordinance, and the payment and/or reimbursement of all costs incidental to or connected with the accomplishment of such purpose including, without limitation, engineering, inspection, legal, fiscal agents, financial consultant and other fees, bond and other reserve funds, working capital, bond interest estimated to accrue during construction and for a period not to exceed one (1) year thereafter or such greater period as shall be specified in the Tax Certificate delivered in connection with a Series of Bonds. As and to the extent permitted pursuant to 2000 Measure A and the Ordinance, Project shall also include the payment of operating expenses relating to increased bus, light rail and paratransit services.

Project Fund means, with respect to any Series of Bonds, a fund by that name established pursuant to the provisions of a Supplemental Indenture to hold the proceeds of a Series of Bonds or a portion thereof prior to expenditure on the portion of the Project being financed with the proceeds of such Series of Bonds.

Proportionate Basis, when used with respect to the redemption of Bonds, means that the amount of Bonds of each maturity to be redeemed shall be determined as nearly as practicable by multiplying the total amount of funds available for redemption by the ratio which the amount of Bond Obligation of Bonds of such maturity bears to the amount of all Bond Obligation of Bonds to be redeemed, provided, however that, any Bond may only be redeemed in an authorized denomination. For purposes of the foregoing, Term Bonds shall be deemed to mature in the years and in the amounts of the Mandatory Sinking Account Payments, and Capital Appreciation Bonds and Current Interest Bonds maturing or subject to Mandatory Sinking Account Payments in the same year shall be treated as separate maturities. When used with respect to the payment or purchase of Bonds, "Proportionate Basis" shall have the same meaning set forth above except that "pay" or "purchase" shall be substituted for "redeem" or "redemption" and "paid" or "purchased" shall be substituted for "redeemed."

Purchase Fund means a fund by that name established to hold funds to be applied to pay the purchase price of a Series of Bonds, which fund shall be established pursuant to the Supplemental Indenture establishing the terms and provisions of such Series of Bonds.

Rating Agency means, as and to the extent applicable to a Series of Bonds, each of Fitch, Moody's and Standard & Poor's then maintaining a rating on such Series of Bonds at the request of the Issuer.

Rating Category means: (i) with respect to any long-term rating category, all ratings designated by a particular letter or combination of letters, without regard to any numerical modifier, plus or minus sign or other modifier; and (ii) with respect to any short-term or commercial paper rating category, all ratings designated by a particular letter or combination of letters and taking into account any numerical modifier, but not any plus or minus sign or other modifier.

Rebate Fund means that fund by that name established pursuant to the Indenture.

Rebate Instructions means, with respect to any Series of Bonds, those calculations and directions required to be delivered to the Trustee by the Issuer pursuant to the Tax Certificate delivered in connection with such Series of Bonds.

Rebate Requirement means, with respect to any Series of Bonds, the Rebate Requirement determined in accordance with the Tax Certificate delivered in connection with such Series of Bonds.

Record Date, with respect to each Series of Bonds, shall have the meaning specified in the Supplemental Indenture establishing the terms and provisions of such Series of Bonds.

Redemption Fund means the fund by that name established pursuant to the Indenture.

Redemption Price means, with respect to any Bond (or portion thereof) the principal amount of such Bond (or portion thereof) plus the applicable premium, if any, payable upon redemption thereof pursuant to the provisions of such Bond and the Indenture.

Refunded Bonds means all of the 2008 Series Bonds and the 2010 Series A Bonds.

Refunding Bonds means a Series of Bonds or a portion of a Series of Bonds issued pursuant to the provisions of the Indenture described below under the caption "Issuance of Refunding Bonds."

Repositories means the public or private entities designated as Repositories in a Continuing Disclosure Certificate 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 described below under the caption "Funding and Application of Bond Reserve Funds," and delivered to the Trustee in satisfaction of all or a portion of the Bond Reserve Requirement applicable to one or more Series of Bonds.

Reserve Facility Provider means any issuer of a Reserve Facility.

Revenue Fund means the Sales Tax Revenue Fund established pursuant to the Indenture.

Revenues means: (i) all 2000 Measure A Sales Tax Revenues; and (ii) all investment earnings on amounts held by the Trustee in the funds and accounts established under the Indenture, excluding amounts deposited to the Rebate Fund and any Purchase Fund. Revenues does not include any funds or assets of the Issuer except 2000 Measure A Sales Tax Revenues and investment earnings on amounts held by the Trustee in the funds and accounts established under the Indenture, excluding amounts deposited to the Rebate Fund and any Purchase Fund; provided, however, that in accordance with the provisions of the Indenture described below under the caption "Issuance of Additional Bonds," the Issuer by Supplemental Indenture may provide for additional revenues or assets of the Issuer to be included in the definition of Revenues. Pursuant to the provisions set forth in the Fourth Supplemental Indenture, Subsidy Payments shall be included within the definition of Revenues until such time as the amendment of clause (g) of the definition of debt service described below in subsection (D) under the caption "Issuance of Additional Bonds" shall become effective. At such time as the amendment of clause (g) of the definition of debt service described below under the caption "Issuance of Additional Bonds" shall become effective, Subsidy Payments shall no longer be included in within the definition of Revenues for purposes of any calculations to be provided pursuant to the provisions of the Indenture described below in subsection (D) under the caption "Issuance of Additional Bonds."

Rule 15c2-12 means Securities and Exchange Commission Rule 15c2-12, as supplemented and amended from time to time.

Sales Tax Revenues or **2000 Measure A Sales Tax Revenues** means the amounts available for distribution to the Issuer after the date of issuance of the 2006 Series Bonds on account of the 2000 Measure A Sales Tax after deducting amounts payable by the Issuer to the State Board of Equalization for costs and expenses for its services in connection with the 2000 Measure A Sales Tax collected pursuant Section 100250 et seq. of the Act and levied pursuant to the Ordinance.

Securities Depository means The Depository Trust Company, or, in accordance with then-current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depository, or no such depositories, as the Issuer may designate in a Request of the Issuer delivered to the Trustee.

Serial Bonds means Bonds, maturing in specified years, for which no Mandatory Sinking Account Payments are provided.

Series, whenever used in the Indenture with respect to Bonds, means all of the Bonds designated as being of the same series, authenticated and delivered in a simultaneous transaction regardless of variations in maturity, interest rate, redemption and other provisions, and any Bonds thereafter authenticated and delivered upon transfer or exchange or in lieu of or in substitution for (but not to refund) such Bonds as in the Indenture provided.

Seventh Supplemental Indenture means the Seventh Supplemental Indenture, dated as of August 1, 2023, between the Issuer and the Trustee, as amended and supplemented from time to time.

Sinking Account means an account by that name established in the Principal Fund for the payment of Term Bonds.

Standard & Poor's or **S&P** means Standard & Poor's, a division of The McGraw-Hill Companies, Inc., a corporation duly organized and existing under and by virtue of the laws of the State of New York, and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term "Standard & Poor's" shall be deemed to refer to any other nationally recognized securities rating agency selected by the Issuer.

State means the State of California.

State Board of Equalization means the California State Board of Equalization.

Subordinate Obligations means any obligations issued or incurred in accordance with the provisions of the Indenture described in paragraph (D) under the caption "Limitations on the Issuance of Obligations Payable from 2000 Measure A Sales Tax Revenues; Parity Obligations; Subordinate Obligations" set forth below.

Subordinate Obligations Fund means the fund by that name established pursuant to the Indenture.

Subsidy Payments means payments to be made by the United States Treasury to the Trustee pursuant to Section 54AA of the Code or Section 6431 of the Code or any successor to either of such provisions of the Code and with respect to the interest due on a Series of taxable Bonds that have been accorded Build America Bonds status under the provisions of the American Recovery and Reinvestment Act of 2009 or any successor thereto or replacement thereof.

Supplemental Indenture means any indenture duly executed and delivered, supplementing, modifying or amending the Indenture, but only if and to the extent that such supplemental indenture is specifically authorized under the Indenture.

Tax Certificate means each Tax Certificate delivered by the Issuer at the time of issuance and delivery of a Series of Bonds, as the same may be amended or supplemented in accordance with its terms.

Tax Expiration Date means March 31, 2036 or such later date to which the levy of the 2000 Measure A Sales Tax is extended in accordance with the Act.

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.

Trustee means U.S. Bank National Association, a national banking association duly organized and existing under and by virtue of the laws of the United States of America, or its successor, as Trustee as provided in the Indenture.

Variable Rate Indebtedness means any indebtedness the interest rate on which is not fixed at the time of incurrence of such indebtedness, and has not at some subsequent date been fixed, at a numerical rate or rates for the entire term of such indebtedness.

2000 Measure A means the ballot measure which authorized the 2000 Measure A Sales Tax.

2000 Measure A Sales Tax means the retail transactions and use tax authorized by 2000 Measure A.

2000 Measure A Sales Tax Revenues or **Sales Tax Revenues** means the amounts available for distribution to the Issuer after the date of issuance of the 2006 Series Bonds on account of the 2000 Measure A Sales Tax after deducting amounts payable by the Issuer to the State Board of Equalization for costs and expenses for its services in connection with the 2000 Measure A Sales Tax collected pursuant Section 100250 et seq. of the Act and levied pursuant to the Ordinance.

2008 Series Bonds means the Santa Clara Valley Transportation Authority 2000 Measure A Sales Tax Revenue Refunding Bonds 2008 Series A, 2008 Series B, 2008 Series C and 2008 Series D, maturing on April 1, 2036, authorized by the Indenture.

2008 Series Escrow Agent means U.S. Bank Trust Company, National Association, as escrow agent under the 2008 Series Escrow Agreement.

2008 Series Escrow Agreement means the 2008 Series A Escrow Agreement, dated as of August 1, 2023, between the Issuer and the 2008 Series Escrow Agent, relating to the 2008 Series Bonds, as originally executed or as it may from time to time be supplemented or amended pursuant to its terms.

2008 Series Escrow Fund means the Escrow Fund established under the 2008 Series Escrow Agreement.

2010 Series A Bonds means the Santa Clara Valley Transportation Authority 2000 Measure A Sales Tax Revenue Bonds 2010 Series A (Taxable Build America Bonds), maturing on April 1, 2032, authorized by this Indenture.

2015 Series A Bonds means the Santa Clara Valley Transportation Authority 2000 Measure A Sales Tax Revenue Refunding Bonds, 2015 Series A (Tax-Exempt), maturing on April 1, 2036, authorized by the Indenture.

2020 Series A Bonds means the Santa Clara Valley Transportation Authority 2000 Measure A Sales Tax Revenue Refunding Bonds, 2020 Series A (Taxable), maturing on April 1, 2036, authorized by this Indenture.

2023 Series A Bonds means the Santa Clara Valley Transportation Authority 2000 Measure A Sales Tax Revenue Refunding Bonds, 2023 Series A, authorized by and at any time Outstanding pursuant to the Indenture.

2023 Series A Costs of Issuance Fund means the fund by that name established pursuant to the Seventh Supplemental Indenture.

Pledge of 2000 Measure A Sales Tax Revenues; Sales Tax Revenue Fund

The Bonds are limited obligations of the Issuer and are payable as to both principal and interest, and any premium upon redemption thereof, exclusively from the 2000 Measure A Sales Tax Revenues and other funds pledged under the Indenture. All 2000 Measure A Sales Tax Revenues are pledged to secure the punctual payment of the principal of, redemption premium, if any, and interest on the Bonds and any Parity Obligations in accordance with their terms, subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and provisions set forth in the Indenture. All amounts (including proceeds of the Bonds) held by the Trustee under the Indenture (except for amounts held in the Rebate Fund and any Purchase Fund) are pledged to secure the payment of the principal of and redemption premium, if any, and interest on the Bonds in accordance with their terms, subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture. Said pledge shall constitute a first lien on the 2000 Measure A Sales Tax Revenues and on the amounts in such funds.

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

Out of 2000 Measure A Sales Tax Revenues there shall be applied as hereinafter described all sums required for the payment of the principal of (including any premium thereon) and interest on the Bonds and all Parity Obligations, together with any sinking fund payments of Bonds and Parity Obligations and reserve requirements with respect thereto and fees and expenses and similar charges payable in connection with the Bonds and Parity Obligations. All remaining 2000 Measure A Sales Tax Revenues, after making the foregoing allocation, shall be available to the Issuer for all lawful Issuer purposes. The pledge of 2000 Measure A Sales Tax Revenues made in the Indenture shall be irrevocable until all of the Bonds, all Parity Obligations and amounts owed in connection with the Bonds and Parity Obligations are no longer outstanding.

The 2000 Measure A Sales Tax Revenues shall be received and held in trust by the Trustee for the benefit of the Holders of the Bonds and the Parity Obligations and shall be disbursed, allocated and applied solely for the uses and purposes set forth in the Indenture and described below under the caption "Allocation of Revenues." As long as any Bonds are Outstanding or any Parity Obligations remain unpaid, the Issuer assigns and shall cause 2000 Measure A Sales Tax Revenues to be transmitted by the California State Board of Equalization directly to the Trustee. The Trustee shall forthwith deposit in a trust fund, designated as the "Sales Tax Revenue Fund," which fund the Trustee shall establish and maintain, all 2000 Measure A Sales Tax Revenues, when and as received by the Trustee. Investment income on amounts held by the Trustee under the Indenture (other than amounts held in the Rebate Fund or for which particular instructions (such as with respect to a Project Fund or a Purchase Fund) are provided in a Supplemental Indenture) shall also be deposited in the Revenue Fund. All moneys at any time held in the Revenue Fund shall be held in trust for the benefit of the Holders of the Bonds and the

holders of Parity Obligations and shall be disbursed, allocated and applied solely for the uses and purposes set forth in the Indenture and described below under the caption "Allocation of Revenues."

Allocation of 2000 Measure A Sales Tax Revenues

So long as any Bonds are Outstanding, the Trustee shall set aside in each month following receipt of the 2000 Measure A Sales Tax Revenues the moneys in the Revenue Fund in the following respective funds (each of which the Trustee shall establish, maintain and hold in trust for the benefit of the Holders of the Bonds and, as and to the extent applicable, the holders of Parity Obligations) in the following amounts, in the following order of priority, the requirements of each such fund (including the making up of any deficiencies in any such fund resulting from lack of Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any deposit is made to any fund subsequent in priority; provided that on a parity with such deposits the Trustee may set aside or transfer amounts with respect to any outstanding Parity Obligations as provided in the proceedings for such Parity Obligations delivered to the Trustee (which shall be proportionate in the event such amounts are insufficient to provide for all deposits required as of any date to be made with respect to the Bonds and such Parity Obligations):

Interest Fund. Following receipt of the 2000 Measure A Sales Tax Revenues in each month, the Trustee shall set aside in the Interest Fund as soon as practicable in such month an amount equal to (a) one-sixth of the aggregate half-yearly amount of interest becoming due and payable on the Outstanding Current Interest Bonds (except for Bonds constituting Variable Rate Indebtedness which shall be governed by subparagraph (b) below) during the next ensuing six (6) months (excluding any interest for which there are moneys deposited in the Interest Fund from the proceeds of any Series of Bonds or other source and reserved as capitalized interest to pay such interest during said next ensuing six (6) months), until the requisite half-yearly amount of interest on all such Outstanding Current Interest Bonds (except for Bonds constituting Variable Rate Indebtedness which shall be governed by subparagraph (b) below) is on deposit in such fund; provided that, from the date of delivery of a Series of Current Interest Bonds until the first interest payment date with respect to such Series of Bonds, the amounts set aside in such fund with respect to such Series of Bonds shall be sufficient on a monthly pro rata basis to pay the aggregate amount of interest becoming due and payable on said interest payment date with respect to such Series of Bonds, plus (b) the aggregate amount of interest to accrue during that month on Outstanding Variable Rate Indebtedness, calculated, if the actual rate of interest is not known, at the interest rate specified in writing by the Issuer, or if the Issuer shall not have specified an interest rate in writing, calculated at the maximum interest rate borne by such Variable Rate Indebtedness during the month prior to month of deposit plus one hundred (100) basis points (provided, however, that the amount of such deposit into the Interest Fund for any month may be reduced by the amount by which the deposit in the prior month exceeded the actual amount of interest accrued during that month on said Outstanding Variable Rate Indebtedness and provided further that the amount of such deposit into the Interest Fund for any month shall be increased by the amount by which the deposit in the prior month was less than the actual amount of interest accruing during that month on said Outstanding Variable Rate Indebtedness). No deposit need be made into the Interest Fund if the amount contained therein is at least equal to the interest to become due and payable on the Interest Payment Dates falling within the next six (6) months upon all of the Bonds issued under the Indenture and then Outstanding and on April 1 of each year any excess amounts in the Interest Fund not needed to pay interest on such date (and not held to pay interest on Bonds having interest payment dates other than April 1 and October 1) shall be transferred to the Issuer (but excluding, in each case, any moneys on deposit in the Interest Fund from the proceeds of any Series of Bonds or other source and reserved as capitalized interest to pay interest on any future interest payment dates following such interest payment dates).

Principal Fund; Sinking Accounts. Following receipt of the 2000 Measure A Sales Tax Revenues in each month, the Trustee shall deposit in the Principal Fund as soon as practicable in such month an amount equal to at least (a) one-sixth of the aggregate semiannual amount of Bond Obligation becoming due and payable on the Outstanding Serial Bonds of all Series having semiannual maturity dates within the next six (6) months, plus (b) one-twelfth of the aggregate yearly amount of Bond Obligation becoming due and payable on the Outstanding Serial Bonds of all Series having annual maturity dates within the next twelve (12) months, plus (c) one-sixth of the aggregate of the Mandatory Sinking Account Payments to be paid during the next six-month period into the respective Sinking Accounts for the Term Bonds of all Series for which Sinking Accounts have been created and for which semiannual mandatory redemption is required from said Sinking Accounts, plus (d) one-twelfth of the aggregate of the Mandatory Sinking Account Payments to be paid during the next 12-month period into the respective Sinking Accounts for the Term Bonds of all Series for which Sinking Accounts shall have been created and for which annual mandatory redemption is required from such Sinking Accounts; provided that if the Issuer certifies to the Trustee that any principal payments are expected to be refunded on or prior to their respective due dates or paid from amounts on deposit in a Bond Reserve Fund that would be in excess of the Bond Reserve Requirement applicable to such Bond Reserve Fund upon such payment, no amounts need be set aside towards such principal to be so refunded or paid. All of the aforesaid deposits made in connection with future Mandatory Sinking Account Payments shall be made without priority of any payment into any one such Sinking Account over any other such payment.

In the event that the 2000 Measure A Sales Tax Revenues shall not be sufficient to make the required deposits so that moneys in the Principal Fund on any principal or mandatory redemption date are equal to the amount of Bond Obligation to become due and payable on the Outstanding Serial Bonds of all Series plus the Bond Obligation amount of and redemption premium on the Outstanding Term Bonds required to be redeemed or paid at maturity on such date, then such moneys shall be applied on a Proportionate Basis and in such proportion as said Serial Bonds and said Term Bonds shall bear to each other, after first deducting for such purposes from said Term Bonds any of said Term Bonds required to be redeemed annually as shall have been redeemed or purchased during the preceding 12-month period and any of said Term Bonds required to be redeemed semiannually as shall have been redeemed or purchased during the six-month period ending on such date or the immediately preceding six month period. In the event that the 2000 Measure A Sales Tax Revenues shall not be sufficient to pay in full all Mandatory Sinking Account Payments required to be paid at any one time into all such Sinking Accounts, then payments into all such Sinking Accounts shall be made on a Proportionate Basis, in proportion that the respective Mandatory Sinking Account Payments required to be made into each Sinking Account during the then current 12-month period bear to the aggregate of all of the Mandatory Sinking Account Payments required to be made into all such Sinking Accounts during such 12-month period.

No deposit need be made into the Principal Fund so long as there shall be in such fund (i) moneys sufficient to pay the Bond Obligations of all Serial Bonds issued under the Indenture and then Outstanding and maturing by their terms within the next twelve (12) months plus (ii) the aggregate of all Mandatory Sinking Account Payments required to be made in such 12-month period, but less any amounts deposited into the Principal Fund during such 12-month period and theretofore paid from the Principal Fund to redeem or purchase Term Bonds during such 12-month period; provided that if the Issuer certifies to the Trustee that any principal payments are expected to be refunded on or prior to their respective due dates or paid from amounts on deposit in a Bond Reserve Fund that would be in excess of the Bond Reserve Requirement applicable to such Bond Reserve Fund upon such payment, no amounts need be on deposit with respect to such principal payments. At the beginning of each Fiscal Year and in any event not later than April 1 of each year, the Trustee shall request from the Issuer a Certificate of the Issuer setting forth the principal payments for which deposits will not be necessary pursuant to the preceding sentence and the reason therefor. On April 1 of each year any excess amounts in the Principal

Fund not needed to pay principal on such date (and not held to pay principal on Bonds having principal payment dates other than April 1) shall be transferred to the Issuer.

Bond Reserve Fund. Upon the occurrence of any deficiency in any Bond Reserve Fund, the Trustee shall make such deposit to such Bond Reserve Fund as is required pursuant to the provisions of the Indenture described in paragraph (D) under the caption “Funding and Application of Bond Reserve Funds,” each such deposit to be made as soon as possible in each month, until the balance therein is at least equal to the applicable Bond Reserve Requirement.

Subordinate Obligations Fund. Upon the written direction of the Issuer, the Trustee shall establish, maintain and hold in trust a separate fund designated as the “Subordinate Obligations Fund.” Upon the establishment of the Subordinate Obligations Fund at the direction of the Issuer, after the transfers to the Interest Fund, the Principal Fund and the Bond Reserve Funds described above have been made, the Trustee shall deposit in the Subordinate Obligations Fund in each month such amount as the Issuer shall specify in writing is necessary to pay principal of and interest due and payable during the following month with respect to Subordinate Obligations then outstanding.

Fees and Expenses Fund. After the transfers to the Interest Fund, the Principal Fund, the Bond Reserve Funds and the Subordinate Obligations Fund described above have been made if Issuer shall have instructed the Trustee to establish a Subordinate Obligations Fund or after the transfers described above to Interest Fund, Principal Fund, and Bond Reserve Funds have been made if no Subordinate Obligations Funds shall have been established, the Trustee shall deposit as soon as practicable in each month in the Fees and Expenses Fund (which fund the Trustee hereby agrees to establish, maintain and hold in trust) amounts necessary for payment of fees, expenses and similar charges owing in such month or the following month by the Issuer in connection with the Bonds or any Parity Obligations (excluding termination payments on Interest Rate Swap Agreements). The Issuer shall inform the Trustee of such amounts, in writing, at the beginning of each month.

Any Revenues remaining in the Revenue Fund after the foregoing transfers in the funds and accounts described above, except as the Issuer shall otherwise direct in writing or as is otherwise provided in a Supplemental Indenture, shall be transferred to the Issuer on the same Business Day or as soon as is practicable thereafter. The Issuer may use and apply the Revenues when received by it for any lawful purpose of the Issuer, including the redemption of Bonds upon the terms and conditions set forth in the Supplemental Indenture relating to such Bonds and the purchase of Bonds as and when and at such prices as it may determine.

If five (5) days prior to any principal payment date, interest payment date or mandatory redemption date the amounts on deposit in the Interest Fund, the Principal Fund, including the Sinking Accounts therein, and, as and to the extent applicable, any Bond Reserve Fund established in connection with a Series of Bonds with respect to the payments to be made on such upcoming date are insufficient to make such payments, the Trustee shall immediately notify the Issuer, in writing, of such deficiency and direct that the Issuer transfer the amount of such deficiency to the Trustee on or prior to such payment date. The Issuer covenants and agrees to transfer to the Trustee from any Revenues in its possession the amount of such deficiency on or prior to the principal, interest or mandatory redemption date referenced in such notice.

Establishment and Application of Funds and Accounts

Each of the funds and accounts described below is established pursuant to the Indenture.

Interest Fund. All amounts in the Interest Fund shall be used and withdrawn by the Trustee solely for the purpose of paying interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity pursuant to the Indenture) and making periodic payments on Interest Rate Swap Agreements, as provided pursuant to the provisions of the Indenture described below under the caption “Payment Provisions Applicable to Interest Rate Swap Agreements.”

Principal Fund. All amounts in the Principal Fund shall be used and withdrawn by the Trustee solely for the purposes of paying the Bond Obligation of the Bonds when due and payable, except that all amounts in the Sinking Accounts shall be used and withdrawn by the Trustee solely to purchase or redeem or pay at maturity Term Bonds, as provided in the Indenture.

The Trustee shall establish and maintain within the Principal Fund a separate account for the Term Bonds of each Series and maturity, designated as the “_____ Sinking Account,” inserting therein the Series and maturity designation of such Bonds. On or before the Business Day prior to any date upon which a Mandatory Sinking Account Payment is due, the Trustee shall transfer the amount of such Mandatory Sinking Account Payment (being the principal thereof, in the case of Current Interest Bonds, and the Accreted Value, in the case of Capital Appreciation Bonds) from the Principal Fund to the applicable Sinking Account. With respect to each Sinking Account, on each Mandatory Sinking Account Payment date established for such Sinking Account, the Trustee shall apply the Mandatory Sinking Account Payment required on that date to the redemption (or payment at maturity, as the case may be) of Term Bonds of such Series and maturity for which such Sinking Account was established, in the manner provided in the Indenture or the Supplemental Indenture pursuant to which such Series of Bonds was created; provided that, at any time prior to giving such notice of such redemption, the Trustee shall, upon receipt of a Request of the Issuer, apply moneys in such Sinking Account to the purchase of Term Bonds of such Series and maturity at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Fund) as is directed by the Issuer, except that the purchase price (excluding accrued interest, in the case of Current Interest Bonds) shall not exceed the principal amount or Accreted Value thereof. If, during the 12-month period (or six-month period with respect to Bonds having semi-annual Mandatory Sinking Account Payments) immediately preceding said Mandatory Sinking Account Payment date, the Trustee has purchased Term Bonds of such Series and maturity with moneys in such Sinking Account, or, during said period and prior to giving said notice of redemption, the Issuer has deposited Term Bonds of such Series and maturity with the Trustee, or Term Bonds of such Series and maturity were at any time purchased or redeemed by the Trustee from the Redemption Fund and allocable to said Mandatory Sinking Account Payment, such Term Bonds so purchased or deposited or redeemed shall be applied, to the extent of the full principal amount thereof, to reduce said Mandatory Sinking Account Payment. All Term Bonds purchased or deposited pursuant to the provisions of the Indenture described herein shall be cancelled by the Trustee and destroyed by the Trustee and a certificate of destruction shall be delivered to the Issuer by the Trustee. Any amounts remaining in a Sinking Account on April 1 of each year following the redemption as of such date of the Term Bonds for which such account was established shall be withdrawn by the Trustee and transferred as soon as is practicable to the Issuer to be used for any lawful purpose. All Term Bonds purchased from a Sinking Account or deposited by the Issuer with the Trustee in a twelve month period ending March 31 (or in a six-month period ending March 31 or September 30 with respect to Bonds having semi-annual Mandatory Sinking Account Payments) and prior to the giving of notice by the Trustee for redemption from Mandatory Sinking Account Payments for such period shall be allocated first to the next succeeding Mandatory Sinking Account Payment for such Series and maturity of Term Bonds, if any, occurring on the next April 1 or October 1, then as a credit against such future Mandatory Sinking Account Payments for such Series and maturity of Term Bonds as may be specified in a Request of the Issuer. All Term Bonds redeemed by the Trustee from the Redemption Fund shall be credited to such

future Mandatory Sinking Account Payments for such Series and maturity of Term Bonds as may be specified in a Request of the Issuer.

Funding and Application of Bond Reserve Funds. The Issuer may at its sole discretion at the time of issuance of any Series of Bonds or at any time thereafter by Supplemental Indenture provide for the establishment of a Bond Reserve Fund as additional security for a Series of Bonds. Any Bond Reserve Fund so established by the Issuer shall be available to secure one or more Series of Bonds as the Issuer shall determine and shall specify in the Supplemental Indenture establishing such Bond Reserve Fund. Any Bond Reserve Fund established by the Issuer shall be held by the Trustee and shall comply with the requirements of the Indenture described under this caption.

In lieu of making the Bond Reserve Requirement deposit applicable to one or more Series of Bonds in cash or in replacement of moneys then on deposit in any Bond Reserve Fund (which shall be transferred by the Trustee to the Issuer), or in substitution of any Reserve Facility comprising part of the Bond Reserve Requirement relating to one or more Series of Bonds, the Issuer may, at any time and from time to time, deliver to the Trustee an irrevocable letter of credit issued by a financial institution having unsecured debt obligations rated at the time of delivery of such letter of credit in one of the two highest Rating Categories of Moody's and Standard & Poor's, in an amount, which, together with cash, Investment Securities or other Reserve Facilities, as described in the paragraph below, then on deposit in such Bond Reserve Fund, will equal the Bond Reserve Requirement relating to the Bonds to which such Bond Reserve Fund relates. Such letter of credit shall have a term no less than three (3) years or, if less, the final maturity of the Bonds in connection with which such letter of credit was obtained and shall provide by its terms that it may be drawn upon as provided in this caption. At least one (1) year prior to the stated expiration of such letter of credit, the Issuer shall either (i) deliver a replacement letter of credit, (ii) deliver an extension of the letter of credit for at least one (1) additional year or, if less, the final maturity of the Bonds in connection with which such letter of credit was obtained, or (iii) deliver to the Trustee a Reserve Facility satisfying the requirements of the Indenture described in the paragraph below. Upon delivery of such replacement Reserve Facility, the Trustee shall deliver the then-effective letter of credit to or upon the order of the Issuer. If the Issuer shall fail to deposit a replacement Reserve Facility with the Trustee, the Issuer shall immediately commence to make monthly deposits with the Trustee so that an amount equal to the Bond Reserve Requirement relating to the Bonds to which such Bond Reserve Fund relates will be on deposit in such Bond Reserve Fund no later than the stated expiration date of the letter of credit. If an amount equal to the Bond Reserve Requirement relating to the Bonds to which such Bond Reserve Fund relates as of the date following the expiration of the letter of credit is not on deposit in such Bond Reserve Fund one (1) week prior to the expiration date of the letter of credit (excluding from such determination the letter of credit), the Trustee shall draw on the letter of credit to fund the deficiency resulting therefrom in such Bond Reserve Fund.

In lieu of making a Bond Reserve Requirement deposit in cash or in replacement of moneys then on deposit in a Bond Reserve Fund (which shall be transferred by the Trustee to the Issuer) or in substitution of any Reserve Facility comprising part of a Bond Reserve Requirement for any Bonds, the Issuer may, at any time and from time to time, deliver to the Trustee a surety bond or an insurance policy securing an amount which, together with moneys, Investment Securities, or other Reserve Facilities then on deposit in a Bond Reserve Fund, is no less than the Bond Reserve Requirement relating to the Bonds to which such Bond Reserve Fund relates. Such surety bond or insurance policy shall be issued by an insurance company whose unsecured debt obligations (or for which obligations secured by such insurance company's insurance policies) are rated at the time of delivery in one of the two highest Rating Categories of Moody's and Standard & Poor's. Such surety bond or insurance policy shall have a term of no less than the final maturity of the Bonds in connection with which such surety bond or insurance policy is obtained. In the event that such surety bond or insurance policy for any reason lapses or expires,

the Issuer shall immediately implement (i) or (iii) of the preceding paragraph or make the required deposits to such Bond Reserve Fund.

Subject to the provisions of the Indenture described in the final paragraph under this caption, all amounts in any Bond Reserve Fund (including all amounts which may be obtained from Reserve Facilities on deposit in such Bond Reserve Fund) shall be used and withdrawn by the Trustee, as hereinafter described for the purpose of making up any deficiency in the Interest Fund or the Principal Fund relating to the Bonds to which such Bond Reserve Fund relates, or (together with any other moneys available therefor) for the payment or redemption of all Bonds then Outstanding to which such Bond Reserve Fund relates or, for the payment of the final principal and interest payment of such Bonds. Unless otherwise directed in a Supplemental Indenture establishing the terms and provisions of a Series of Bonds, the Trustee shall apply amounts held in cash or Investment Securities in any Bond Reserve Fund prior to applying amounts held in the form of Reserve Facilities in any Bond Reserve Fund, and if there is more than one Reserve Facility being held on deposit in any Bond Reserve Fund, shall on a pro rata basis with respect to the portion of a Bond Reserve Fund held in the form of a Reserve Facility (calculated by reference to the maximum amount of such Reserve Facility), draw under each Reserve Facility issued with respect to such Bond Reserve Fund, in a timely manner and pursuant to the terms of such Reserve Facility to the extent necessary in order to obtain sufficient funds on or prior to the date such funds are needed to pay the Bond Obligation of, Mandatory Sinking Account Payments with respect to, and interest on the Bonds to which such Bond Reserve Fund relates when due. In the event that the Trustee has notice that any payment of principal of or interest on a Bond has been recovered from a Holder pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with the final, nonappealable order of a court having competent jurisdiction, the Trustee, pursuant to and provided that the terms of the Reserve Facility, if any, securing the Bonds so provide, shall so notify the issuer thereof and draw on such Reserve Facility to the lesser of the extent required or the maximum amount of such Reserve Facility in order to pay to such Holders the principal of and interest so recovered.

The Trustee shall notify the Issuer of any deficiency in any Bond Reserve Fund (i) due to a withdrawal from such Bond Reserve Fund for purposes of making up any deficiency in the Interest Fund or the Principal Fund relating to the Bonds to which such Bond Reserve Fund relates or (ii) resulting from a valuation of Investment Securities held on deposit in such Bond Reserve Fund pursuant to the provisions of the Indenture described below under the caption "Investment in Funds and Accounts" and shall request that the Issuer replenish such deficiency or repay any and all obligations due and payable under the terms of any Reserve Facility comprising part of any Bond Reserve Requirement. Upon receipt of such notification from the Trustee, the Issuer shall instruct the Trustee to commence setting aside in each month following receipt of 2000 Measure A Sales Tax Revenues for deposit in the applicable Bond Reserve Fund an amount equal to one-twelfth (1/12th) of the aggregate amount of each unreplenished prior withdrawal from such Bond Reserve Fund or decrease resulting from a valuation of Investment Securities and shall further instruct the Trustee to transfer to each Reserve Facility Provider providing a Reserve Facility satisfying a portion of the Bond Reserve Requirement relating to the Bonds to which such Bond Reserve Fund relates, an amount equal to one-twelfth (1/12th) of the aggregate amount of any unreplenished prior withdrawal on such Reserve Facility, such amount to be transferred by the Trustee as promptly as possible after receipt of the 2000 Measure A Sales Tax Revenues each month, commencing with the month following the Issuer's receipt of notification from the Trustee of withdrawal or decrease resulting from a valuation, as applicable, until the balance on deposit in such Bond Reserve Fund is at least equal to the Bond Reserve Requirement relating to the Series of Bonds to which such Bond Reserve Fund relates.

Unless the Issuer shall otherwise direct in writing, amounts in any Bond Reserve Fund in excess of the Bond Reserve Requirement relating to the Bonds to which such Bond Reserve Fund relates shall be transferred by the Trustee to the Issuer on the Business Day following April 1 of each year; provided that

such amounts shall be transferred only from the portion of such Bond Reserve Fund held in the form of cash or Investment Securities. In addition, amounts on deposit in any Bond Reserve Fund shall be transferred by the Trustee to the Issuer upon the defeasance, retirement or refunding of Bonds of the Series to which such Bond Reserve Fund relates or upon the replacement of cash on deposit in such Bond Reserve Fund with one or more Reserve Facilities in accordance with the provisions of the Indenture described above.

Subordinate Obligations Fund. All moneys in the Subordinate Obligations Fund shall be applied to the payment of principal of and interest on Subordinate Obligations in accordance with, and upon the written directions of, the Issuer.

Fees and Expenses Fund. All amounts in the Fees and Expenses Fund shall be used and withdrawn by the Trustee solely for the purpose of paying fees, expenses and similar charges owed by the Issuer in connection with the Bonds or any Parity Obligations (excluding termination payments on any Interest Rate Swap Agreement) as such amounts shall become due and payable.

Redemption Fund. The Trustee shall establish, maintain and hold in trust a special fund designated as the "Redemption Fund." All moneys deposited by the Issuer with the Trustee for the purpose of optionally redeeming Bonds of any Series shall, unless otherwise directed by the Issuer, be deposited in the Redemption Fund. All amounts deposited in the Redemption Fund shall be used and withdrawn by the Trustee solely for the purpose of redeeming Bonds of such Series and maturity as shall be specified by the Issuer in a Request to the Trustee, in the manner, at the times and upon the terms and conditions specified in the Supplemental Indenture pursuant to which the Series of Bonds was created; provided that, at any time prior to giving such notice of redemption, the Trustee shall, upon receipt of a Request of the Issuer, apply such amounts to the purchase of Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding, in the case of Current Interest Bonds, accrued interest, which is payable from the Interest Fund) as is directed by the Issuer, except that the purchase price (exclusive of any accrued interest) may not exceed the Redemption Price or Accreted Value then applicable to such Bonds. All Term Bonds purchased or redeemed from the Redemption Fund shall be allocated to Mandatory Sinking Account Payments applicable to such Series and maturity of Term Bonds as may be specified in a Request of the Issuer.

Rebate Fund. Upon receipt of funds to be applied to the Rebate Requirement, the Trustee shall establish and maintain a fund separate from any other fund established and maintained under the Indenture designated as the Rebate Fund. Within the Rebate Fund, the Trustee shall maintain such accounts as shall be necessary in order to comply with the terms and requirements of each Tax Certificate as directed in writing by the Issuer. Subject to the transfer provisions provided in the Indenture, all money at any time deposited in the Rebate Fund shall be held by the Trustee in trust, to the extent required to satisfy the Rebate Requirement, for payment to the federal government of the United States of America, and neither the Trustee nor any Holder nor any other Person shall have any rights in or claim to such money. All amounts deposited into or on deposit in the Rebate Fund shall be governed by the Indenture and by each of the Tax Certificates. The Issuer covenants to comply with the directions contained in each Tax Certificate and the Trustee covenants to comply with all written instructions of the Issuer delivered to the Trustee pursuant to each Tax Certificate (which instructions shall state the actual amounts to be deposited in or withdrawn from the Rebate Fund and shall not require the Trustee to make any calculations with respect thereto).

Payment Provisions Applicable to Interest Rate Swap Agreements

In the event the Issuer shall enter into an Interest Rate Swap Agreement in connection with a Series of Bonds, the amounts received by the Issuer, if any, pursuant to such Interest Rate Swap Agreement may be applied to the deposits required under the Indenture. If the Issuer so designates in a Supplemental Indenture establishing the terms and provisions of such Series of Bonds (or if such Interest Rate Swap Agreement is issued subsequent to the issuance of such Series of Bonds, if the Issuer so designates in a Certificate of the Issuer delivered to the Trustee concurrently with the execution of such Interest Rate Swap Agreement) amounts payable under such Interest Rate Swap Agreement (excluding termination payments and payments of fees and expenses which shall in all cases be payable from, and secured by, 2000 Measure A Sales Tax Revenues on a subordinate basis to Bonds, Parity Obligations and payment of principal and interest on Subordinate Obligations) shall constitute Parity Obligations under the Indenture, and, in such event, the Issuer shall pay or cause to be paid to the Trustee for deposit in the Interest Fund, at the times and in the manner provided in the Indenture, the amounts to be paid pursuant to such Interest Rate Swap Agreement, as if such amounts were additional interest due on the Series of Bonds to which such Interest Rate Swap Agreement relates, and the Trustee shall pay to the Counterparty to such Interest Rate Swap Agreement, to the extent required thereunder, amounts deposited in the Interest Fund for the payment of interest on the Series of Bonds with respect to which such Interest Rate Swap Agreement was entered into.

Investment in Funds and Accounts

All moneys in any of the funds and accounts held by the Trustee and established pursuant to the Indenture shall be invested, as directed by the Issuer, solely in Investment Securities, subject to the limitations set forth in the Indenture. If and to the extent the Trustee does not receive investment instructions from the Issuer with respect to the moneys in the funds and accounts held by the Trustee pursuant to the Indenture, such moneys shall be invested in Investment Securities described in clause (B)(3) of the definition thereof and the Trustee shall thereupon request investment instructions from the Issuer for such moneys. Moneys in any Bond Reserve Fund shall be invested in Investment Securities available on demand for the purpose of payment of the Bonds to which such Bond Reserve Fund relates as provided in the Indenture. Moneys in the remaining funds and accounts shall be invested in Investment Securities maturing or available on demand not later than the date on which it is estimated that such moneys will be required by the Trustee.

Unless otherwise provided in a Supplemental Indenture establishing the terms and provisions of a Series of Bonds: (i) all interest, profits and other income received from the investment of moneys in the Interest Fund representing accrued interest or capitalized interest shall be retained in the Interest Fund; (ii) all interest, profits and other income received from the investment of moneys in a Bond Reserve Fund shall be retained in such Bond Reserve Fund to the extent of any deficiency therein, and otherwise shall be transferred to the Revenue Fund; (iii) all interest, profits and other income received from the investment of moneys in a Project Fund shall be retained in such Project Fund, unless the Issuer shall direct that such earnings be transferred to the Rebate Fund; (iv) all interest, profits and other income received from the investment of moneys in the Rebate Fund shall be retained in the Rebate Fund, except as otherwise provided in the Indenture; and (v) all interest, profits and other income received from the investment of moneys in any other fund or account shall be transferred to the Revenue Fund.

All Investment Securities credited to any Bond Reserve Fund shall be valued (at market value) as of March 1 of each year (or the next succeeding Business Day if such day is not a Business Day), such market value to be determined by the Trustee in the manner then currently employed by the Trustee or in any other manner consistent with corporate trust industry standards. Notwithstanding anything to the contrary in the Indenture, in making any valuations of investments under the Indenture, the Trustee may

utilize and rely on computerized securities pricing services that may be available to it, including those available through its regular accounting system.

The Trustee may commingle any of the funds or accounts established pursuant to the Indenture (except the Rebate Fund and any Purchase Fund) into a separate fund or funds for investment purposes only, provided that all funds or accounts held by the Trustee under the Indenture shall be accounted for separately as required by the Indenture. The Trustee may act as principal or agent in the making or disposing of any investment and, with the prior written consent of the Issuer may impose its customary charge therefor. The Trustee may sell at the best price obtainable, or present for redemption, any Investment Securities so purchased whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such Investment Security is credited. The Trustee shall not be liable or responsible for any loss resulting from any investment made in accordance with the provisions of the Indenture.

Issuance of Additional Bonds and Other Obligations*

Issuance of Additional Bonds. The Issuer may by Supplemental Indenture establish one or more additional Series of Bonds, payable from 2000 Measure A Sales Tax Revenues and secured by the pledge made under the Indenture equally and ratably with Bonds previously issued, and the Issuer may issue, and the Trustee may authenticate and deliver to the purchasers thereof, Bonds of any Series so established, in such principal amount as shall be determined by the Issuer, but only upon compliance by the Issuer with the provisions of the Indenture described below under the caption “Proceedings for Issuance of Additional Bonds” and any additional requirements set forth in said Supplemental Indenture and subject to the specific conditions set forth below, each of which is hereby made a condition precedent to the issuance of any such additional Series of Bonds.

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

(B) Subject to the provisions of the Indenture described above under the caption “Funding and Application of Bond Reserve Funds,” in the event a Supplemental Indenture providing for the issuance of such Series of Bonds shall require either (i) the establishment of a Bond Reserve Fund to provide additional security for such Series of Bonds or (ii) that the balance on deposit in an existing Bond Reserve Fund be increased, forthwith upon the receipt of the proceeds of the sale of such Series, to an amount at least equal to the Bond Reserve Requirement with respect to such Series of Bonds and all other Bonds secured by such Bond Reserve Fund to be considered Outstanding upon the issuance of such additional Series of Bonds, the Supplemental Indenture providing for the issuance of such additional Series of Bonds shall require deposit of the amount necessary. Said deposit shall be made as provided in the Supplemental Indenture providing for the issuance of such additional Series of Bonds and may be made from the proceeds of the sale of such Series of Bonds or from other funds of the Issuer or from both such sources or may be made in the form of a letter of credit, surety bond or insurance policy as provided in the provisions of the Indenture described above under the caption “Funding and Application of Bond Reserve Funds.”

(C) The aggregate principal amount of Bonds issued under the Indenture shall not exceed any limitation imposed by law or by any Supplemental Indenture.

* See “Seventh Supplemental Indenture – Proposed Amendment Modifying Coverage Requirement for Issuance of Series of Additional Bonds or Parity Obligations.”

(D) The Issuer shall place on file with the Trustee a Certificate of the Issuer certifying that the amounts of 2000 Measure A Sales Tax Revenues for a period of twelve (12) consecutive months (selected by the Issuer) during the eighteen (18) months immediately preceding the date on which such additional Series of Bonds will become Outstanding shall have been at least equal to 2.0 times Maximum Annual Debt Service, on all Series of Bonds and Parity Obligations then Outstanding and the additional Series of Bonds then proposed to be issued, which Certificate shall also set forth the computations upon which such Certificate is based.*

(E) Principal payments of each additional Series of Bonds shall be due on April 1 in each year in which principal is to be paid if and to the extent deemed practical in the reasonable judgment of the Issuer with regard to the type of Bond to be issued, and, if the interest on such Series of Bonds is to be paid semiannually, such interest payments shall be due on April 1 and October 1 in each year to the extent deemed practical in the reasonable judgment of the Issuer with regard to the type of Bond to be issued.

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

In the event additional assets or revenues are included within the definition of “Revenues” by a Supplemental Indenture, such additional assets or revenues shall be included in the calculations to be provided pursuant to the provisions of the Indenture described in paragraph (D) above as if such additional assets or revenues had always been included in “Revenues.”

Proceedings for Issuance of Additional Bonds. Before any additional Series of Bonds shall be issued and delivered, the Issuer shall file each of the documents identified below with the Trustee (upon which documents the Trustee may conclusively rely in determining whether the conditions precedent to the issuance of such Series of Bonds have been satisfied).

(A) A Supplemental Indenture authorizing such Series executed by the Issuer.

(B) A Certificate of the Issuer certifying: (i) that no Event of Default has occurred and is then continuing; and (ii) that the requirements of the Indenture described in paragraphs (B) and (C) under the caption “Issuance of Additional Bonds” have been satisfied by the Issuer.

(C) A Certificate of the Issuer certifying (on the basis of calculations made no later than the date of sale of such Series of Bonds) that the requirement of the Indenture described in paragraph (D) under the caption “Issuance of Additional Bonds” is satisfied.

(D) An Opinion of Bond Counsel to the effect that the Supplemental Indenture is being entered into in accordance with the Indenture and that such Series of Bonds, when duly executed by the Issuer and authenticated and delivered by the Trustee, will be valid and binding obligations of the Issuer.

Issuance of Refunding Bonds. Refunding Bonds may be authorized and issued by the Issuer without compliance with the provisions of the Indenture described above under the captions “Issuance of Additional Bonds” and “Proceedings for Issuance of Additional Bonds;” provided that Maximum Annual Debt Service on all Bonds Outstanding and all Parity Obligations outstanding following the issuance of

* See “Seventh Supplemental Indenture – Proposed Amendment Modifying Coverage Requirement for the Issuance of Series of Additional Bonds or Parity Obligations.”

such Refunding Bonds is less than or equal to Maximum Annual Debt Service on all Bonds Outstanding and all Parity Obligations outstanding prior to the issuance of such Refunding Bonds. Such Refunding Bonds may be issued in an aggregate principal amount sufficient (together with any additional funds available or to become available) to provide funds for the payment of all or a portion of the following:

- (1) the principal or Redemption Price of the Outstanding Bonds or outstanding Parity Obligations to be refunded;
- (2) all expenses incident to the calling, retiring or paying of such Outstanding Bonds or outstanding Parity Obligations and the Costs of Issuance of such Refunding Bonds;
- (3) interest on all Outstanding Bonds or outstanding Parity Obligations to be refunded to the date such Bonds or Parity Obligations will be called for redemption or paid at maturity;
- (4) interest on the Refunding Bonds from the date thereof to the date of payment or redemption of the Bonds or Parity Obligations to be refunded; and
- (5) funding a Bond Reserve Fund for the Refunding Bonds, if required.

Before such Series of Refunding Bonds shall be issued and delivered pursuant to the provisions of the Indenture described under this caption, the Issuer shall file each of the documents identified below with the Trustee (upon which documents the Trustee may conclusively rely in determining whether the conditions precedent to the issuance of such Series of Refunding Bonds have been satisfied).

- (1) A Supplemental Indenture authorizing such Series of Refunding Bonds executed by the Issuer.
- (2) A Certificate of the Issuer certifying: (i) that Maximum Annual Debt Service on all Bonds and Parity Obligations which will be outstanding following the issuance of such Series of Refunding Bonds is less than or equal to Maximum Annual Debt Service on all Bonds Outstanding and Parity Obligations outstanding prior to the issuance of such Refunding Bonds; and (ii) that the requirements of the Indenture described in paragraphs (A), (B), and (C) under the caption "Issuance of Additional Bonds" are satisfied.
- (3) If any of the Bonds to be refunded are to be redeemed prior to their stated maturity dates, irrevocable instructions to the Trustee to give the applicable notice of redemption or a waiver of the notice of redemption signed by the Holders of all or the portion of the Bonds or Parity Obligations to be redeemed, or proof that such notice has been given by the Issuer; provided, however, that in lieu of such instructions or waiver or proof of notice of redemption, the Issuer may cause to be deposited with the Trustee all of the Bonds and Parity Obligations proposed to be redeemed (whether canceled or uncanceled) with irrevocable instructions to the Trustee to cancel said Bonds or Parity Obligations so to be redeemed upon the exchange and delivery of said Refunding Bonds.
- (4) An Opinion of Bond Counsel to the effect that the Supplemental Indenture is being entered into in accordance with the Indenture and that such Series of Refunding Bonds, when duly executed by the Issuer and authenticated and delivered by the Trustee, will be valid and binding obligations of the Issuer.

Limitations on the Issuance of Obligations Payable from 2000 Measure A Sales Tax Revenues; Parity Obligations; Subordinate Obligations. The Issuer will not, so long as any of the Bonds are Outstanding, issue any obligations or securities, howsoever denominated, payable in whole or in part from 2000 Measure A Sales Tax Revenues except the following:

(A) Bonds authorized pursuant to provisions in the Indenture described above under the caption “Issuance of Additional Bonds”;

(B) Refunding Bonds authorized pursuant to the provisions of the Indenture described above under the caption “Issuance of Refunding Bonds”;

(C) Parity Obligations, provided that the following conditions to the issuance or incurrence of such Parity Obligations are satisfied:

(1) Such Parity Obligations have been duly and legally authorized for any lawful purpose;

(2) No Event of Default shall have occurred and then be continuing, as evidenced by the delivery of a Certificate of the Issuer to that effect, which Certificate of the Issuer shall be filed with the Trustee;

(3) Such Parity Obligations are being issued or incurred either (i) for purposes of refunding in compliance with the requirements for the issuance of Refunding Bonds set forth in the Indenture and described above under the caption “Issuance of Refunding Bonds” or (ii) the Issuer shall have placed on file with the Trustee a Certificate of the Issuer, upon which the Trustee may conclusively rely certifying (on the basis of calculations made no later than the date of sale or incurrence of such Parity Obligations, as applicable) that the requirements of the Indenture described in paragraph (D) under the caption “Issuance of Additional Bonds” relating to the issuance of an additional Series of Bonds have been satisfied with respect to such Parity Obligations, which Certificate shall also set forth the computations upon which such Certificate is based evidencing compliance with the requirements set forth in subsection (ii) of this paragraph;

(4) As and to the extent applicable, the Trustee shall be designated as paying agent or trustee for such Parity Obligations and the Issuer shall deliver to the Trustee a transcript of the proceedings providing for the issuance of such Parity Obligations (but the Trustee shall not be responsible for the validity or sufficiency of such proceedings or such Parity Obligations).

Notwithstanding any other provision of the Indenture to the contrary, the execution and delivery of an Interest Rate Swap Agreement shall not be subject to compliance with the provisions of the Indenture described in paragraphs (C)(3) or (C)(4) above.

(D) Subordinate Obligations which are payable as to principal, premium, interest and reserve fund requirements, if any, only out of 2000 Measure A Sales Tax Revenues after the prior payment of all amounts then required to be paid under the Indenture from 2000 Measure A Sales Tax Revenues for principal, premium, interest and reserve fund requirements, if any, for all Bonds Outstanding, and all Parity Obligations outstanding, as the same become due and payable and at the times and in the manner as required in the Indenture and in the instrument or instruments pursuant to which any Parity Obligations were issued or incurred.

(E) Termination payments and fees and expenses on Interest Rate Swap Agreements and other obligations which shall be secured by a lien and charge on the 2000 Measure A Sales Tax Revenues

subordinate to the lien and charge upon the 2000 Measure A Sales Tax Revenues which secures the Bonds, Parity Obligations and payment of principal and interest on Subordinate Obligations.

Calculation of Maximum Annual Debt Service with Respect to Parity Obligations. For purposes of the Indenture, Maximum Annual Debt Service with respect to Parity Obligations shall be determined no later than the date of incurrence of such Parity Obligations utilizing the assumptions set forth in the definition of Debt Service; provided, however, that if a Parity Obligation is contingent upon funds being provided pursuant to such Parity Obligation to pay principal, or purchase price of, or interest on a Bond, such Parity Obligations shall not be considered outstanding until such payment is made thereunder.

Certain Covenants of the Issuer

Punctual Payments. The Issuer will punctually pay or cause to be paid the principal or Redemption Price of and interest on all the Bonds, in strict conformity with the terms of the Bonds and of the Indenture, according to the true intent and meaning thereof, and shall punctually pay or cause to be paid all Mandatory Sinking Account Payments, but in each case only out of 2000 Measure A Sales Tax Revenues as provided in the Indenture.

Against Encumbrances. The Issuer will not create any pledge, lien or charge upon any of the 2000 Measure A Sales Tax Revenues having priority over or having parity with the lien of the Bonds except only as permitted in the caption “Limitations on the Issuance of Obligations Payable from 2000 Measure A Sales Tax Revenues; Parity Obligations; Subordinate Obligations” above.

Accounting Records and Financial Statements. The Issuer will at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with generally accepted accounting principles, in which complete and accurate entries shall be made of all transactions relating to the Revenues. Such books of record and account shall be available for inspection by the Trustee at reasonable hours and under reasonable circumstances.

The Issuer will furnish the Trustee, within two hundred ten (210) days after the end of each Fiscal Year, the financial statements of the Issuer for such Fiscal Year, together with the report and opinion of an independent certified public accountant stating that the financial statements have been prepared in accordance with generally accepted accounting principles and that such accountant’s examination of the financial statements was performed in accordance with generally accepted auditing standards and a Certificate of the Chief Financial Officer of the Issuer stating that no event which constitutes an Event of Default or which with the giving of notice or the passage of time or both would constitute an Event of Default has occurred and is continuing as of the end of such Fiscal Year, or specifying the nature of such event and the actions taken and proposed to be taken by the Issuer to cure such default. Thereafter, a copy of such financial statements will be furnished to any Holder upon written request to the Issuer, which copy of the financial statements may, at the sole discretion of the Issuer, be provided by means of posting such financial statements on an internet site that provides access to the Holders.

Collection of 2000 Measure A Sales Tax Revenues. The Issuer covenants and agrees that it has duly levied the 2000 Measure A Sales Tax in accordance with the Act, pursuant to and in accordance with the Ordinance, duly passed and adopted by the Issuer. Said Ordinance has not and will not be amended, modified or altered so long as any of the Bonds are Outstanding in any manner which would reduce the amount of or timing of receipt of 2000 Measure A Sales Tax Revenues, and the Issuer will continue to levy and collect the 2000 Measure A Sales Tax to the full amount permitted by law. The Issuer further covenants that the Issuer has entered into an agreement with the State Board of Equalization under and pursuant to which the State Board of Equalization will process and supervise collection of the 2000

Measure A Sales Tax and will transmit 2000 Measure A Sales Tax Revenues directly to the Trustee. Said agreement will be continued in effect so long as any of any Bonds are Outstanding and shall not be amended, modified or altered without the written consent of the Trustee so long as any of the Bonds are Outstanding. The Issuer will receive and hold in trust for (and remit immediately to) the Trustee any 2000 Measure A Sales Tax Revenues paid to the Issuer by the State Board of Equalization.

2000 Measure A Sales Tax Revenues received by the Trustee shall be transmitted to the Issuer pursuant to the caption "Allocation of Revenues" above; provided that, during the continuance of an Event of Default, any 2000 Measure A Sales Tax Revenues received by the Trustee shall be applied first to the payment of the fees, costs and expenses of the Trustee in declaring such Event of Default and pursuing remedies, including reasonable compensation of its agents, attorneys and counsel, which costs and expenses shall be paid from the Revenue Fund, and second, to deposit into the Interest Fund and Principal Fund and to the payment of Parity Obligations as more fully set forth in the caption "Application of Revenues and Other Funds After Default" below.

The Issuer covenants and agrees to separately account for all Revenues and to provide to the Trustee access to such accounting records at reasonable hours and under reasonable circumstances.

The Issuer covenants that so long as the Bonds are Outstanding, it will not, to the best of its ability, suffer or permit any change, modification or alteration to be made to the Act which would materially and adversely affect the rights of Bondholders.

Tax Covenants. The Issuer covenants that it will not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of the interest on the Bonds under Section 103 of the Code; provided that, prior to the issuance of any Series of Bonds, the Issuer may exclude the application of the covenants contained in this caption "Tax Covenant" and the caption "Rebate Fund" above to such Series of Bonds. The Issuer will not directly or indirectly use or permit the use of any proceeds of the Bonds or any other funds of the Issuer, or take or omit to take any action that would cause the Bonds to be "arbitrage bonds" within the meaning of Section 148(a) of the Code. To that end, the Issuer will comply with all requirements of the Tax Certificate relating to each Series of the Bonds. In the event that at any time the Issuer is of the opinion that for purposes of this caption "Tax Covenants" it is necessary to restrict or limit the yield on the investment of any moneys held by the Trustee under the Indenture, the Issuer shall so instruct the Trustee in writing, and the Trustee shall take such action as may be necessary in accordance with such instructions.

Without limiting the generality of the foregoing, the Issuer agrees that there shall be paid from time to time all amounts required to be rebated to the federal government of the United States of America pursuant to Section 148(f) of the Code and any temporary, proposed or final Treasury Regulations as may be applicable to the Bonds from time to time. The Issuer specifically covenants to pay or cause to be paid to the federal government of the United States of America the Rebate Requirement with respect to each Series of Bonds at the times and in the amounts determined under and as described in the Tax Certificate executed and delivered in connection with such Series of Bonds.

Notwithstanding any provision of this caption "Tax Covenant" and the caption "Rebate Fund" above and the Tax Certificate, if the Issuer shall receive an Opinion of Bond Counsel to the effect that any action required under this caption "Tax Covenant" and the caption "Rebate Fund" above or any Tax Certificate is no longer required, or to the effect that some further action is required, to maintain the exclusion from gross income of the interest on the Bonds pursuant to Section 103 of the Code, the Issuer and the Trustee may rely conclusively on such opinion in complying with the provisions of the Indenture, and the covenants under the Indenture shall be deemed to be modified to that extent.

Notwithstanding any provisions of the Indenture, including particularly Article X, the covenants and obligations set forth in the provisions of the Indenture described under this caption shall survive the defeasance of the Bonds or any Series thereof.

Continuing Disclosure. Upon the issuance of any Series of Bonds requiring an undertaking regarding continuing disclosure under Rule 15c2-12, the Issuer hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate executed and delivered in connection with such Series of Bonds. Notwithstanding any other provision of the Indenture, failure of the Issuer to comply with the provisions of any Continuing Disclosure Certificate shall not be considered an Event of Default; however, the Trustee shall, at the written request of any Participating Underwriter or of the Holders of at least twenty-five (25%) aggregate principal amount of any Series of Bonds then Outstanding (but only to the extent funds in an amount satisfactory to the Trustee have been provided to it or it has been otherwise indemnified to its satisfaction from any cost, liability, expense or additional charges and fees of the Trustee whatsoever, including, without limitation, reasonable fees and expenses of its attorneys), or any Holder or beneficial owner may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer to comply with its obligations under this caption “Continuing Disclosure.”

Events of Default and Remedies

Events of Default. The following are Events of Default:

(A) default in the due and punctual payment of the principal or Redemption Price of any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by declaration or otherwise, or default in the redemption from any Sinking Account of any Bonds in the amounts and at the times provided therefor;

(B) default in the due and punctual payment of any installment of interest on any Bond when and as such interest installment shall become due and payable;

(C) if the Issuer shall fail to observe or perform any covenant, condition, agreement or provision in the Indenture on its part to be observed or performed, other than as referred to in subsection (A) or (B) above, for a period of sixty (60) days after written notice, specifying such failure and requesting that it be remedied, has been given to the Issuer by the Trustee or by any Credit Enhancement Provider; except that, if such failure can be remedied but not within such sixty (60) day period and if the Issuer has taken all action reasonably possible to remedy such failure within such sixty (60) day period, such failure shall not become an Event of Default for so long as the Issuer shall diligently proceed to remedy the same in accordance with and subject to any directions or limitations of time established by the Trustee;

(D) if any payment default shall exist under any agreement governing any Parity Obligations and such default shall continue beyond the grace period, if any, provided for with respect to such default;

(E) if the Issuer files a petition in voluntary bankruptcy, for the composition of its affairs or for its corporate reorganization under any state or federal bankruptcy or insolvency law, or makes an assignment for the benefit of creditors, or admits in writing to its insolvency or inability to pay debts as they mature, or consents in writing to the appointment of a trustee or receiver for itself;

(F) if a court of competent jurisdiction shall enter an order, judgment or decree declaring the Issuer insolvent, or adjudging it bankrupt, or appointing a trustee or receiver of the Issuer, or approving a petition filed against the Issuer seeking reorganization of the Issuer under any applicable law or statute of

the United States of America or any state thereof, and such order, judgment or decree shall not be vacated or set aside or stayed within sixty (60) days from the date of the entry thereof;

(G) if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the Issuer or of the Revenues, and such custody or control shall not be terminated within sixty (60) days from the date of assumption of such custody or control; or

(H) if the Legislature of the State shall repeal or amend all or any portion of the provisions of the Act relating to the 2000 Measure A Sales Tax, being Sections 100250 to 100256, inclusive, of the Act, unless the Issuer has determined that said repeal or amendment does not materially and adversely affect the rights of Bondholders.

No Acceleration of Maturities. If an Event of Default occurs, the Trustee shall not have the right to declare the principal of and the interest on the Bonds then Outstanding to be due and payable immediately. Acceleration of the Bonds is not a remedy granted to the Trustee or to the Holders.

Application of Revenues and Other Funds After Default. If an Event of Default shall occur and be continuing, the Issuer shall immediately transfer to the Trustee all Revenues held by it and the Trustee shall apply all Revenues and any other funds then held or thereafter received by the Trustee under any of the provisions of the Indenture (excluding the Rebate Fund and any Purchase Fund and except as otherwise provided in the Indenture) as follows and in the following order:

(1) To the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the Holders of the Bonds and Parity Obligations, including the costs and expenses of the Trustee and the Bondholders in declaring such Event of Default, and payment of reasonable fees and expenses of the Trustee (including reasonable fees and disbursements of its counsel and other agents) incurred in and about the performance of its powers and duties under the Indenture;

(2) to the payment of the whole amount of Bond Obligation then due on the Bonds and Parity Obligations (upon presentation of the Bonds and Parity Obligations to be paid, and stamping thereon of the payment if only partially paid, or surrender thereof if fully paid) subject to the provisions of the Indenture, with interest on such Bond Obligation, at the rate or rates of interest borne by the respective Bonds and on Parity Obligations, to the payment to the persons entitled thereto of all installments of interest then due and the unpaid principal or Redemption Price of any Bonds and Parity Obligations which shall have become due, whether at maturity, by call for redemption or otherwise, in the order of their due dates, with interest on the overdue Bond Obligation and Parity Obligations at the rate borne by the respective Bonds and Parity Obligations, and, if the amount available shall not be sufficient to pay in full all the Bonds and Parity Obligations due on any date, together with such interest, then to the payment thereof ratably, according to the amounts of principal or Accreted Value (plus accrued interest) due on such date to the persons entitled thereto, without any discrimination or preference.

Trustee to Represent Bondholders. The Trustee is hereby irrevocably appointed (and the successive respective Holders of the Bonds, by taking and holding the same, shall be conclusively deemed to have so appointed the Trustee) as trustee and true and lawful attorney-in-fact of the Holders of the Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Holders under the provisions of the Bonds, the Indenture, the Act and applicable provisions of any other law. Upon the occurrence and continuance of an Event of Default or other occasion giving rise to a right in the Trustee to represent the Bondholders, the Trustee in its discretion

may, and, with respect to any Series of Bonds for which a Credit Enhancement has been provided, upon the written request of the Credit Enhancement Provider providing such Credit Enhancement, or if such Credit Enhancement Provider is then failing to make a payment required pursuant to such Credit Enhancement, upon the written request of the Holders of not less than a majority in aggregate amount of Bond Obligation of the Bonds then Outstanding, and upon being indemnified to its satisfaction therefor, shall proceed to protect or enforce its rights or the rights of such Holders by such appropriate action, suit, mandamus or other proceedings as it shall deem most effectual to protect and enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement contained in the Indenture, or in aid of the execution of any power in the Indenture granted, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Trustee or in such Holders under the Indenture, the Act or any other law; and upon instituting such proceeding, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver of the 2000 Measure A Sales Tax Revenues and other assets pledged under the Indenture, pending such proceedings; provided, however, that, with respect to any Series of Bonds for which a Credit Enhancement has been provided, the Trustee may only act with the consent of the Credit Enhancement Provider providing such Credit Enhancement. All rights of action under the Indenture or the Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in the name of the Trustee for the benefit and protection of all the Holders of such Bonds, subject to the provisions of the Indenture.

Bondholders' Direction of Proceedings. Anything in the Indenture to the contrary (except provisions relating to the rights of a Credit Enhancement Provider to direct proceedings as set forth in the caption "Credit Enhancement Provider Directs Remedies Upon Event of Default" below), the Holders of a majority in aggregate amount of Bond Obligation of the Bonds then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee and upon furnishing the Trustee with indemnification satisfactory to it, to direct the method of conducting all remedial proceedings taken by the Trustee under the Indenture, provided that such direction shall not be otherwise than in accordance with law and the provisions of the Indenture, that the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Bondholders or holders of Parity Obligations not parties to such direction.

Limitation on Bondholders' Right to Sue. No Holder of any Bond shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under the Indenture, the Act or any other applicable law with respect to such Bond, unless: (1) such Holder shall have given to the Trustee written notice of the occurrence of an Event of Default; (2) the Holders of not less than a majority in aggregate amount of Bond Obligation of the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such suit, action or proceeding in its own name; (3) such Holder or said Holders shall have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; and (4) the Trustee shall have refused or omitted to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee; provided, however, that the written consent of a Credit Enhancement Provider providing a Credit Enhancement with respect to a Series of Bonds shall be required if the Credit Enhancement with respect to such Series of Bonds is in full force and effect and if the Credit Enhancement Provider providing such Credit Enhancement is not then failing to make a payment as required in connection therewith.

Such notification, request, tender of indemnity and refusal or omission are declared, in every case, to be conditions precedent to the exercise by any Holder of Bands of any remedy under the

Indenture or under law; it being understood and intended that no one or more Holders of Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Indenture or the rights of any other Holders of Bonds, or to enforce any right under the Indenture, the Act or other applicable law with respect to the Bonds, except in the manner in the Indenture provided, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner in the Indenture provided and for the benefit and protection of all Holders of the Outstanding Bonds, subject to the provisions of the Indenture.

Credit Enhancement Provider Directs Remedies Upon Event of Default. Anything in the Indenture to the contrary notwithstanding, upon the occurrence and continuance of an Event of Default, the Credit Enhancement Provider then providing Credit Enhancement for any Series of Bonds shall be entitled to control and direct the enforcement of all rights and remedies granted to the Holders of the Bonds secured by such Credit Enhancement or granted to the Trustee for the benefit of the Holders of the Bonds secured by such Credit Enhancement, provided that the Credit Enhancement Provider's consent shall not be required as otherwise provided in the Indenture if such Credit Enhancement Provider is in default of any of its payment obligations as set forth in the Credit Enhancement provided by such Credit Enhancement Provider.

Modification or Amendment of the Indenture

Amendments Permitted. The Indenture and the rights and obligations of the Issuer, the Holders of the Bonds and the Trustee may be modified or amended from time to time and at any time by a Supplemental Indenture, which the Issuer and the Trustee may enter into when the written consent of: (i) each Credit Enhancement Provider then providing a Credit Enhancement for any Series of Bonds, provided that the Credit Enhancement provided by such Credit Enhancement Provider is in full force and effect and the Credit Enhancement Provider is not then failing to make a payment as required in connection therewith; or (ii) the Holders of a majority in aggregate amount of Bond Obligation of the Bonds (or, if such Supplemental Indenture is only applicable to a Series of Bonds, such Series of Bonds) then Outstanding shall have been filed with the Trustee; provided that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any particular maturity remain Outstanding, the consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Bonds Outstanding under the Indenture; and provided, further, that if the Credit Enhancement provided for any Series of Bonds is in full force and effect and if the Credit Enhancement Provider providing such Credit Enhancement is not failing to make a payment as required in connection therewith, such Credit Enhancement Provider shall also consent in writing to such modification or amendment, which consent shall not be unreasonably withheld.

No such modification or amendment shall (a) extend the fixed maturity of any Bond, or reduce the amount of principal thereof, or extend the time of payment or reduce the amount of any Mandatory Sinking Account Payment provided for the payment of any Bond, or reduce the rate of interest thereon, or extend the time of payment of interest thereon, or reduce any premium payable upon the redemption thereof, without the consent of the Holder of each Bond so affected, or (b) reduce the aforesaid percentage of Bond Obligation the consent of the Holders of which is required to effect any such modification or amendment, or permit the creation of any lien on the Revenues and other assets pledged under the Indenture prior to or on a parity with the lien created by the Indenture, or deprive the Holders of the Bonds of the lien created by the Indenture on such Revenues and other assets (in each case, except as expressly provided in the Indenture), without the consent of the Holders of all of the Bonds then Outstanding. It shall not be necessary for the consent of the Bondholders to approve the particular form of any Supplemental Indenture, but it shall be sufficient if such consent shall approve the substance thereof.

The Indenture and the rights and obligations of the Issuer, of the Trustee and of the Holders of the Bonds may also be modified or amended from time to time and at any time by a Supplemental Indenture, which the Issuer may adopt without the consent of any Bondholders, but with the written consent of each Credit Enhancement Provider then providing a Credit Enhancement for any Series of Bonds which shall be materially and adversely affected by such amendment, which consent shall not be unreasonably withheld; provided, however, that such written consent shall be required only if the Credit Enhancement provided by such Credit Enhancement Provider is in full force and effect and if the Credit Enhancement Provider is not then failing to make a payment as required in connection therewith, but only to the extent permitted by law and only for any one or more of the following purposes:

(1) to add to the covenants and agreements of the Issuer in the Indenture contained other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power in the Indenture reserved to or conferred upon the Issuer;

(2) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in the Indenture, or in regard to matters or questions arising under the Indenture, as the Issuer may deem necessary or desirable, and which shall not materially and adversely affect the interests of the Holders of the Bonds;

(3) to modify, amend or supplement the Indenture in such manner as to permit the qualification of the Indenture under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute, and which shall not materially and adversely affect the interests of the Holders of the Bonds;

(4) to provide for the issuance of an additional Series of Bonds pursuant to the provisions of the Indenture described above under the caption "Issuance of Additional Bonds."

(5) to make modifications or adjustments necessary appropriate or desirable to provide for the issuance or incurrence, as applicable, of Capital Appreciation Bonds, Parity Obligations, Subordinate Obligations or Variable Rate Indebtedness, with such interest rate, payment, maturity and other terms as the Issuer may deem desirable; subject to the provisions of the Indenture described above under the captions "Issuance of Additional Bonds," "Proceedings for Issuance of Additional Bonds," and "Limitations on the Issuance of Obligations Payable from 2000 Measure A Sales Tax Revenues; Parity Obligations; Subordinate Obligations;"

(6) to make modifications or adjustments necessary, appropriate or desirable to provide for change from one interest rate mode to another in connection with any Series of Bonds;

(7) to make modifications or adjustments necessary, appropriate or desirable to accommodate Credit Enhancements, Liquidity Facilities and Reserve Facilities;

(8) to make modifications or adjustments necessary, appropriate or desirable to provide for the appointment of an auction agent, a broker-dealer, a remarketing agent, a tender agent and/or a paying agent in connection with any Series of Bonds;

(9) to modify the auction provisions applicable to any Series of Bonds in accordance with the terms and provisions set forth in the Supplemental Indenture establishing the terms and provisions of such Series of Bonds;

(10) to provide for any additional covenants or agreements necessary to maintain the tax-exempt status of interest on any Series of Bonds;

(11) if the Issuer agrees in a Supplemental Indenture to maintain the exclusion of interest on a Series of Bonds from gross income for purposes of federal income taxation, to make such provisions as are necessary or appropriate to ensure such exclusion;

(12) to provide for the issuance of Bonds in book-entry form or bearer form and/or to modify or eliminate the book-entry registration system for any Series of Bonds;

(13) to modify, alter, amend or supplement the Indenture in any other respect, including amendments which would otherwise be described in the first two paragraphs under this caption, if the effective date of such amendments is a date on which all Bonds affected thereby are subject to mandatory tender for purchase pursuant to the provisions of the Indenture; or if notice of the proposed amendments is given to Holders of the affected Bonds at least thirty (30) days before the proposed effective date of such amendments and, on or before such effective date, such Holders have the right to demand purchase of their Bonds pursuant to the provisions of the Indenture or if all Bonds affected thereby are in an auction mode and a successful auction is held following notice of such amendment; and

(14) for any other purpose that does not materially and adversely affect the interests of the Holders of the Bonds.

Any Supplemental Indenture entered into pursuant to the provisions of the Indenture described under this caption shall be deemed not to materially adversely affect the interest of the Holders so long as (i) all Bonds are secured by a Credit Enhancement and (ii) each Credit Enhancement Provider shall have given its written consent to such Supplemental Indenture in accordance with the provisions of the Indenture.

Effect of Supplemental Indenture. From and after the time any Supplemental Indenture becomes effective, the Indenture shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under the Indenture of the Issuer, the Trustee and all Holders of Bonds Outstanding shall thereafter be determined, exercised and enforced under the Indenture subject in all respects to such modification and amendment, and all the terms and conditions of any such Supplemental Indenture shall be deemed to be part of the terms and conditions of the Indenture for any and all purposes.

Defeasance

Discharge of Indenture. Bonds of any Series or a portion thereof may be paid by the Issuer in any of the following ways:

(A) by paying or causing to be paid the Bond Obligations of and interest on such Outstanding Bonds, as and when become due and payable;

(B) by depositing with the Trustee, an escrow agent or other fiduciary, in trust, at or before maturity, money or securities in the necessary amount (as provided pursuant to the provisions of the

Indenture described below under the caption “Deposit of Money or Securities”) to pay or redeem such Outstanding Bonds; or

(C) by delivering to the Trustee, for cancellation by it, such Outstanding Bonds.

If the Issuer shall pay all Series for which any Bonds are Outstanding and also pay or cause to be paid all other sums payable under the Indenture by the Issuer, then and in that case, at the election of the Issuer (evidenced by a Certificate of the Issuer, filed with the Trustee, signifying the intention of the Issuer to discharge all such indebtedness and the Indenture), and notwithstanding that any Bonds shall not have been surrendered for payment, the Indenture and the pledge of 2000 Measure A Sales Tax Revenues and other assets made under the Indenture and all covenants, agreements and other obligations of the Issuer under the Indenture shall cease, terminate, become void and be completely discharged and satisfied. In such event, upon Request of the Issuer, the Trustee shall cause an accounting for such period or periods as may be requested by the Issuer to be prepared and filed with the Issuer and shall execute and deliver to the Issuer all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee shall pay over, transfer, a sign or deliver to the Issuer all moneys or securities or other property held by it pursuant to the Indenture which, as evidenced by a verification report, upon which the Trustee may conclusively rely, from a firm of certified public accountants or other independent consulting firm, are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption.

Discharge of Liability on Bonds. Upon the deposit with the Trustee, escrow agent or other fiduciary, in trust, at or before maturity, of money or securities in the necessary amount (as provided pursuant to the provisions of the Indenture described below under the caption “Deposit of Money or Securities”) to pay or redeem any Outstanding Bond (whether upon or prior to its maturity or the redemption date of such Bond), provided that, if such Bond is to be redeemed prior to maturity, notice of such redemption shall have been given as in the Indenture provided or provision satisfactory to the Trustee shall have been made for the giving of such notice, then all liability of the Issuer in respect of such Bond shall cease, terminate and be completely discharged, provided that the Holder thereof shall thereafter be entitled to the payment of the principal of and premium, if any, and interest on the Bonds, and the Issuer shall remain liable for such payment, but only out of such money or securities deposited with the Trustee as aforesaid for their payment.

Deposit of Money or Securities. Whenever in the Indenture it is provided or permitted that there be deposited with or held in trust money or securities in the necessary amount to pay or redeem any Bonds, the money or securities so to be deposited or held may include money or securities held by the Trustee in the funds and accounts established pursuant to the Indenture and shall be:

(A) lawful money of the United States of America in an amount equal to the principal amount of such Bonds and all unpaid interest thereon to maturity, except that, in the case of Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption shall have been given as in the Indenture provided or provision satisfactory to the Trustee shall have been made for the giving of such notice, the amount to be deposited or held shall be the principal amount or Redemption Price of such Bonds and all unpaid interest thereon to the redemption date; or

(B) Investment Securities described in clause (A) of the definition thereof the principal of and interest on which when due will, in the opinion of an independent certified public accountant delivered to the Trustee (as confirmed by a verification report upon which verification report the Trustee may conclusively rely), provide money sufficient to pay the principal or Redemption Price of and all unpaid interest to maturity, or to the redemption date, as the case may be, on the Bonds to be paid or redeemed, as such principal or Redemption Price and interest become due, provided that, in the case of Bonds which

are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as in the Indenture provided or provision satisfactory to the Trustee shall have been made for the giving of such notice; provided, in each case, that the Trustee shall have been irrevocably instructed (by the terms of the Indenture or by Request of the Issuer) to apply such money to the payment of such principal or Redemption Price and interest with respect to such Bonds.

Payment of Bonds After Discharge of Indenture. Any moneys held by the Trustee in trust for the payment of the principal, Redemption Price, or interest on any Bond and remaining unclaimed for one (1) year after such principal, Redemption Price, or interest has become due and payable (whether at maturity or upon call for redemption as provided in this Indenture), if such moneys were so held at such date, or one (1) year after the date of deposit of such principal, Redemption Price or interest on any Bond if such moneys were deposited after the date when such Bond became due and payable, shall be repaid to the Issuer free from the trusts created by this Indenture, and all liability of the Trustee with respect to such moneys shall thereupon cease; provided, however, that before the repayment of such moneys to the Issuer as aforesaid, the Trustee may (at the cost of the Issuer) first mail to the Holders of any Bonds remaining unpaid at the addresses shown on the registration books maintained by the Trustee a notice, in such form as may be deemed appropriate by the Trustee, with respect to the Bonds so payable and not presented and with respect to the provisions relating to the repayment to the Issuer of the moneys held for the payment thereof. All moneys held by or on behalf of the Trustee for the payment of principal or Accreted Value of or interest or premium on Bonds, whether at redemption or maturity, shall be held in trust for the account of the Holders thereof and the Trustee shall not be required to pay Holders any interest on, or be liable to the Holders or any other person (other than the Issuer) interest earned on, moneys so held. Any interest earned thereon shall belong to the Issuer and shall be deposited upon receipt by the Trustee into the Revenue Fund.

Limitations on Rights of Credit Enhancement Providers, Liquidity Facility Providers, Reserve Facility Providers. A Supplemental Indenture establishing the terms and provisions of a Series of Bonds may provide that any Credit Enhancement Provider, Liquidity Facility Provider or Reserve Facility Provider may exercise any right under the Indenture given to the Holders of the Bonds to which such Credit Enhancement, Liquidity Facility or Reserve Facility relates. All provisions under the Indenture authorizing the exercise of rights by a Credit Enhancement Provider, a Liquidity Facility Provider or a Reserve Facility Provider with respect to consents, approvals, directions, waivers, appointments, requests or other actions, shall be deemed not to require or permit such consents, approvals, directions, waivers, appointments, requests or other actions and shall be read as if the Credit Enhancement Provider, Liquidity Facility Provider or Reserve Facility Provider were not mentioned therein (i) during any period during which there is a default by such Credit Enhancement Provider, Liquidity Facility Provider or Reserve Facility Provider under the applicable Credit Enhancement, Liquidity Facility or Reserve Facility or (ii) after the applicable Credit Enhancement, Liquidity Facility or Reserve Facility shall at any time for any reason cease to be valid and binding on the provider thereof, or shall be declared to be null and void by final judgment of a court of competent jurisdiction, or after the Credit Enhancement, Liquidity Facility or Reserve Facility has been rescinded, repudiated by the provider thereof or terminated, or after a receiver, conservator or liquidator has been appointed for the provider thereof. All provisions relating to the rights of a Credit Enhancement Provider, Liquidity Facility Provider or Reserve Facility Provider shall be of no further force and effect if all amounts owing to such Credit Enhancement Provider, Liquidity Facility Provider or Reserve Facility Provider shall have been paid pursuant to the terms of the applicable Credit Enhancement, Liquidity Facility or Reserve Facility and such Credit Enhancement, Liquidity Facility or Reserve Facility shall no longer be in effect.

Seventh Supplemental Indenture

As provided pursuant to the provisions of the Indenture described above under the caption “Issuance of Additional Bonds and Other Obligations – Issuance of Additional Bonds,” the Issuer may pledge or otherwise provide additional security for the benefit of an additional Series of Bonds or any portion thereof in the Supplemental Indenture providing for the issuance of such Series of Bonds. As set forth in the Seventh Supplemental Indenture, the Issuer has determined to increase the 2000 Measure A Sales Tax Revenues coverage requirement for the issuance of a Series of Additional Bonds or Parity Obligations.

Proposed Amendment Modifying Coverage Requirement for the Issuance of Series of Additional Bonds or Parity Obligations. As set forth in the Seventh Supplemental Indenture, the Issuer has proposed to amend and restate clause D of Section 3.02 of Article III of the Indenture to read in its entirety as follows:

(D) The Issuer shall place on file with the Trustee a Certificate of the Issuer certifying that the amounts of Sales Tax Revenues for a period of twelve (12) consecutive months (selected by the Issuer) during the eighteen (18) months immediately preceding the date on which such additional Series of Bonds will become Outstanding are at least equal to two (2.0) times the Maximum Annual Debt Service on all Series of Bonds and Parity Obligations then Outstanding and the additional Series of Bonds then proposed to be issued, which Certificate shall also set forth the computations upon which such Certificate is based.

Effective Date of Amendment Modifying Coverage Requirement for Issuance of Series of Additional Bonds or Parity Obligations. The amendment to the Indenture modifying the coverage requirement in the Seventh Supplemental Indenture shall take effect immediately upon the execution and delivery of the Seventh Supplemental Indenture.

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

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 the \$559,535,000 Santa Clara Valley Transportation Authority 2000 Measure A Sales Tax Revenue Refunding Bonds, 2023 Series A (collectively, the “Bonds”). The Bonds are being issued pursuant to an Indenture, dated as of August 1, 2006, as supplemented and amended (the “Master Indenture”), between the Authority and U.S. Bank Trust Company, National Association, as successor trustee (the “Trustee”), and a Seventh Supplemental Indenture, dated as of August 1, 2023, between the Authority and the Trustee (the “Seventh Supplemental Indenture” and, together with the Master Indenture and all other supplements thereto, the “Indenture”). The 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 July 18, 2023, relating to the Bonds.

“Participating Underwriters” shall mean any of the original underwriter or underwriters of the Bonds required to comply with the Rule in connection with the offering of the 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, 2023, 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 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 2000 Measure A 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 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 Series 2023 Bonds, or other material events affecting the tax status of the Series 2023 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 Series 2023 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 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 Bonds. If such termination occurs prior to the final maturity of the 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 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 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 Bonds, and shall create no rights in any other person or entity.

Dated: _____, 2023

SANTA CLARA VALLEY TRANSPORTATION
AUTHORITY

By: _____
Deputy General Manager/CFO

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: \$559,535,000 Santa Clara Valley Transportation Authority 2000 Measure A Sales Tax Revenue Refunding Bonds, 2023 Series A

Date of Issuance: August 8, 2023

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 Bonds as required by that certain Indenture, dated as of August 1, 2006, as amended and supplemented, including as amended and supplemented by the Seventh Supplemental Indenture, dated as of August 1, 2023, each by and between the Authority and U.S. Bank Trust Company, National Association, as successor trustee. The Authority anticipates that the Annual Report will be filed by _____.

Dated: _____, 20__

SANTA CLARA VALLEY TRANSPORTATION
AUTHORITY

By: _____

Its: _____

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 2000 Measure A Sales Tax Revenue Refunding Bonds, 2023 Series A (the “Bonds”). The 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 Bond in the aggregate principal amount of such Bond, 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 neither of the Santa Clara Valley Transportation Authority (the “Authority”) nor 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 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (each a “Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee. Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such Bonds to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority and the Trustee as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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 Bonds purchased or tendered, through its Participant, to the applicable remarketing agent, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the applicable remarketing agent. The requirement for physical delivery of Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred

by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the applicable remarketing agent's DTC account.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, 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.

APPENDIX G

FORM OF BOND COUNSEL OPINION

[Closing Date]

Santa Clara Valley Transportation Authority
3331 North First Street, Building C
San Jose, California 95134

\$559,535,000

Santa Clara Valley Transportation Authority
2000 Measure A Sales Tax Revenue
Refunding Bonds, 2023 Series A

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance of \$559,535,000 aggregate principal amount of 2000 Measure A Sales Tax Revenue Refunding Bonds, 2023 Series A (the “2023 Series A 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 “Act”).

The 2023 Series A 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 August 1, 2006, between the Authority and U.S. Bank Trust Company, National Association, as successor trustee (the “Trustee”), as supplemented and amended by a First Supplemental Indenture, dated as of August 1, 2006 (the “First Supplemental Indenture”), a Second Supplemental Indenture, dated as September 1, 2007 (the “Second Supplemental Indenture”), a Third Supplemental Indenture, dated as of June 1, 2008 (the “Third Supplemental Indenture”), a Fourth Supplemental Indenture, dated as of November 1, 2010 (the “Fourth Supplemental Indenture”), a Fifth Supplemental Indenture, dated as of January 1, 2015 (the “Fifth Supplemental Indenture”), a Sixth Supplemental Indenture, dated as of September 1, 2020 (the “Sixth Supplemental Indenture”) and a Seventh Supplemental Indenture, dated as of August 1, 2023 (the “Seventh Supplemental Indenture”), each between the Authority and the Trustee. The Indenture, as so supplemented and amended and as further supplemented and amended from time to time pursuant to its terms is hereinafter referred to as the “Indenture.”

The 2023 Series A Bonds are limited obligations of the Authority secured by a pledge of sales tax revenues (herein called the “2000 Measure A Sales Tax Revenues”) derived from a one-half of one percent (0.5%) retail transactions and use tax (the “2000 Measure A Sales Tax”), imposed in accordance with the Act and the California Transactions and Use Tax Law (Revenue and Taxation Code Section 7251 et seq.), net of an administrative fee paid to the California Department of Tax and Fee Administration in connection with the collection and disbursement of the 2000 Measure A Sales Tax. The 2000 Measure A Sales Tax was approved by more than two-thirds of the electorate of the County of Santa Clara voting on

the ballot measure in November 2000 and is scheduled to expire March 31, 2036. The 2023 Series A 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 2023 Series A 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 2023 Series A 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 2023 Series A Bonds are payable from 2000 Measure A 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 2023 Series A Bonds, of the 2000 Measure A 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 2023 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 2023 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 2023 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 2023 Series A Bonds.

5. Under existing law, interest on the 2023 Series A 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 2023 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 2023 Series A Bonds to fail to be excluded from the gross income of the owners thereof retroactive to the date of issuance of the 2023 Series A Bonds. Pursuant to the Indenture and the Tax Certificate being delivered by the Authority in connection with the issuance of the 2023 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 2023 Series A Bonds from the gross income of the owners thereof for federal income tax purposes.

In reaching our opinions described in the immediately preceding paragraphs, we have assumed the accuracy of such representations and the present and future compliance by the Authority with such covenants. Further, except as stated in the preceding paragraph, we express no opinion as to any federal or state tax consequence of the receipt of interest on, or the ownership or disposition of, the 2023 Series A 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 2023 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 2023 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 2023 Series A 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 2023 Series A 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 2023 Series A 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,

[THIS PAGE INTENTIONALLY LEFT BLANK]

