NEW ISSUE—BOOK-ENTRY ONLY

Ratings:
S&P: "AA+"
Moody's: "Aa2"
See "RATINGS" herein

The Authority has taken no action to cause, and does not intend, interest on the 2020 Series A Bonds to be excluded pursuant to section 103(a) of the Internal Revenue Code of 1986 from gross income of the owners thereof for federal income tax purposes. In the opinion of Norton Rose Fulbright US LLP, Los Angeles, California, Bond Counsel, under existing law interest on the 2020 Series A Bonds is exempt from personal income taxes of the State of California. See, "TAX MATTERS" herein.

$69,675,000
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
2000 MEASURE A SALES TAX REVENUE REFUNDING BONDS
2020 SERIES A (TAXABLE)

DAC Bond

Dated: Date of Delivery **Due: April 1, as set forth on the inside cover page**

The $69,675,000 Santa Clara Valley Transportation Authority 2000 Measure A Sales Tax Revenue Refunding Bonds, 2020 Series A (Taxable) (the "2020 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 National Association, as successor trustee (the "Trustee"), to refund a portion of the Authority's outstanding 2000 Measure A Sales Tax Revenue Refunding Bonds, 2015 Series A (Tax-Exempt) (the "Refunded Bonds"), and to pay certain costs of issuing the 2020 Series A Bonds. See "PLAN OF REFUNDING" and "ESTIMATED SOURCES AND USES OF FUNDS" herein.

Interest on the 2020 Series A Bonds will be payable on April 1 and October 1 of each year, commencing April 1, 2021. The Bonds will be issued as fully registered bonds, without coupons, in the denomination of $5,000 or any integral multiple thereof. The 2020 Series A Bonds will be registered in the name of Cede & Co., as holder of the 2020 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 2020 Series A Bonds purchased. The principal or redemption price of and interest on the 2020 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 2020 Series A Bonds. See APPENDIX E – "Book-Entry System" herein.

The 2020 Series A Bonds are subject to redemption prior to maturity as more fully described herein. See "THE 2020 SERIES A BONDS – Redemption" herein.

The 2020 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 seventy percent 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 2020 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 2020 Series A Bonds, subject to compliance with the provisions set forth in the Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2020 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 2020 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 2020 Series A Bonds.

The 2020 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, Nixon Peabody LLP, Los Angeles, California. It is anticipated that the 2020 Series A Bonds will be available for delivery through the book-entry facilities of DTC on or about September 23, 2020.

J.P. Morgan

BofA Securities, Inc. **Citigroup** **Goldman Sachs & Co. LLC**

Dated: September 16, 2020

$69,675,000
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
2000 MEASURE A SALES TAX REVENUE REFUNDING BONDS
2020 SERIES A (TAXABLE)

MATURITY SCHEDULE

Maturity Date (April 1)	Principal Amount	Interest Rate	Price	CUSIP (Base No. 80168N)†	International Securities Identification Number (Base No. US80168N)
2025	$1,065,000	0.792%	100%	HT9	HT90
2026	1,660,000	1.057	100	HU6	HU63
2027	6,225,000	1.227	100	HV4	HV47
2028	6,305,000	1.502	100	HW2	HW20
2029	6,395,000	1.572	100	HX0	HX03
2030	6,500,000	1.622	100	HY8	HY85
2031	6,605,000	1.772	100	HZ5	HZ50
2032	6,720,000	1.872	100	JA8	JA81
2033	6,845,000	1.922	100	JB6	JB64
2034	6,980,000	1.972	100	JC4	JC48
2035	7,120,000	2.022	100	JD2	JD21
2036	7,255,000	2.052	100	JE0	JE04

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

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 2020 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 2020 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.

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

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

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.**

MINIMUM UNIT SALES

THE BONDS WILL TRADE AND SETTLE ON A UNIT BASIS (ONE UNIT EQUALING ONE BOND OF $5,000 PRINCIPAL AMOUNT). FOR ANY SALES MADE OUTSIDE THE UNITED STATES, THE MINIMUM PURCHASE AND TRADING AMOUNT IS 30 UNITS (BEING 30 BONDS IN AN AGGREGATE PRINCIPAL AMOUNT OF $150,000).

INFORMATION CONCERNING OFFERING RESTRICTIONS IN CERTAIN JURISDICTIONS OUTSIDE THE UNITED STATES

Any references in this Official Statement to the "issuer" mean the Authority. and references to "bonds" or "securities" mean the 2020 Series A Bonds offered hereby. The information concerning offering restrictions in certain jurisdictions outside the United States has been supplied by the Underwriters for inclusion in this Official Statement and the Authority does not assume any responsibility for such information.

NOTICE TO PROSPECTIVE INVESTORS IN THE EUROPEAN ECONOMIC AREA ("EEA") OR THE UNITED KINGDOM

the bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA or the United Kingdom. for these purposes, a "retail investor" means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MIFID II"); (ii) a customer within the meaning of directive (EU) 2016/97 (the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MIFID II; or (iii) not a Qualified Investor as defined in Regulation (EU) 2017/1129 (the "Prospectus Regulation"). consequently, no key information document required by regulation (EU) No. 1286/2014 (as amended, the "PRIIPS regulation") for offering or selling the bonds or otherwise making them available to retail investors in the EEA or in the United Kingdom has been prepared and therefore offering or selling the bonds or otherwise making them available to any retail investor in the EEA or in the United Kingdom may be unlawful under the PRIIPS regulation.

This Official Statement has been prepared on the basis that all offers of the bonds to any person that is located within a member state of the EEA or the United Kingdom will be made pursuant to an exemption under Article 1(4) of the Prospectus Regulation from the requirement to produce a prospectus for offers of the bonds. accordingly, any person making or intending to make any offer in the EEA or the United Kingdom of the bonds should only do so in circumstances in which no obligation arises for the issuer or any of the underwriters to provide a prospectus for such offer. Neither the issuer nor the Underwriters have authorized, nor do they authorize, the making of any offer of bonds through any financial intermediary, other than offers made by the Underwriters, which constitute the final placement of the bonds contemplated in this Official Statement.

The offer of any bonds which is the subject of the offering contemplated by this Official Statement is not being made and will not be made to the public in the EEA or the United Kingdom, other than: (a) to any legal entity which is a "qualified investor" as such term is defined in the prospectus regulation; (b) to fewer than 150 natural or legal persons (other than "qualified investors" as such term is defined in the Prospectus Regulation), subject to obtaining the prior consent of the relevant underwriter or the issuer for any such offer; or (c) in any other circumstances falling within Article 1(4) of the prospectus regulation; provided that no such offer of the bonds shall require the issuer or any underwriter to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or a supplement to a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression an "offer of securities to the public" in relation to the bonds in any member state of the EEA or the United Kingdom means the communication in any form and by any means of sufficient information on the terms of the offer and the bonds to be offered so as to enable an investor to decide to purchase the bonds or subscribe for the bonds.

Each subscriber for or purchaser of the bonds in the offering located within a member state of the EEA or the United Kingdom will be deemed to have represented, acknowledged and agreed that it is a "qualified investor" as defined in the Prospectus Regulation. The issuer and each Underwriter and others will rely on the truth and accuracy of the foregoing representation, acknowledgement and agreement.

NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED KINGDOM

This Official Statement has not been approved for the purposes of Section 21 of the Financial Services and Markets Act 2000 ("FSMA") and does not constitute an offer to the public in accordance with the provisions of section 85 of the FSMA. This Official Statement is for distribution only to, and is directed solely at, persons who (i) are outside the United Kingdom, (ii) are investment professionals, as such term is defined in Article 19(5) of the Financial Services and Markets Act 2000 (financial promotion) order 2005, as amended (the "Financial Promotion Order"), (iii) are persons falling within Article 49(2)(a) to (d) of the Financial Promotion Order, or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) in connection with the issue or sale of any securities may otherwise be lawfully communicated or caused to be communicated (all such persons together being referred to as "relevant persons"). This Official Statement is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this Official Statement relates is available only to relevant persons and will be engaged in only with relevant persons. Any person who is not a relevant person should not act or rely on this Official Statement or any of its contents.

NOTICE TO PROSPECTIVE INVESTORS IN SWITZERLAND

This Official Statement is not intended to constitute an offer or solicitation to purchase or invest in the bonds. The bonds may not be publicly offered, directly or indirectly, in Switzerland within the meaning of the Swiss Financial Services Act ("FINSA") and no application has or will be made to admit the bonds to trading on any trading venue (exchange or multilateral trading facility) in Switzerland. neither this Official Statement nor any other offering or marketing material relating to the bonds constitutes a prospectus pursuant to the FINSA, and neither this Official Statement nor any other offering or marketing material relating to the bonds may be publicly distributed or otherwise made publicly available in Switzerland.

The bonds do not constitute collective investments within the meaning of the Swiss Federal Act On Collective Investment Schemes ("CISA"). accordingly, holders of the bonds do not benefit from protection under the CISA or from the supervision of the Swiss Financial Market Supervisory Authority. investors are exposed to the default risk of the issuer.

NOTICE TO PROSPECTIVE INVESTORS IN HONG KONG

The contents of this Official Statement have not been reviewed by any regulatory authority in Hong Kong. you are advised to exercise caution in relation to the offer of the bonds. if you are in any doubt about any of the contents of this Official Statement, you should obtain independent professional advice. This Official Statement has not been, and will not be, registered as a prospectus (as defined in the companies (winding up and miscellaneous provisions) ordinance (chapter 32 of the laws of Hong Kong)) in Hong Kong (the "C(WUMP)O") nor has it been approved by the Securities and Futures Commission of Hong Kong pursuant to the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO"). Accordingly, the bonds may not be offered or sold in Hong Kong by means of this Official Statement or any other document, and this Official Statement must not be issued, circulated or distributed in Hong Kong, other than (a) to 'professional investors' as defined in the SFO and any rules made under the SFO; or (b) in other circumstances which do not result in this Official Statement or any other document being a "prospectus" as defined in the C(WUMP)O or which do not constitute an offer to the public within the meaning of the C(WUMP)O. In addition, no person may issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the bonds, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the bonds which are or are intended to be disposed of only (a) to persons outside Hong Kong, or (b) to 'professional investors' as defined in the SFO and any rules made under the SFO.

NOTICE TO PROSPECTIVE INVESTORS IN JAPAN

The bonds have not been and will not be registered under the financial instruments and exchange act of Japan (Act No. 25 of 1948, as amended, the "FIEA"). Neither the bonds nor any interest therein may be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under item 5, paragraph 1, article 6 of the foreign exchange and foreign trade act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

The primary offering of the bonds and the solicitation of an offer for acquisition thereof have not been and will not be registered under paragraph 1, article 4 of the FIEA. as it is a primary offering, in Japan, the bonds may only be offered, sold, resold or otherwise transferred, directly or indirectly to, or for the benefit of certain qualified institutional investors as defined in the FIEA ("QIIS") in reliance on the QIIS-only private placement exemption as set forth in item 2(i), paragraph 3, article 2 of the FIEA. A QII who purchased or otherwise obtained the bonds cannot resell or otherwise transfer the bonds in Japan to any person except another QII.

NOTICE TO PROSPECTIVE INVESTORS IN TAIWAN

The offer of the bonds has not been and will not be registered or filed with, or approved by, the financial supervisory commission of Taiwan and/or other regulatory authority of Taiwan pursuant to relevant securities laws and regulations, and the bonds may not be offered, issued or sold in Taiwan through a public offering or in circumstances which constitute an offer within the meaning of the securities and exchange act of Taiwan that requires the registration or filing with or approval of the financial supervisory commission of Taiwan. The bonds may be made available outside Taiwan for purchase by investors residing in Taiwan (either directly or through properly licensed Taiwan intermediaries), but may not be offered or sold in Taiwan except to qualified investors via a Taiwan licensed intermediary. Any subscriptions of bonds shall only become effective upon acceptance by the issuer or the relevant dealer outside Taiwan and shall be deemed a contract entered into in the jurisdiction of incorporation of the issuer or relevant dealer, as the case may be, unless otherwise specified in the subscription documents relating to the bonds signed by the investors.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Board of Directors

Cindy Chavez, *Chairperson*
Larry Carr
Magdalena Carrasco
Dave Cortese
Lan Diep
Charles "Chappie" Jones

Glenn Hendricks, *Vice Chairperson*
Sam Liccardo
John McAlister
Bob Nuñez
Raul Peralez
Rob Rennie

Jeannie Bruins, *Ex-Officio*

Alternate Board Members

Marie Blankley
Devora "Dev" Davis
Susan Ellenberg
Liz Kniss
Howard Miller
Teresa O'Neill

Administrative Staff

Nuria Fernandez, General Manager
Raj Srinath, Deputy General Manager/Chief Financial Officer
Evelynn Tran, General Counsel
Deborah Dagang, Chief Planning & Programming
David Hill, Chief Operations Officer
Casey Emoto, Chief Engineering & Program Delivery Officer
Sylvester Fadal, Chief Administrative Officer
Angelique Gaeta, 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 National Association
San Francisco, California

Verification Agent

Samuel Klein and Company
New York, New York

MAP OF SERVICE AREA

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OFFICIAL STATEMENT

$69,675,000
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
2000 MEASURE A SALES TAX REVENUE REFUNDING BONDS
2020 SERIES A (TAXABLE)

INTRODUCTION

General

This Official Statement, which includes the cover page and the appendices hereto, sets forth certain information in connection with the offering by the Santa Clara Valley Transportation Authority (the "Authority") of $69,675,000 in aggregate principal amount of its Santa Clara Valley Transportation Authority 2000 Measure A Sales Tax Revenue Refunding Bonds, 2020 Series A (Taxable) (the "2020 Series A Bonds"). A full review should be made of the entire Official Statement, including the cover page and attached appendices. The offering of the 2020 Series A Bonds to potential investors is made only by means of the entire Official Statement.

Authority for Issuance

The 2020 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 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"), and a Sixth Supplemental Indenture, dated as of September 1, 2020 (the "Sixth 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 2020 Series A Bonds are being issued to refund a portion of the Authority's outstanding 2000 Measure A Sales Tax Revenue Refunding Bonds, 2015 Series A (Tax-Exempt) (the "Refunded Bonds"), and to pay certain costs of issuing the 2020 Series A Bonds. See "PLAN OF REFUNDING" and "ESTIMATED SOURCES AND USES OF FUNDS" herein.

Security

The 2020 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 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 2020 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 2020 Series A Bonds are secured on a parity under the Indenture with the Authority's 2000 Measure A Sales Tax Revenue Refunding Bonds, 2008 Series A, 2008 Series B, 2008 Series C and 2008 Series D (collectively, the "2008 Series Bonds"), currently outstanding in the aggregate principal amount of $235,875,000, the Authority's 2000 Measure A Sales Tax Revenue Bonds, 2010 Series A (Taxable Build America Bonds) (the "2010 Series A Bonds"), currently outstanding in the aggregate principal amount of $469,730,000, and the Authority's 2000 Measure A Sales Tax Revenue Refunding Bonds, 2015 Series A (the "2015 Series A Bonds"), currently outstanding in the aggregate principal amount of $80,325,000. See "DEBT SERVICE SCHEDULE" herein. The Authority anticipates refunding and defeasing a portion of the outstanding 2015 Series A Bonds with a portion of the proceeds of the 2020 Series A Bonds, after which $23,095,000 will remain outstanding. See "PLAN OF REFUNDING" herein.

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

Limited Obligations

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE COUNTY OF SANTA CLARA, THE STATE OF CALIFORNIA (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.

Prior to January 1, 1995, the County Board of Supervisors served as the Board of Directors of the Authority. Effective January 1, 1995, pursuant to State legislation, the Authority has operated under a separate Board of Directors composed of representatives of the County and cities within the County. On January 1, 2000, pursuant to State legislation, the Authority's name was officially changed from the Santa Clara County Transit District.

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

THE 2020 SERIES A BONDS

General

The 2020 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 2020 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 April 1, 2021 and semiannually thereafter on each April 1 and October 1 (each, an "Interest Payment Date").

The 2020 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 2020 Series A Bonds. The term "Owner" as used herein shall refer to DTC as the registered owner of the Bonds. Purchases of the 2020 Series A Bonds are to be made in book-entry only form in the principal amount of $5,000 or any integral multiple thereof. See APPENDIX F – "CLEARING SYSTEMS."

Redemption

Make-Whole Optional Redemption. The Bonds are subject to redemption prior to their respective maturity dates, at the option of the issuer, in whole or in part, at a redemption price equal to the greater of:

(1) 100% of the principal amount of the Bonds to be redeemed; or

(2) The sum of the present value of the remaining scheduled payments of principal and interest to the stated maturity date of such Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which such Bonds are to be redeemed, discounted to the date on which such Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate (described below) plus the following applicable spreads (expressed in basis points).

Maturity Dates	Applicable Spread
April 1, 2025 through April 1, 2026	10 bps
April 1, 2027 through April 1, 2030	15 bps
April 1, 2031 through April 1, 2034	20 bps
April 1, 2035 through April 1, 2036	25 bps

Plus, in each case, accrued interest on such Bonds to be redeemed to but not including the redemption date.

The "Treasury Rate" is, with respect to any redemption date for a particular Bond, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity, excluding inflation indexed securities (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two Business Days, but no more than 45 calendar days, prior to the redemption date or, if such Statistical Release is no longer published, any publicly available source of similar market date) most nearly equal to the period from the redemption date to the maturity date of the bond to be redeemed; provided, however, that if the period from the redemption date to such maturity date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

Selection of 2020 Series A Bonds to be Redeemed. If less than all of the 2020 Series A Bonds are to be redeemed, the particular maturities of 2020 Series A Bonds to be redeemed at the option of the Authority will be determined by the Authority in its sole discretion. If the 2020 Series A Bonds are registered in book-entry only form and so long as DTC or a successor securities depository is the sole registered owner of such 2020 Series A Bonds, if less than all of the 2020 Series A Bonds of a maturity are called for prior redemption, the particular 2020 Series A Bonds or portions thereof to be redeemed shall be allocated on a pro rata pass-through distribution of principal basis in accordance with DTC procedures, provided that, so long as the 2020 Series A Bonds are held in book-entry form, the selection for redemption of such 2020 Series A Bonds shall be made in accordance with the operational arrangements of DTC then in effect, and, if the DTC operational arrangements do not allow for redemption on a pro rata pass-through distribution of principal basis, the 2020 Series A Bonds will be selected for redemption, in accordance with DTC procedures, by lot.

The Authority intends that redemption allocations made by DTC be made on a pro rata pass-through distribution of principal basis as described above. However, neither the Authority nor the Underwriters can provide any assurance that DTC, DTC's direct and indirect participants or any other intermediary will allocate the redemption of 2020 Series A Bonds on such basis. For purposes of calculation of the "pro rata pass-through distribution of principal," "pro rata" means, for any amount of principal to be paid, the application of a fraction to each denomination of the respective 2020 Series A Bonds where (a) the numerator of which is equal to the amount due to the respective bondholders on a payment date, and (b) the denominator of which is equal to the total original par amount of the respective 2020 Series A Bonds.

If the 2020 Series A Bonds are no longer registered in book-entry-only form, each owner will receive an amount of 2020 Series A Bonds equal to the original face amount then beneficially held by that owner, registered in such investor's name. Thereafter, any redemption of less than all of the 2020 Series A Bonds of any maturity will continue to be paid to the registered owners of such 2020 Series A Bonds on a pro-rata basis, based on the portion of the original face amount of any such 2020 Series A Bonds to be redeemed. See APPENDIX F – "CLEARING SYSTEMS."

Notice of Redemption. Each notice of redemption with respect to the 2020 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 2020 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 2020 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 2020 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 2020 Series A Bonds (or portions thereof) so called for redemption being held by the Trustee, on the redemption date designated in such notice, the 2020 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 2020 Series A Bonds so called for redemption shall cease to accrue, said 2020 Series A Bonds (or portions thereof) shall cease to be entitled to any benefit or security under this Indenture, and the Owners of said 2020 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 2020 Series A Bond, irrevocably grants to the Authority the option to purchase such 2020 Series A Bond, on any date such 2020 Series A Bond is subject to optional redemption provided in the Indenture for the 2020 Series A Bonds at a purchase price equal to the Redemption Price then applicable to such 2020 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 2020 Series A Bonds, the Authority shall pay the purchase price of such 2020 Series A Bond to the Trustee in immediately available funds and the Trustee shall pay the same to the Holders of 2020 Series A Bonds being purchased against delivery thereof. Following such purchase, the Trustee shall register such 2020 Series A Bonds in accordance with the written instructions of the Authority. No purchase of any 2020 Series A Bond shall operate to extinguish the indebtedness evidenced by such 2020 Series A Bond. No Holder may elect to retain a 2020 Series A Bond subject to mandatory purchase. If the Authority lacks sufficient funds to pay the purchase price of any 2020 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 2020 Series A Bond to the Holder who shall have tendered such 2020 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 2020 Series A Bond subject to mandatory purchase shall not constitute an Event of Default under the Indenture.

PLAN OF REFUNDING

Pursuant to the terms of an Escrow Agreement, dated as of September 1, 2020 (the "Escrow Agreement"), by and between the Authority and U.S. Bank National Association, as escrow agent (the "Escrow Agent"), a portion of the proceeds of the 2020 Series A Bonds, together with other available moneys (collectively, the "Escrow Deposit"), will be deposited into the Escrow Fund established under the Escrow Agreement and used to refund and defease all of the Refunded Bonds identified in the table below. The Escrow Deposit will be sufficient to purchase US Treasury securities (including STRIPS) (the "Escrowed Securities"), the principal and interest on which when due will provide moneys that, together with uninvested moneys deposited with the Escrow Agent, will be sufficient to pay interest on the Refunded Bonds through April 1, 2025 (the "Redemption Date") and to redeem the Refunded Bonds at a price of 100% of the principal amount thereof, without premium, plus interest accrued thereon (the "Redemption Price"), on the Redemption Date.

REFUNDED BONDS

Maturity Date (April 1)	Principal Amount Refunded	CUSIP (Base No. 80168N)
2027	$4,550,000	GM5
2028	4,780,000	GN3
2029	5,015,000	GP8
2030	5,270,000	GQ6
2031	5,530,000	GR4
2032	5,805,000	GS2
2033	6,095,000	GT0
2034	6,405,000	GU7
2035	6,725,000	GV5
2036	7,055,000	GW3

Samuel Klein and Company, certified public accountants (the "Verification Agent"), will deliver a report stating that the firm has verified the accuracy of mathematical computations concerning the adequacy of the Escrow Deposit made pursuant to the Escrow Agreement and the funds to be available from the Escrowed Securities. See "VERIFICATION OF MATHEMATICAL COMPUTATIONS" herein.

ESTIMATED SOURCES AND USES OF FUNDS

The estimated proceeds of the 2020 Series A Bonds and certain other available amounts are expected to be applied as follows:

Sources of Funds:	
Principal Amount	$69,675,000.00
Funds Released from Refunded Bonds	1,430,750.00
Total Sources:	$71,105,750.00
Uses of Funds:	
Deposit to Escrow Fund	$70,735,753.59
Costs of Issuance[(1)]	369,996.41
Total Uses:	$71,105,750.00

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

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DEBT SERVICE SCHEDULE

The following table shows the annual debt service requirements by Fiscal Year on the 2020 Series A Bonds (with principal and interest shown separately), the 2008 Series Bonds, the 2010 Series A Bonds and the 2015 Series A Bonds. The Authority's Fiscal Year ends each year on June 30.

Fiscal Year	2008 Series Bonds Debt Service(1)(3)	2010 Series A Bonds Debt Service(1)(4)	2015 Series A Bonds Debt Service(2)	2020 Series A Bonds Principal	2020 Series A Bonds Interest	Combined Debt Service(1)(5)
2021	$ 8,880,694	$ 57,138,901	$ 4,549,750	-	$ 630,796	$ 71,200,141
2022	8,880,694	56,895,951	4,550,000	-	1,207,907	71,534,552
2023	8,880,694	56,625,216	4,546,750	-	1,207,907	71,260,567
2024	8,880,694	56,301,159	4,549,750	-	1,207,907	70,939,510
2025	8,880,694	55,943,629	4,553,250	$ 1,065,000	1,207,907	71,650,480
2026	8,880,694	55,578,851	4,551,750	1,660,000	1,199,472	71,870,767
2027	8,880,694	55,191,537	-	6,225,000	1,181,926	71,479,157
2028	8,880,694	54,781,986	-	6,305,000	1,105,545	71,073,225
2029	8,880,694	54,360,204	-	6,395,000	1,010,844	70,646,742
2030	8,880,694	53,910,313	-	6,500,000	910,315	70,201,322
2031	8,880,694	53,447,027	-	6,605,000	804,885	69,737,606
2032	8,880,694	52,953,881	-	6,720,000	687,844	69,242,419
2033	64,630,694	-	-	6,845,000	562,046	72,037,740
2034	64,606,706	-	-	6,980,000	430,485	72,017,191
2035	64,629,595	-	-	7,120,000	292,839	72,042,434
2036	64,619,654	-	-	7,255,000	148,873	72,023,527
Total(5)	$365,054,974	$663,128,657	$27,301,250	$69,675,000	$13,797,494	$1,138,957,373

(1) Includes mandatory sinking fund payments.
(2) Reflects the refunding of a portion of the 2015 Series A Bonds with a portion of the proceeds of the 2020 Series A Bonds and other available amounts. See "PLAN OF REFUNDING" herein..
(3) Debt service on the 2008 Series Bonds is calculated based on the per annum rate established pursuant to the Swap Agreements, 3.765%. See "OUTSTANDING 2000 MEASURE A SALES TAX OBLIGATIONS – Swap Agreements."
(4) Does not reflect the Authority's receipt of any Subsidy Payments with respect to the 2010 Series A Bonds, which are Build America Bonds.
(5) Totals do not add due to rounding.

SECURITY AND SOURCES OF PAYMENT FOR THE 2020 SERIES A 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 2020 SERIES A BONDS. THE PLEDGE OF 2000 MEASURE A SALES TAX REVENUES DOES NOT SECURE PAYMENT OF THE PURCHASE PRICE OF THE 2020 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 2020 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 administrative fee which is deducted quarterly. The 2000 Measure A Sales Tax Revenues shall be received and held in trust by the Trustee for the benefit of the Owners of the Bonds and Parity Obligations. The Trustee shall forthwith deposit all 2000 Measure A Sales Tax Revenues in the Revenue Fund, maintained and held in trust by the Trustee, when and as such 2000 Measure A Sales Tax Revenues are received by the Trustee. See APPENDIX D – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Allocation of 2000 Measure A Sales Tax Revenues." Investment income on amounts held by the Trustee (other than amounts held in the Rebate Fund or any Purchase Fund or for which particular instructions are provided) shall also be deposited in the Revenue Fund.

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

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

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

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

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

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

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

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

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

No Bond Reserve Fund

No bond reserve fund is established for the 2020 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 2020 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 2020 Series A Bonds, the 2008 Series Bonds, the 2010 Series A Bonds and the regularly scheduled payments on the Swap Agreements, subject to compliance with the terms and provisions set forth in the Indenture. See APPENDIX D – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Issuance of Additional Bonds and Other Obligations."

Issuance of Additional Series of Bonds. Subsequent to the issuance of the 2020 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 lesser of (i) the amounts of 2000 Measure A Sales Tax Revenues for a period of twelve (12) consecutive months (selected by the Authority) during the eighteen (18) months immediately preceding the date on which such Bonds will become Outstanding; or (ii) the estimated 2000 Measure A Sales Tax Revenues for the Fiscal Year in which the Bonds are to be issued, shall have, or will, as applicable, equal at least one and three-tenths (1.3) times Maximum Annual Debt Service on all Series of Bonds and Parity Obligations then Outstanding and the additional Series of Bonds then proposed to be issued.

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

Issuance of Refunding Bonds. Refunding Bonds may be authorized and issued by the Authority without compliance with the provisions of the Indenture summarized above under the caption "Issuance of Additional Series of Bonds"; provided, that Maximum Annual Debt Service on all Bonds and Parity Obligations Outstanding following the issuance of such Refunding Bonds is less than or equal to Maximum Annual Debt Service on all Bonds and Parity Obligations Outstanding prior to the issuance of such Refunding Bonds. The 2020 Series A Bonds are Refunding Bonds.

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

Subordinate Obligations

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

OUTSTANDING 2000 MEASURE A SALES TAX OBLIGATIONS

Parity Bonds; Liquidity Facility

The 2020 Series A Bonds are secured on a parity under the Indenture with the 2008 Series Bonds, currently outstanding in the aggregate principal amount of $235,875,000, the 2010 Series A Bonds, currently outstanding in the aggregate principal amount of $469,730,000, and the 2015 Series A Bonds, currently outstanding in the aggregate principal amount of $80,325,000. See "DEBT SERVICE SCHEDULE" herein. The Authority anticipates refunding a portion of the outstanding 2015 Series A Bonds with a portion of the proceeds of the 2020 Series A Bonds, after which $23,095,000 will remain outstanding. See "PLAN OF REFUNDING" herein.

The 2008 Series Bonds are currently subject to optional tender by the holders thereof. The payment of the purchase price of tendered 2008 Series Bonds is payable from the proceeds of remarketing the 2008 Series Bonds and, to the extent remarketing proceeds are insufficient, from amounts available from an Standby Letter of Credit and Reimbursement Agreement, dated as of February 1, 2019 (the "Liquidity Facility"), between the Authority and The Toronto-Dominion Bank, New York Branch (the "Liquidity Provider"), and from any Alternate Liquidity Facility that may be obtained by the Authority. The Liquidity Facility expires on February 18, 2022, unless extended by the parties thereto.

The obligation of the Authority to reimburse the Liquidity Provider or make any other payments under the Liquidity Facility is secured by a pledge of Measure A Sales Tax Revenues on a parity with the pledge securing the Bonds, including the 2020 Series A Bonds. Under certain circumstances, 2008 Series Bonds purchased by the Liquidity Provider and not remarketed may become Liquidity Facility Bonds. The Liquidity Facility Bonds shall bear interest as provided in the relevant Liquidity Facility and may be subject to mandatory payment upon the occurrence of certain events of default described in the Liquidity Facility.

Swap Agreements

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

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

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

Under certain circumstances, one or more of the Swap Agreements may be terminated, at which time the Authority may be required to make a termination payment to the applicable Counterparty. If the Swap Agreements were terminated as of September 1, 2020, the Authority would have owed the respective Counterparties an aggregate amount of approximately $104,354,982. Any termination payments made pursuant to the Swap Agreements are secured by a lien on 2000 Measure A Sales Tax Revenues subordinate to the lien which secures the Bonds, Parity Obligations and Subordinate Obligations. The Authority is unable to predict what the amount of termination payments owed by the Authority in the future would be if any of the Swap Agreements actually were terminated; however, such termination payments could be substantial. To the extent that the Authority has insufficient funds on hand to make any such payment, the Authority may borrow such amounts through the issuance of additional Bonds or otherwise.

In addition, the Swap Agreements all contain provisions that require the Authority to post collateral at specific fair value amounts based on the Authority's unenhanced long-term credit ratings on the 2008 Series Bonds. Collateral generally consists of cash, U.S. government securities and U.S. agency securities. As of July 31, 2020, the Authority posted $32.8 million of collateral with the Counterparties pursuant to the Swap Agreements.

The Authority notes that the United Kingdom's Finance Conduct Authority ("FCA"), a regulator of financial services firms and financial markets in the United Kingdom, has stated that they will plan for a phase out of LIBOR with a target end to the indices in 2021. Changes announced by the FCA in the method pursuant to which LIBOR rates are determined may result in a sudden or prolonged increase or decrease in LIBOR rates, and may affect the Authority through references to LIBOR in the 2008 Series Bonds documents such as the Indenture and payments received by the Authority under four Swap Agreements. Uncertainty about LIBOR and the nature and timing of adoption of LIBOR alternatives may adversely impact the current and future trading market for, and the market price of, LIBOR-based financial instruments, such as the four Swap Agreements. See "RISK FACTORS – LIBOR Risk Factors" herein.

For a further discussion regarding the Authority's existing swaps and potential risks in connection therewith, see APPENDIX B – "AUTHORITY AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 2019, Note 7(d)."

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 2000 Measure A, the ordinance which imposed the 2000 Measure A Sales Tax (the "2000 Measure A Ordinance") and in the Authority's Valley Transportation Plan, which was formulated to provide a balanced transportation system consisting of transit, roadway, bicycle and pedestrian improvements. See "THE 2000 MEASURE A PROGRAM" herein.

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

The 2000 Measure A Sales Tax is generally imposed upon the same transactions and items subject to the 7.25% sales and use tax levied statewide by the State (hereinafter collectively referred to as the "State Sales Tax"), with generally the same exceptions. In general, the State Sales Tax applies to the gross receipts of retailers from the sale of tangible personal property. The State use tax is imposed on the storage, use or other consumption in the State of property purchased from a retailer for such storage, use or other consumption. Since the use tax does not apply to cases where the sale of the property is subject to the sales tax, the application of the use tax generally is to purchases made outside of the State for use within the State. Many categories of transactions are exempt from the State Sales Tax and the 2000 Measure A Sales Tax. The most important of these exemptions are: sales of food products for home consumption, prescription medicine, edible livestock and their feed, seed and fertilizer used in raising food for human consumption, and gas, electricity and water when delivered to consumers through mains, lines and pipes. In addition, "Occasional Sales" (*i.e.*, sales of property not held or used by a seller in the course of activities for which he or she is required to hold a seller's permit) are generally exempt from the State Sales Tax and from the 2000 Measure A Sales Tax; however, the "Occasional Sales" exemption does not apply to the sale of an entire business or other sales of machinery and equipment used in a business. Sales of property to be used outside the county which are shipped to a point outside the county, pursuant to the contract of sale, by delivery to such point by the retailer, or by delivery by the retailer to a carrier for shipment to a consignee, at such point, are exempt from the State Sales Tax and from the 2000 Measure A Sales Tax.

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

1976 Sales Tax

In addition to the 2000 Measure A Sales Tax, the Authority levies another retail transactions and use tax of one-half of one percent (0.5%) for transportation purposes (the "1976 Sales Tax"). The 1976 Sales Tax, also approved by the voters, is levied against the same sales tax base as the 2000 Measure A Sales Tax. Collection of the 1976 Sales Tax is also administered by the CDTFA and is remitted to the trustee for the senior lien obligations secured by the 1976 Sales Tax pursuant to a separate agreement between the Authority and the CDTFA in the same manner and subject to payment of a separate administrative charge in the same manner as the 2000 Measure A Sales Tax. **The 1976 Sales Tax Revenues do not secure the 2020 Series A Bonds.**

2008 Measure B Sales Tax

In November of 2008, over two-thirds of the voters in Santa Clara County approved Measure B, implementing a one-eighth of one percent (0.125%) sales tax that became effective July 1, 2012 and continues for 30 years (the "2008 Measure B Sales Tax"). The 2008 Measure B Sales Tax is levied against the same sales tax base as the 2000 Measure A Sales Tax, and is dedicated to support the operation and maintenance of the BART to Silicon Valley Project. Collection of the 2008 Measure B Sales Tax is administered by the CDTFA in virtually the same manner as the 2000 Measure A Sales Tax. **The 2008 Measure B Sales Tax Revenues do not secure the 2020 Series A Bonds.**

2016 Measure B Sales Tax

In November of 2016, over two-thirds of the voters in the County approved Measure B, implementing a one-half of one percent (0.5%) sales tax that became effective April 1, 2017 and continues for 30 years (the "2016 Measure B Sales Tax"), expiring on March 31, 2047. The 2016 Measure B Sales Tax is levied against the same sales tax base as the 1976 Sales Tax, and will help fund a series of transportation related projects including local streets and roads repair, bicycle/pedestrian improvements, Caltrain grade separations, and Phase II of the BART extension. The 2016 Measure B Sales Tax Revenues do not secure the 2020 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 purposes that became effective April 1, 2013 and continues for ten years. In addition, the cities of Campbell ("Campbell"), and San Jose ("San Jose"), each located within the County, approved a one-quarter of one percent (0.25%) sales tax. The Campbell sales tax does not expire. **These sales taxes do not secure any of the Bonds, including the 2008 Series Bonds.**

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

2000 Measure A Sales Tax Revenues

The following table shows 2000 Measure A Sales Tax Revenues reported by the Authority during the ten Fiscal Years ended June 30, 2020.

Fiscal Years Ended June 30, 2010 – 2020

Fiscal Year Ended June 30	2000 Measure A Sales Tax Revenues	Rate of Change
2010	$139,305,038	1.5
2011	152,855,102	9.7
2012	166,279,983	8.8
2013	176,533,671	6.2
2014	186,301,711	5.5
2015	199,652,765	7.2
2016	205,635,594	3.0
2017	208,671,692	1.5
2018	207,870,177	(0.4)[1]
2019	237,882,879	14.4 [1]
2020	209,884,705[2]	(11.8)

(1) The decrease in Fiscal Year ended June 30, 2018 was attributable to the CDTFA's delayed transfer of 2000 Measure A Sales Taxes to the Authority. Such delayed 2000 Measure A Sales Tax Revenues were received by the Authority in the Fiscal Year ended June 30, 2019.
(2) Unaudited.
Source: The Authority.

For a discussion regarding the impact of COVID-19 pandemic and the recession on sales taxes, see "RISK FACTORS" and APPENDIX A – "SANTA CLARA VALLEY TRANSPORTATION AUTHORITY."

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

2000 Measure A Sales Tax Revenues

Based on the unaudited 2000 Measure A Sales Tax Revenues for Fiscal Year ended June 30, 2020, which amounted to $209,884,705, 2000 Measure A Sales Tax Revenues are anticipated to equal at least 2.9 times Maximum Annual Debt Service on the Bonds through April 1, 2036. See "DEBT SERVICE SCHEDULE" herein.

THE 2000 MEASURE A PROGRAM

General

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

The 2000 Measure A Transit Improvement Program

The 2000 Measure A Transit Improvement Program, which represents the transit portion of the Authority's Valley Transportation Plan and is funded primarily by 2000 Measure A Sales Tax Revenues, consists of those 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 2023 or later, depending on availability of other funding sources.

The Authority manages the implementation of its 2000 Measure A Transit Improvement Program based on project readiness and the availability of funding and may advance or slow down delivery of projects in response to current conditions. To the extent additional projects are identified for implementation within this timeframe, there could be additional bonding needs. The issuance of additional bonds or other obligations is subject to the requirements of the Indenture and Authority Board approval. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2020 SERIES A BONDS – Additional Bonds and Parity Obligations" herein.

Recent Developments Regarding Sales Tax Collection

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 physical nexus in a state in order for the seller to be liable for the collection of that state's sales tax. Physical nexus is defined as having either property or payroll in the 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 the 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 personal 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 the Governor 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 Sales Tax Revenues.

RISK FACTORS

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

U.S. Economic Recession; Economy of the County and the State

On June 8, 2020, the National Bureau of Economic Research ("NBER") declared that a recession in the United States commenced in February 2020. Reportedly, this was the fastest that NBER has declared any recession since the group began formal announcements in 1979. In announcing the recession, NBER said "[T]he unprecedented magnitude of the decline in employment and production, and its broad reach across the entire economy, warrants the designation of this episode as a recession . . ."

The 2020 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. The Authority cannot predict how long the current economic recession will last or the impacts on 2000 Measure A Sales Tax Revenues, but such impacts may be material and adverse. A continued substantial deterioration in 2000 Measure A Sales Tax Revenues could impact the ability of the Authority to pay principal of and interest on the 2020 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."

COVID-19 Pandemic

Background Regarding COVID-19 and Government Responses. The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been characterized as a pandemic by the World Health Organization and has led to emergency declarations by government authorities of the United States, the State of California (the "State"), and local governments.

In response to the emergency, the State, the County and other local governments imposed significant restrictions on economic and other activity within the County and parts thereof beginning in March 2020. While some of those restrictions have been lifted, some have been re-imposed. It is unknown when and whether restrictions will be eased or will be reinstated or intensified.

The COVID-19 pandemic and government responses to it have negatively affected travel, commerce, investment values, and financial markets globally, and is widely expected to continue to negatively affect economic output worldwide and within the County.

Regarding administration of sales and use taxes, the Governor of California (the "Governor") has issued executive orders:

- requiring the California Department of Tax and Fee Administration ("CDTFA"), which administers sales and use taxes in the State of California, to use its administrative powers where appropriate to provide extensions for filing, payment, audits, billing, notices, assessments, claims for refund, and relief from subsequent penalties and interest to individuals and businesses impacted by complying with a state or local public health official's imposition or recommendation of social distancing measures related to COVID-19;

- providing a three-month extension for tax returns and tax payments for all businesses filing a return for less than $1,000,000 in taxes, such extension remaining effective through the reporting of taxes or fees due or the payment of taxes that are due on or before July 31, 2020, and extending the statute of limitations to file a claim for refund for taxes and fees administered by CDTFA and the timeframe to file for appeal with CDTFA; and

- allowing businesses with less than $5 million in annual taxable sales to defer payment on up to $50,000 in sales and use tax liability without incurring any penalties or interest.

Impact of COVID-19 on the Authority's Bonds. The impact of COVID-19 on the economy of the County has been negative, and future impacts are unpredictable and could change rapidly. Events surrounding COVID-19 have negatively affected collection of 2000 Measure A Sales Tax Revenues in the County. The Authority believes that events surrounding COVID-19 will negatively affect collection of 2000 Measure A Sales Tax Revenues in the County into the future. These events may include the pandemic's impacts on the economy, as well as continuing, additional, or modified government actions to address the pandemic.

As a result of the impact of COVID-19 on the economy and government responses to COVID-19, in comparison to Fiscal Year 2019, the Authority experienced a 12% decline in its 2000 Measure A revenues for Fiscal Year 2020, and anticipates there could be a further, but less significant decline for Fiscal Year 2021. The Authority received $209.9 million (unaudited) of 2000 Measure A Sales Tax Revenues for Fiscal Year 2020, which was about 7% less than budgeted. The Authority cannot, however, predict with certainty the fiscal impact that COVID-19 will have on future 2000 Measure A Sales Tax Revenues due to uncertainty in the public health and related social and commercial impacts to come from the COVID-19 pandemic and the governmental responses to it.

As a result of the Governor's executive orders, the Authority currently expects that the amounts of 2000 Measure A Sales Tax Revenues received from CDTFA will decline and will also be delayed. Since the Governor's executive order only covers businesses that have sales tax liabilities below specified thresholds, the Authority does expect to receive 2000 Measure A Sales Tax Revenues from CDTFA but is unable to predict with certainty the amounts to be received.

The Authority currently believes that despite the negative effects of the COVID-19 pandemic on the amounts and timing of 2000 Measure A Sales Tax Revenue receipts, there will be sufficient 2000 Measure A Sales Tax Revenues to pay debt service on all of the Authority's 2020 Series A Bonds, the 2008 Series Bonds, the 2010 Series A Bonds, and the 2015 Series A Bonds to remain outstanding.

Operational Impacts of COVID-19 on the Authority. Anticipated declines in revenues to the Authority from all sales and use taxes are projected to result in a shortfall of $100 to $125 million below budgeted amounts for Authority transit operations for Fiscal Year 2021. However, it is anticipated that CARES Act funding already received should be sufficient to offset any projected deficit through Fiscal Year 2021.

Due to the COVID-19 pandemic and related events, the Authority has experienced significant declines in bus and rail ridership and has reduced its scheduled bus and light rail transit services to approximately 75% of pre pandemic service levels. Over the last several months, the estimated weekday ridership on the Authority's bus and rail systems has ranged from 25,000 to 28,000. In comparison, the average weekday ridership prior to COVID-19 pandemic on the bus and rail systems was approximately 120,000.

The Authority stopped collecting fares for its transit service from March 19, 2020 through July 31, 2020, and stopped collecting toll revenue on its SR 237 Express Lanes from March 20, 2020 through May 31, 2020. As a result, it has experienced a significant decline in fare revenues and toll revenues. While the Authority believes that the decline in such revenues will be temporary, it expects that it will be several months before it has a better understanding of the ongoing impact of COVID-19 on transit ridership and express lanes trips, and related revenues.

The Authority anticipates that such expected decreases in sales tax revenue and transit fare revenue will result in its operating revenue falling below budgeted amounts during Fiscal Year 2021. The Authority currently has an operating reserve balance of $75.8 million but expects to fund any Fiscal Year 2021 deficit from the approximately $141 million of funds it has already received under the federal CARES Act. Under the CARES Act, the Federal Transit Administration will reimburse any eligible expenses that occurred on or after January 20, 2020. All net operating expenses (after subtracting fare revenues from the eligible operating expenses) are eligible for reimbursement. The eligible expenses include driver and other operations worker salaries, fuel, supplies (including personal protective equipment and cleaning supplies) and administrative leave (defined as an administratively authorized absence from duty) for operations and maintenance employees. Lost revenue, defined as eligible expenses that would have otherwise been paid for by the "lost revenue," is also an eligible expense under the CARES Act. The CARES Act does not cap amounts that may be used to fund operating, capital, or planning expenses.

The Authority is also involved in several highway infrastructure construction and maintenance projects throughout the County. There has been little or no impact on the ability of major contractors to support these projects.

The COVID-19 pandemic is ongoing, and its dynamic nature leads to uncertainties, including (i) the geographic spread of the virus; (ii) the severity of the disease; (iii) the duration of the outbreak; (iv) actions that may be taken by governmental authorities to contain or mitigate the outbreak; (v) the development of medical therapeutics or vaccinations; (vi) the impact of the outbreak on the local, national or global economy; and (vii) the impact of the outbreak and actions taken in response to the outbreak on the Authority's revenues, expenses and financial condition.

Social Security Compliance Issue

Since the Authority's inception in the 1990's and the Santa Clara County Transit District's (its predecessor) creation in the 1970's, the Authority's and the Santa Clara County Transit District's employees have continuously participated in social security. In addition, the Authority also provides its employees with a qualifying retirement plan (i.e., CalPERS, VTA/ATU Pension Plan). If a state or local government provides its employees with a qualifying retirement system, and if the state or local government still wants employment with the Authority to count towards its employees' social security benefits, then a Section 218 Agreement is necessary. A Section 218 Agreement is an agreement between a state or local government and the U.S. Social Security Administration ("SSA") that provides for social security participation and coverage for the employees of the state or local government who participate in a retirement plan. If an employee is covered by a qualifying retirement system and contributes to social security without a Section 218 Agreement in place between the employer and SSA, that employee's service is not considered covered by Social Security, and social security benefits cannot be collected based on that service.

In California, CalPERS has been appointed by the SSA as the state social security administrator for California. CalPERS notified the Authority that it identified a compliance issue whereby the Authority provides a qualifying retirement system for its employees, the Authority withholds social security from its employees, but the Authority has no Section 218 Agreement in-place. Also, the Santa Clara County Transit District did not enter into a Section 218 Agreement when it was formed in the 1970s.

The Authority has completed its review and analysis of the issues and is in the process of finalizing an action plan for implementation, in coordination with CalPERS, to remedy this error. The Authority believes that its action plan once implemented, would result in continued social security benefit coverage for most, if not all, of its past and current employees. Despite that, it is conceivable that claims could be filed against the Authority for failing to have a Section 218 Agreement in-place with the SSA. Potential claimants include current and past employees of the Authority, spouses and/or named beneficiaries who may lose their eligibility for social security benefits, and it is unclear at the present time what liability, if any, the Authority might be subject to from the loss of social security benefits.

Other Sales Taxes; Changes in Transactions Subject to Sales Taxes

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

Proposition 218

On November 5, 1996, voters in the State approved an initiative known as the Right to Vote on Taxes Act ("Proposition 218"). Proposition 218 added Articles XIIIC and XIIID to the California Constitution. Article XIIIC requires majority voter approval for the imposition, extension or increase of general taxes and two-thirds voter approval for the imposition, extension or increase of special taxes by a local government, which is defined to include local or regional governmental agencies such as the Authority. The 2000 Measure A Sales Tax received the approval of more than two-thirds of the voters as required by Article XIIIC. However, Article XIIIC also removes limitations that may have applied to the voter initiative power with regard to reducing or repealing previously authorized taxes. In the opinion of the Authority, however, any attempt by the voters to use the initiative provisions under Proposition 218 to rescind or reduce the levy and collection of the 2000 Measure A Sales Tax in a manner which would prevent the payment of debt service on the 2020 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.

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.

Limitations of Liquidity Facility and Related Risks

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

2008 Series Bonds; Swap Agreements

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

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

No Acceleration of Bonds

The Indenture does not permit acceleration of the 2020 Series A Bonds in the event of a default in the payment of principal of or interest on the 2020 Series A Bonds when due. In the event of a default by the Authority, the Trustee and the Owners of the 2020 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."

Under the Liquidity Facility, any 2008 Series Bonds that are Liquidity Provider held bonds are subject to mandatory redemption in ten equal semi-annual installments following the end of the commitment period of the facility. In addition, the Liquidity Facility provides for immediate termination or suspension of the facility upon certain events specified therein.

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 2020 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 2020 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 2020 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 2020 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 2020 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 2020 Series A Bonds from funds in the Trustee's possession. The procedure pursuant to which Sales Tax Revenues are paid directly by the CDTFA to the Trustee may no longer be enforceable, and the Authority may be able to require the CDTFA to pay 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 Sales Tax Revenues), which lien could have priority over the lien of the Indenture, or to cause some Sales Tax Revenues to be released to it, free and clear of lien of the Indenture, in each case provided that the bankruptcy judicial determines that the rights of the Trustee and the holders of the 2020 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 2020 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 2020 Series A Bonds, provided that the bankruptcy court determines that the alterations are fair and equitable.

There may be delays in payments on the 2020 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 2020 Series A Bonds, or result in losses to the holders of the 2020 Series A Bonds. Regardless of any specific adverse determinations in a Authority bankruptcy proceeding, the fact of a Authority bankruptcy proceeding could have an adverse effect on the liquidity and value of the 2020 Series A Bonds.

For a description of the Authority's finances and operations, see APPENDIX A – "SANTA CLARA VALLEY TRANSPORTATION AUTHORITY" and APPENDIX B – AUDITED FINANCIAL STATEMENTS OF THE AUTHORITY FOR THE FISCAL YEAR ENDED JUNE 30, 2019."

LIBOR Risk Factors

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

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

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.

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, 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.

FINANCIAL STATEMENTS

The financial statements of the Authority for the Fiscal Year ended June 30, 2019, 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 knowledge of the Authority, threatened, any litigation concerning or affecting the validity or the original issuance of the 2020 Series A Bonds. Neither the creation, organization or existence of the Authority, nor the title of the present members of the Authority to their respective offices is being contested. See APPENDIX A – "THE SANTA CLARA VALLEY TRANSPORTATION AUTHORITY – Litigation."

TAX MATTERS

State Tax Exemption. In the opinion of Bond Counsel, under existing law interest on the 2020 Series A Bonds is exempt from personal income taxes of the State of California. Except as stated in the immediately preceding sentence, Bond Counsel will express no opinion as to any federal or state tax consequence of the receipt of interest on, or the ownership or disposition of, the 2020 Series A Bonds. A copy of the form of opinion of Bond Counsel relating to the 2020 Series A Bonds is included in Appendix G.

Federal Income Tax Considerations. The following is a general summary of certain United States federal income tax consequences of the purchase and ownership of the 2020 Series A Bonds. The discussion is based upon the Code, United States Treasury Regulations, rulings and decisions now in effect, all of which are subject to change (possibly, with retroactive effect) or possibly differing interpretations. No assurances can be given that future changes in the law will not alter the conclusions reached herein. The discussion below does not purport to deal with United States federal income tax consequences applicable to all categories of investors and generally does not address consequences relating to the disposition of a 2020 Series A Bond by the owner thereof for federal income tax purposes. Further, the discussion below does not discuss all aspects of federal income taxation that may be relevant to a particular investor in the 2020 Series A Bonds in light of the investor's particular circumstances or to certain types of investors subject to special treatment under the federal income tax laws (including insurance companies, tax exempt organizations and other entities, financial institutions, broker-dealers, persons who have hedged the risk of owning the 2020 Series A Bonds, traders in securities that elect to use a mark to market method of accounting, thrifts, regulated investment companies, pension and other employee benefit plans, partnerships and other pass through entities, certain hybrid entities and owners of interests therein, persons who acquire 2020 Series A Bonds in connection with the performance of services, or persons deemed to sell 2020 Series A Bonds under the constructive sale provisions of the Code). The discussion below also does not discuss any aspect of state, local, or foreign law or United States federal tax laws other than United States federal income tax law. The discussion below is limited to certain issues relating to initial investors who will hold the 2020 Series A Bonds as "capital assets" within the meaning of section 1221 of the Code, and acquire such 2020 Series A Bonds for investment and not as a dealer or for resale. The discussion below addresses certain federal income tax consequences applicable to owners of the 2020 Series A Bonds who are United States persons within the meaning of section 7701(a)(30) of the Code ("United States persons") and, except as discussed below, does not address any consequence to persons other than United States persons. Prospective investors should note that no rulings have been or will be sought from the Service with respect to any of the United States federal income tax consequences discussed below, and no assurance can be given that the Service will not take contrary positions.

ALL PROSPECTIVE INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS IN DETERMINING THE FEDERAL, STATE, LOCAL, FOREIGN AND ANY OTHER TAX CONSEQUENCE TO THEM FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE 2020 Series A BONDS.

Interest on the 2020 Series A Bonds. Bond Counsel has rendered no opinion regarding the exclusion pursuant to section 103(a) of the Code of interest on the 2020 Series A Bonds from gross income for federal income tax purposes. The Authority has taken no action to cause, and does not intend, interest on the 2020 Series A Bonds to be excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes. The Authority intends to treat the 2020 Series A Bonds as debt instruments for all federal income tax purposes, including any applicable reporting requirements under the Code. THE AUTHORITY EXPECTS THAT THE INTEREST PAID ON A 2020 Series A Bond GENERALLY WILL BE INCLUDED IN THE GROSS INCOME OF THE OWNER THEREOF FOR FEDERAL INCOME TAX PURPOSES WHEN RECEIVED OR ACCRUED, DEPENDING UPON THE TAX ACCOUNTING METHOD OF THAT OWNER.

Disposition of 2020 Series A Bonds, Inclusion of Acquisition Discount and Treatment of Market Discount. An owner of 2020 Series A Bonds will generally recognize gain or loss on the sale or exchange of the 2020 Series A Bonds equal to the difference between the sales price (exclusive of the amount paid for accrued interest) and the owner's adjusted tax basis in the 2020 Series A Bonds. Generally, the owner's adjusted tax basis in the 2020 Series A Bonds will be the owner's initial cost, increased by original issue discount (if any) previously included in the owner's income to the date of disposition. Any gain or loss generally will be capital gain or loss and will be long-term or short-term, depending on the owner's holding period for the 2020 Series A Bonds.

Under current law, a purchaser of a 2020 Series A Bond who did not purchase that 2020 Series A Bond in the initial public offering (a "subsequent purchaser") generally will be required, on the disposition (or earlier partial principal payment) of such 2020 Series A Bond, to recognize as ordinary income a portion of the gain (or partial principal payment), if any, to the extent of the accrued "market discount." In general, market discount is the amount by which the price paid for such 2020 Series A Bond by such a subsequent purchaser is less than the stated redemption price at maturity of that 2020 Series A Bond, except that market discount is considered to be zero if it is less than one quarter of one percent of the principal amount times the number of complete remaining years to maturity. The Code also limits the deductibility of interest incurred by a subsequent purchaser on funds borrowed to acquire 2020 Series A Bonds with market discount. As an alternative to the inclusion of market discount in income upon disposition, a subsequent purchaser may elect to include market discount in income currently as it accrues on all market discount instruments acquired by the subsequent purchaser in that taxable year or thereafter, in which case the interest deferral rule will not apply. The recharacterization of gain as ordinary income on a subsequent disposition of such 2020 Series A Bonds could have a material effect on the market value of such 2020 Series A Bonds.

Stated Interest and Reporting of Interest Payments. The stated interest on the 2020 Series A Bonds will be included in the gross income, as defined in section 61 of the Code, of the owners thereof as ordinary income for federal income tax purposes at the time it is paid or accrued, depending on the tax accounting method applicable to the owners thereof. Subject to certain exceptions, the stated interest on the 2020 Series A Bonds will be reported to the Service. Such information will be filed each year with the Service on Form 1099-INT (or other appropriate reporting form) which will reflect the name, address, and taxpayer identification number of the owner. A copy of such Form 1099-INT will be sent to each owner of a 2020 Series A Bond for federal income tax purposes.

Medicare Contribution Tax. Pursuant to Section 1411 of the Code, as enacted by the Health Care and Education Reconciliation Act of 2010, an additional tax is imposed on individuals beginning January 1, 2013. The additional tax is 3.8% of the lesser of (i) net investment income (defined as gross income from interest, dividends, net gain from disposition of property not used in a trade or business, and certain other listed items of gross income), or (ii) the excess of "modified adjusted gross income" of the individual over \$200,000 for unmarried individuals (\$250,000 for married couples filing a joint return and a surviving spouse). Owners of the 2020 Series A Bonds should consult with their own tax advisor concerning this additional tax, as it may apply to interest earned on the 2020 Series A Bonds as well as gain on the sale of a 2020 Series A Bond.

Defeasance. Persons considering the purchase of a 2020 Series A Bond should be aware that the bond documents permit the Authority under certain circumstances to deposit monies or securities with the Trustee, resulting in the release of the lien of the Indenture (a "defeasance"). A defeasance could result in the realization of gain or loss by the owner of a 2020 Series A Bond for federal income tax purposes, without any corresponding receipt of monies by the owner. Such gain or loss generally would be subject to recognition for the tax year in which such realization occurs, as in the case of a sale or exchange. Owners of 2020 Series A Bonds are advised to consult their own tax advisers with respect to the tax consequences resulting from such events.

Backup Withholding. Under section 3406 of the Code, an owner of the 2020 Series A Bonds who is a United States person may, under certain circumstances, be subject to "backup withholding" of current or accrued interest on the 2020 Series A Bonds or with respect to proceeds received from a disposition of the 2020 Series A Bonds. This withholding applies if such owner of 2020 Series A Bonds: (i) fails to furnish to the payor such owner's social security number or other taxpayer identification number ("TIN"); (ii) furnishes the payor an incorrect TIN; (iii) fails to properly report interest, dividends, or other "reportable payments" as defined in the Code; or (iv) under certain circumstances, fails to provide the payor with a certified statement, signed under penalty of perjury, that the TIN provided to the payor is correct and that such owner is not subject to backup withholding.

Backup withholding will not apply, however, with respect to payments made to certain owners of the 2020 Series A Bonds. Owners of the 2020 Series A Bonds should consult their own tax advisors regarding their qualification for exemption from backup withholding and the procedures for obtaining such exemption.

Withholding on Payments to Nonresident Alien Individuals and Foreign Corporations. Under sections 1441 and 1442 of the Code, nonresident alien individuals and foreign corporations are generally subject to withholding at the current rate of 30% (subject to change) on periodic income items arising from sources within the United States, provided such income is not effectively connected with the conduct of a United States trade or business. Assuming the interest income of such an owner of the 2020 Series A Bonds is not treated as effectively connected income within the meaning of section 864 of the Code, such interest will be subject to 30% withholding, or any lower rate specified in an income tax treaty, unless such income is treated as "portfolio interest." Interest will be treated as portfolio interest if: (i) the owner provides a statement to the payor certifying, under penalties of perjury, that such owner is not a United States person and providing the name and address of such owner; (ii) such interest is treated as not effectively connected with the owner's United States trade or business; (iii) interest payments are not made to a person within a foreign country that the Service has included on a list of countries having provisions inadequate to prevent United States tax evasion; (iv) interest payable with respect to the 2020 Series A Bonds is not deemed contingent interest within the meaning of the portfolio debt provision; (v) such owner is not a controlled foreign corporation, within the meaning of section 957 of the Code; and (vi) such owner is not a bank receiving interest on the 2020 Series A Bonds pursuant to a loan agreement entered into in the ordinary course of the bank's trade or business. Assuming payments on the 2020 Series A Bonds are treated as portfolio interest within the meaning of sections 871 and 881 of the Code, then no withholding under section 1441 and 1442 of the Code and no backup withholding under section 3406 of the Code is required with respect to owners or intermediaries who have furnished Form W-8 BEN, Form W-8 EXP or Form W-8 IMY, as applicable, provided the payor does not have actual knowledge or reason to know that such person is a United States person.

The preceding discussion of certain United States federal income tax consequences is for general information only and is not tax advice. Accordingly, each investor should consult its own tax advisor as to particular tax consequences to it of purchasing, owning, and disposing of the 2020 Series A Bonds, including the applicability and effect of any state, local, or foreign tax law, and of any proposed change of applicable law.

Foreign Account Tax Compliance Act. Sections 1471 through 1474 of the Code impose a 30% withholding tax on certain types of payments made to a foreign financial institution, unless the foreign financial institution enters into an agreement with the U.S. Treasury to, among other things, undertake to identify accounts held by certain U.S. persons or U.S.-owned entities, annually report certain information about such accounts, and withhold 30% on payments to account holders whose actions prevent it from complying with these and other reporting requirements, or unless the foreign financial institution is otherwise exempt from those requirements. In addition, the Foreign Account Tax Compliance Act ("FATCA") imposes a 30% withholding tax on the same types of payments to a non-financial foreign entity unless the entity certifies that it does not have any substantial U.S. owners or the entity furnishes identifying information regarding each substantial U.S. owner. Failure to comply with the additional certification, information reporting and other specified requirements imposed under FATCA could result in the 30% withholding tax being imposed on payments of interest and principal under the 2020 Series A Bonds and sales proceeds of 2020 Series A Bonds held by or through a foreign entity. In general, withholding under FATCA currently applies to payments of U.S. source interest (including OID) and will apply to "foreign passthru payments" but no earlier than two years after the date of publication of final regulations defining the term "foreign passthru payment." Prospective investors should consult their own tax advisors regarding FATCA and its effect on them.

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 2020 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, Nixon Peabody LLP, Los Angeles, California. Compensation paid to Bond Counsel and Disclosure Counsel is contingent on the successful issuance of the 2020 Series A Bonds.

RATINGS

S&P Global Ratings and Moody's Investors Service, Inc. will assign their ratings of "AA+" (Negative Outlook) and "Aa2," respectively, to the 2020 Series A Bonds. These ratings reflect only the views of the rating agencies, and do not constitute a recommendation to buy, sell or hold securities. The Authority has furnished to the rating agencies certain information respecting the 2020 Series A Bonds and the Authority. Generally, rating agencies base their ratings on such information and materials and their own investigations, studies and assumptions. The ratings are subject to revision or withdrawal at any time by the rating agencies, and there is no assurance that the ratings will continue for any period of time or that they will not be lowered or withdrawn. Any reduction or withdrawal of the ratings may have an adverse effect on the market price of the 2020 Series A Bonds.

UNDERWRITING

J.P. Morgan Securities LLC ("JPMS"), as representative of itself and the underwriters listed on the cover page of this Official Statement (the "Underwriters"), have purchased the 2020 Series A Bonds from the Authority for a purchase price of $69,565,126.33 (representing $69,675,000.00 aggregate principal amount of 2020 Series A Bonds, less an Underwriters' discount of $109,873.67). The Underwriters may offer and sell the 2020 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 2020 Series A Bonds may be changed from time to time by the Underwriters.

JPMS, one of the Underwriters of the 2020 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 2020 Series A Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any 2020 Series A Bonds that such firm sells.

BofA Securities, Inc., an underwriter of the 2020 Series A Bonds, has entered into a distribution agreement with its affiliate Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S"). As part of this arrangement, BofA Securities, Inc. may distribute securities to MLPF&S, which may in turn distribute such securities to investors through the financial advisor network of MLPF&S. As part of this arrangement, BofA Securities, Inc. may compensate MLPF&S as a dealer for their selling efforts with respect to the 2020 Series A Bonds.

Citigroup Global Markets Inc., an underwriter of the 2020 Series A Bonds, has entered into a retail distribution agreement with Fidelity Capital Markets, a division of National Financial Services LLC (together with its affiliates, "Fidelity"). Under this distribution agreement, Citigroup Global Markets Inc. may distribute municipal securities to retail investors at the original issue price through Fidelity. As part of this arrangement, Citigroup Global Markets Inc. will compensate Fidelity for its selling efforts.

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.

MUNICIPAL ADVISOR

The Authority has retained Ross Financial, San Francisco, California, as financial advisor (the "Municipal Advisor") in connection with the issuance and sale of the 2020 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 2020 Series A Bonds.

RELATIONSHIPS AMONG THE PARTIES

BofA Securities, Inc., Citigroup Global Markets Inc. and Goldman Sachs & Co. LLC, underwriters of the 2020 Series A Bonds, are related to Bank of America, N.A., Citibank, N.A., Goldman Sachs Mitsui Marine Derivative Products, L.P., respectively, which are Counterparties on the Swap Agreements entered into by the Authority in connection with the 2008 Series Bonds. BofA Securities, Inc. also serves as a remarketing agent for the 2008 Series A Bonds.

CONTINUING DISCLOSURE

The Authority has covenanted for the benefit of the owners and beneficial owners of the 2020 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, 2020, 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.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

The Verification Agent will verify the accuracy of (i) mathematical computations concerning the adequacy of the maturing principal amounts of and interest earned on the Escrowed Securities deposited in the Escrow Fund, together with amounts held as cash therein, to provide for payment of the principal of and interest on the Refunded Bonds to and including the Redemption Date and (ii) certain mathematical computations supporting the conclusion that the Bonds are not "arbitrage bonds" under the Code, which will be used in part by Bond Counsel to be delivered at the closing of the Bonds in concluding that interest on the Bonds is excluded from gross income of the Owners thereof for federal income tax purposes under present laws, including applicable provisions of the Code, existing court rulings, regulations and Internal Revenue Service rulings. The report of the Verification Agent will include the statement that the scope of its engagement was limited to verifying the mathematical accuracy of the computations contained in such schedules provided to it and that the Verification Agent has no obligation to update its report because of events occurring, or data or information coming to its attention, after the date of its report.

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 2020 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 2020 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/ Raj Srinath
Deputy General Manager/CFO

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APPENDIX A

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

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

Administration

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

Group 1 (San José)	5 Members, 1 Alternate
Group 2 (Northwest)	1 Member, 1 Alternate from the Cities of Los Altos, Mountain View, Palo Alto, and the Town of Los Altos Hills
Group 3 (West Valley)	1 Member, 1 Alternate from the Cities of Campbell, Cupertino, Monte Sereno, Saratoga, and the Town of Los Gatos
Group 4 (South County)	1 Member, 1 Alternate from the Cities of Gilroy and Morgan Hill
Group 5 (Northeast)	2 Members, 1 Alternate from the Cities of Milpitas, Sunnyvale and Santa Clara
Group 6	2 Members, 1 Alternate from the Santa Clara County Board of Supervisors
Ex-Officio	Santa Clara County's 3 representatives to the Metropolitan Transportation Commission ("MTC"): I Member representing the County of Santa Clara, I Member representing the cities of Santa Clara County, and I 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.

Cindy Chavez, Chairperson
Glenn Hendricks, Vice Chairperson

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

* 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:

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

RAJ SRINATH – Deputy General Manager/CFO. Mr. Srinath joined VTA as the Chief Financial Officer in October 2014 and was promoted to the position of the Deputy General Manager/CFO in early 2019. In his current position, he is responsible for all fiscal or finance functions (controller, treasury, budgeting, financial analysis and reporting, debt issuance, rating agency relationship), real estate development, risk management, information technology, human resources, employee relations, grants, procurement and contracts. In addition, Mr. Srinath serves as a trustee on the defined benefit plan.

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

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

EVELYNN TRAN – General Counsel since September 2018. Ms. Tran has over 20 years of legal experience, including 14 years of representing VTA. Reporting directly to the Board of Directors and a member of the VTA executive team, Ms. Tran manages an in-house full-service legal department that is staffed to provide transactional, regulatory, litigation, and trial services for a transportation agency. She was counsel advising on the VTA 2016 Measure B, estimated to generate $6.3 billion in tax revenues for transportation infrastructure, and successfully marshalled the measure through the election process. She managed all the litigation aspects of real property acquisitions, estimated in excess of $500 million, for VTA's infrastructure projects. In addition, she was extensively involved in providing legal guidance on the preparation of the BART Phase II SEIS/SEIR. Ms. Tran has handled defense and prosecution of cases through all aspects of civil litigation, from initial pleadings to successfully trying cases to jury verdict as lead counsel. Prior to joining VTA, she litigated and tried cases on behalf of corporate clients and developers in business and real estate matters. Ms. Tran holds a Juris Doctorate 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. She is admitted to practice in all California Courts; the United States District Court for the Northern District of California and the Eastern District of California; and the United States Court of Appeals for the Ninth Circuit.

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 Women's Transportation Seminar (WTS), the American Public Transit Association (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.

DAVID HILL – Chief Operations Officer since January 6, 2020. Mr. Hill has 40 years' experience in all phases of public transportation. Prior to joining VTA, David worked for the City of Detroit - Department of Transportation, Dallas Area Rapid Transit (DART) in various management positions and also Birmingham-Jefferson County Transit Authority, where he served as the Director of Operations and Maintenance, and later was selected as the Executive Director/Chief Executive Officer. He has also worked for San Francisco Metropolitan Transportation Authority (SFMTA), the 7th largest transit agency in the United States, as the Deputy Director, Transit Management – Bus and Rail. David joined VTA as the Deputy Director of Transit Operations prior to being promoted to Chief Operating Officer. David has a Bachelor of Science in Human Relations and Business, and a Master of Business Administration in Strategic Leadership.

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.

SYLVESTER FADAL – Chief Administrative Officer. Mr. Fadal joined VTA in 1998 and has held several executive positions including Director of HR & Procurement and Contracts, and Deputy Director of Business Services. In his current capacity as the Chief Administrative Officer, Mr. Fadal oversees the following: human resources, organizational development, human capital and talent management, office of small and disadvantaged business, bus and light rail technical training, bus and light rail maintenance training, and Office of the Chief Procurement Officer (CPO) including all procurement and contracts administration functions. His expertise also includes civil rights and diversity & inclusion programs. Mr. Fadal serves as a trustee on the VTA defined benefit board.

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

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

Employees

The Authority has approximately 1,985 employees of which approximately 94% are represented by unions. The Amalgamated Transit Union, Division 265 ("ATU"), represents approximately 1,487 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 2019 and expires on September 8, 2022.

The remaining represented employees consist of: members of Service Employees International Union, Local 521 ("SEIU"), representing approximately 238 employees in technical, paraprofessional and administrative positions; members of American Federation of State, County and Municipal Employees, Local 101 ("AFSCME"), representing approximately 229 employees in managerial, supervisory and other professional level positions; and members of Transit Authority Engineers and Architects ("TAEA"), representing 31 employees in engineering and architect positions. The contract with AFSCME expires on June 30, 2022; SEIU expires on January 1, 2022; TAEA expires on June 30, 2022; and ATU expires on September 8, 2022. Contracts are automatically continued beyond their expiration date to facilitate continuation of work during contract negotiations. The remaining number of employees are 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 461 buses, consisting of 128 diesel-powered, 328 hybrid-diesel-powered buses and five electric buses. The average age of these buses is 9.5 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 3,466 bus stops, 668 of which have bus shelters. The Authority also maintains nine park and ride lots – two owned by the Authority and the rest provided under a lease, permit or joint use agreement with other agencies.

Light Rail Transit Service. The Authority currently operates and maintains a 42-mile light rail system (the "LRT System") connecting areas of Mountain View, Sunnyvale, Santa Clara, North San José and Milpitas to areas in South San José and Campbell. The Authority's fleet consists of 98 low floor light rail vehicles and four historic trolleys. Currently, the LRT System has 59 stations and 21 park and ride lots, which are fully integrated with the bus system.

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

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

The Authority provides funding for a portion of the operating costs of the Altamont Corridor Express ("ACE") pursuant to a cooperative agreement (the "ACE Agreement") among the Authority, Alameda County Congestion Management Agency and the San Joaquin Regional Rail Commission ("SJRRC"). ACE rail service provides peak hour weekday commuter rail service from the Central Valley to 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. The Authority's share is approximately 42% of the cost of the service. The Authority also provides eight free shuttles to transport ACE riders from the Great America Station (Santa Clara) to major employment sites. These shuttles are funded by a grant from the Transportation Fund for Clean Air through the Bay Area Air Quality Management District and SJRRC. 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 Authority through a Cooperative Agreement. The Authority currently does not provide any funding for the service, a transbay express bus route operating between the Union City BART station and Stanford University/Stanford Research Park in Palo Alto. Currently Regional Measure 2 funds are used to pay for all operating expenses. AC Transit manages the service which is operated by a private contractor.

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

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

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 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 2020 Series A Bonds.**

During Fiscal Year 2018, the CDTFA was unable to process some portion of tax returns as a result of problems implementing a new automated tax filing system. For the 1976 sales tax, this resulted in a 0.7% year-over-year decline in reported revenue for Fiscal Year 2018. The unprocessed Fiscal Year 2018 returns were subsequently processed during Fiscal Year 2019 and, possibly in combination with other factors, resulted in a significant 14.7% increase in revenue for Fiscal Year 2019. VTA's other taxes were similarly affected, as were the revenues of other recipients of sales tax revenues across California.

For FY 2020 sales tax revenue declined as a result of the effects of the COVID-19 pandemic. See the Management Discussion and Analysis.

2000 Measure A Sales Tax Revenues

In November of 2000, more than 70% of the voters in the County voting on such ballot measure approved Measure A ("2000 Measure A"), implementing a 30-year, half-cent sales tax that became effective on April 1, 2006 and is scheduled to expire on March 31, 2036 (the "2000 Measure A Sales Tax"). The 2000 Measure A Sales Tax is similar to the 1976 Sales Tax, both in terms of the tax base (County population) 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 2000 Measure A Sales Tax Bond 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 2020 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 10 fiscal years ended June 30, 2020.

Dollars in Thousands

Fiscal Year Ended June 30	1976 Sales Tax Revenues	Rate of Change	2000 Measure A Sales Tax Revenues	Rate of Change	2008 Measure B Sales Tax Revenues(1)	Rate of Change	2016 Measure B Sales Tax Revenues(2)	Rate of Change
2011	$153,602	9.7%	$152,855	9.7%				
2012	166,567	8.4	166,280	8.8				
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	209,827(3)	(11.8)	209,884(3)	(11.8)	50,767(3)	(12.5)	209,323(3)	(11.6)

(1) Collection of 2008 Measure B Sales Tax began FY2018 Q3

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

(3) Preliminary and unaudited

2008 Measure B Sales Tax

In November of 2008, over two-thirds of the voters in the County approved Measure B, implementing a one-eighth of one percent (0.125%) sales tax that became effective July 1, 2012 and continues for 30 years (the "2008 Measure B Sales Tax"), expiring on June 30, 2042. The 2008 Measure B Sales Tax is levied against the same sales tax base as the 1976 Sales Tax, and is dedicated to support the operation and maintenance of the BART to Silicon Valley Project. Collection of the 2008 Measure B Sales Tax is administered by the CDTFA in the same manner as the 1976 Sales Tax. **The 2008 Measure B Sales Tax Revenues do not secure the 2020 Series A Bonds.**

2016 Measure B Sales Tax

In November of 2016, over two-thirds of the voters in the County approved Measure B, implementing a one-half of one percent (0.5%) sales tax that became effective April 1, 2017 and continues for 30 years (the "2016 Measure B Sales Tax"), expiring on March 31, 2047. The 2016 Measure B Sales Tax is levied against the same sales tax base as the 1976 Sales Tax, and will help fund a series of transportation related projects including local streets and roads repair, bicycle/pedestrian improvements, Caltrain grade separations, and Phase II of the BART extension. **The 2016 Measure B Sales Tax Revenues do not secure the 2020 Series A Bonds.**

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 (In thousands)

Fiscal Year Ended June 30	TDA Revenues for Operations Distributed to the Authority
2015	$94,640
2016	98,519
2017	99,402
2018	103,052
2019	109,035

Source: Santa Clara Valley Transportation Authority CAFRs Fiscal Years 2015-2019.

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

The Authority has received STA Revenues each year since Fiscal Year 1980, except for Fiscal Years 2009 and 2010. 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
2015	$13,949,506
2016	13,631,891
2017	9,024,212
2018	21,142,913
2019	45,082,361

Source: Santa Clara Valley Transportation Authority CAFRs Fiscal Years 2015-2019.

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

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

In the meantime, the California Transit Association formed a task force to work on developing a consensus on a follow-up policy bill to address any ambiguities in the current STA statutory and regulatory framework. The result was AB 1113 (Bloom), signed into law by Governor Brown in July, 2017. AB 1113 clarifies (1) who is eligible to receive STA revenue-based funds; (2) what revenue sources may be used to determine a public transit operator's revenue-based share; (3) how an individual operator's revenue-based share is to be calculated; and (4) how RTPAs and MPOs, which serve as the direct recipients of STA population- and revenue-based funds, would sub-allocate these dollars to public transit operators within their respective jurisdictions.

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

Secondly, SB 1 establishes 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 the case of the latter, SB 1 requires public transit agencies to expend their formula shares for activities related to: (1) repairing, maintaining, rehabilitating, or modernizing their existing vehicles or facilities; (2) designing, acquiring or constructing new vehicles or facilities that would improve existing services or allow for the implementation of future planned services; or (3) transit services that complement local efforts to repair and improve local transportation infrastructure.

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. These revenues would continue to be allocated according to existing law, as follows: (1) 44 percent to the State Transportation Improvement Program ("STIP"); (2) 44 percent to cities/counties for local streets/roads; and (3) 12 percent to the SHOPP. The 44-44-12 split occurs after backfilling the State Highway Account for the loss of vehicle weight fee revenues to the General Fund for transportation bond debt service. SB 1 also requires the repayment of $706 million in prior-year loans made to the General Fund from various transportation accounts in three equal installments no later than June 30, 2020.

SB 1 provides $5.4 billion annually in California's transportation systems. As authorized by ACA 5 (Frazier and Newman), Proposition 69 came before the voters on June 5, 2018. Proposition 69 amended the state constitution to dedicate all revenues from vehicle fees, gasoline and diesel taxes raised by SB 1 and other existing transit funding sources, to transportation purposes. The proposition was approved by 81 percent of voters.

On August 8, 2018, the chairs of the state Senate and Assembly Transportation Committees wrote to the California Transit Association ("CTA"), to request the CTA convene a Transportation Development Act Policy Task Force to examine current performance measures for the state's public transportation system. The Transportation Development Act governs the expenditure of STA as well as Local Transportation Fund (LTF) funding. The Task Force met throughout 2019 and continues to work with the Legislature on potential updates to the program's performance standards.

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 and toll revenues 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 and Toll Revenues (In Thousands)
2016	42,918,436	$41,042
2017	38,189,131	38,936
2018	36,555,500	41,137
2019	35,465,604	43,420
2020	27,968,308[2]	34,431[2]

[1] Directly operated services.
[2] Preliminary and unaudited.
Source: Santa Clara Valley Transportation Authority CAFRs Fiscal Years 2016-2019.

Authority Budgeted Revenues and Expenditures

The Authority's budget is prepared biennially. The Adopted Budget for Fiscal Year ending June 30, 2020 and Fiscal Year ending June 30, 2021 (the "Budget") was approved by the Board of Directors on June 6, 2019 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, 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. As a result of the opening of the Phase I BART extension to Berryessa in June 2020, the transit system budget was increased about $16 million to address BART related expenditures purposely excluded until the extension entered revenue service. 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 Year 2020-2021 Biennial Budget, adopted in June 2019, and summarizes the Authority's Adopted Operating and Capital Budget which supports activities related to the Authority's Transit System.

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SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Comparison of Revenues and Expenses

(Dollars in Thousands)

Line	Category	FY18 Actual	FY19 Current Budget[1]	FY19 Actual	FY20 Adopted Budget	FY20 Current Budget[2]	Variance from FY19 Actual	%Var	FY21 Adopted Budget	FY21 Current Budget[2]	Variance from FY20 Current Budget	% Var
1	Fares-Transit	34,511	40,568	35,773	35,371	35,371	(402)	-1.1%	36,426	36,426	1,055	3.0%
2	Fares-Paratransit	2,044	2,723	2,288	2,105	2,105	(183)	-8.0%	2,146	2,146	41	2.0%
3	1976 Half-Cent Sales Tax	207,588	219,650	237,869	225,866	225,866	(12,003)	-5.0%	229,254	229,254	3,388	1.5%
4	TDA	103,052	103,235	109,035	106,157	106,157	(2,878)	-2.6%	107,749	107,749	1,592	1.5%
5	Measure A Sales Tax-Oper. Asst.	43,133	45,577	49,359	46,867	46,867	(2,492)	-5.0%	47,570	47,570	703	1.5%
6	2016 Measure B - Transit OPS	0	14,500	29,000	14,500	14,500	(14,500)	-50.0%	14,500	14,500	0	0.0%
7	STA	21,143	10,300	45,082	40,542	40,542	(4,540)	-10.1%	40,542	40,542	0	0.0%
8	Federal Operating Grants	4,230	3,910	4,403	4,702	4,702	299	6.8%	4,822	4,822	120	2.5%
9	State Operating Grants	2,494	960	2,448	2,224	2,224	(224)	-9.1%	2,224	2,224	0	0.0%
10	Investment Earnings	2,805	4,526	4,980	4,124	4,124	(856)	-17.2%	4,536	4,536	412	10.0%
11	Advertising Income	2,752	2,909	3,521	3,812	3,812	291	8.3%	4,369	4,369	557	14.6%
12	Measure A Repayment Obligation	14,936	15,499	11,384	14,729	14,729	3,344	29.4%	14,665	14,665	(64)	-0.4%
13	Other Income	3,042	2,420	5,518	6,400	6,400	883	16.0%	5,090	5,090	(1,311)	-20.5%
14	**Total Revenue**	**441,731**	**466,777**	**540,660**	**507,399**	**507,399**	**(33,261)**	**-6.6%**	**513,893**	**513,893**	**6,494**	1.3%
15	Labor Costs	324,031	342,621	342,428	341,425	348,861	6,433	1.9%	344,688	360,260	11,399	3.3%
16	Materials & Supplies	33,911	37,447	25,959	32,170	32,170	6,211	23.9%	31,296	31,296	(874)	-2.7%
17	Security	14,853	17,880	14,907	16,517	16,517	1,610	10.8%	16,910	16,910	394	2.4%
18	Professional & Special Services	5,454	7,170	5,390	6,890	6,890	1,500	27.8%	6,769	6,769	(121)	-1.8%
19	Other Services	10,927	11,186	10,641	11,209	11,042	401	3.8%	11,277	11,277	236	2.1%
20	Fuel	9,896	11,832	10,378	10,319	10,319	(59)	-0.6%	10,698	10,698	379	3.7%
21	Traction Power	4,323	6,049	4,472	5,016	5,016	544	12.2%	5,360	5,360	344	6.9%
22	Tires	2,160	2,524	2,526	1,849	1,849	(678)	-26.8%	1,640	1,640	(209)	-11.3%
23	Utilities	3,325	3,712	3,384	3,973	3,973	589	17.4%	4,323	4,323	349	8.8%
24	Insurance	10,404	6,862	6,179	7,487	7,487	1,308	21.2%	7,897	7,897	410	5.5%
25	Data Processing	4,837	4,987	5,303	6,176	6,176	873	16.5%	6,446	6,446	270	4.4%
26	Office Expense	299	412	268	340	340	72	27.0%	337	337	(3)	-0.9%
27	Communications	1,723	1,644	1,774	1,791	1,791	17	0.9%	1,820	1,820	29	1.6%
28	Employee Related Expense	997	1,129	697	1,113	1,113	416	59.7%	1,218	1,218	105	9.5%
29	Leases & Rents	568	904	759	890	890	131	17.3%	879	879	(11)	-1.2%
30	Miscellaneous	929	1,081	1,067	1,117	1,117	50	4.7%	1,125	1,125	8	0.7%
31	Reimbursements	(43,379)	(37,332)	(43,133)	(46,191)	(46,191)	(3,058)	7.1%	(47,859)	(47,859)	(1,668)	3.6%
32	**Subtotal Operating Expense**	**385,258**	**420,106**	**392,998**	**402,090**	**409,358**	**606**	**0.1%**	**404,824**	**420,396**	**11,038**	**2.6%**
33	Paratransit	21,347	26,338	23,706	26,660	26,660	2,954	12.5%	28,099	28,099	1,439	5.4%
34	Caltrain	8,967	10,790	10,790	10,800	10,800	10	0.1%	10,800	10,800	0	0.0%
35	Altamont Corridor Express	5,119	5,307	5,279	5,473	5,473	194	3.7%	5,773	5,773	300	5.5%
36	Highway 17 Express	350	381	350	375	375	25	7.1%	400	400	25	6.7%
37	Monterey-San Jose Express	35	35	35	35	35	0	0.6%	35	35	0	0.0%
38	Contribution to Other Agencies	1,020	1,006	(413)	1,173	1,173	1,587	-383.9%	1,187	1,187	14	1.2%
39	Debt Service	20,404	22,233	17,924	20,821	20,821	2,898	16.2%	20,784	20,784	(38)	-0.2%
40	**Subtotal Other Expense**	**57,242**	**66,090**	**57,670**	**65,337**	**65,337**	**7,667**	**11.7%**	**67,077**	**67,077**	**1,740**	**2.6%**
41	**Operating & Other Expenses**	**442,500**	**486,195**	**450,668**	**467,427**	**474,695**	**8,273**	**1.7%**	**471,901**	**487,473**	**12,778**	**1.7%**
42	Transfer to Capital Reserve	5,000	65,000	65,000	35,000	35,000	(30,000)	-46.2%	35,000	35,000	0	0.0%
43	Contingency	0	2,000	0	3,000	3,000	3,000	N/A	3,000	3,000	0	0.0%
44	**Total Expenses**	**447,500**	**553,195**	**515,668**	**505,427**	**512,695**	**(18,727)**	**-3.7%**	**509,901**	**525,473**	**12,778**	**2.5%**
45	***Surplus/(Deficit) to Reserves***	***(5,769)***	***(86,418)***	***24,992***	***1,972***	***(5,296)***				***(11,580)***		

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

1 Reflects Adopted Budget approved by the Board on June 1, 2017 and augmentation approved on June 6, 2019.

2 Reflects Adopted Budget approved by the Board on June 6, 2019 and augmentation approved on November 7, 2019.

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 through 2040 that offers improvements and manages the existing roadway network with local multimodal investments, an expanded high-occupancy vehicle ("HOV") system, improved interchanges and freeway-to-freeway connector ramps, and freeway upgrades.

The Valley Transportation Plan also includes investments in transit improvements, including the Authority's BART to Silicon Valley Program, consisting of the extension of the BART system to Milpitas, San José, and Santa Clara, a new light rail line that will serve Capitol Expressway, and a transit improvement (Bus Rapid Transit) on the Santa Clara/Alum Rock Corridor where the Authority's highest concentration of transit riders live. The primary source of funding for transit improvements included in the Valley Transportation Plan is the 2000 Measure A Sales Tax. The Authority expects to complete the update of the Valley Transportation Plan in 2021.

Short Range Transportation Plan. As a transit operator, the Authority prepares a Short Range Transit Plan ("SRTP") at the request of MTC. The SRTP is used as documentation to support projects included in the Regional Transportation Plan ("RTP") prepared by MTC. Both the FTA and MTC use the SRTP as the detailed planning justification required for awarding operating and capital grants to the Authority. The Authority's most recent SRTP for the Fiscal Years 2014-2023 was adopted by the Board of Directors in August 2014. The Authority anticipates development of an updated SRTP in 2021. For a current list of capital projects please see the Authority's Fiscal Year 2020-2021 Biennial Budget. Two Capital Improvement Programs are included in the SRTP: the Authority's Core System Capital Improvement Program ("Core CIP") and the 2000 Measure A Program ("Measure A CIP"). For a discussion on the Measure A CIP, refer to the Authority's Short Range Transit Plan, which is available at *http://www.vta.org/srtp*. The information set forth on such website is not incorporated by reference herein. The CIPs are funded by a combination of federal, State, regional and local funding as well as bonds secured by the Authority's sales tax revenues.

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

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

The BART Silicon Valley Project is a planned 16-mile extension of the existing BART system to Milpitas, San José, and Santa Clara, which will be delivered through a phased approach. The Phase I project, also referred to as the Berryessa Extension, is a 10-mile, two-station extension, beginning in Fremont south of the BART Warm Springs/South Fremont Station and proceeding via the former Union

Pacific Railroad right-of-way to the Milpitas Station and then to the Berryessa Station in north San José, which is the terminus of the Phase I project. The cost of the Berryessa Extension was approximately $2.4 billion and included a $900 million federal full funding grant agreement, $350 million in State funding and $1.171 billion from the 2000 Measure A Sales Tax.

VTA is continuing project delivery activities for Phase II of the project that includes an additional 6 miles of track with four stations and an approximately 5.1 mile-long subway tunnel through downtown San José, ending at grade in the city of Santa Clara near the Caltrain Station. In June 2018, the Phase II project received a Record of Decision from the FTA, signifying the completion of the federal environmental process, a necessary step to receive federal funding. In January 2019 the project's General Engineering Consultant contract was awarded to prepare project engineering for award of construction contracts. Construction on the Phase II project will commence after all funding has been secured. In 2020, VTA intends to submit an application to the FTA requesting award of a multi-year Full Funding Grant Agreement (FFGA) through their Expedited Project Delivery pilot program. Receipt of the FFGA would complete the project's funding plan.

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, 2019 – 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, 2019. 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, 2019, see APPENDIX B – "AUDITED FINANCIAL STATEMENTS OF THE SANTA CLARA VALLEY TRANSPORTATION AUTHORITY FOR FISCAL YEAR ENDED JUNE 30, 2019." Totals may not add due to independent rounding.

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SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Statement of Revenues, Expenses and Changes in Fund Net Position
Enterprise Funds
For the Years ended June 30, 2015 through June 30, 2019
(In thousands)

OPERATING REVENUES:	**2015**	**2016**	**2017**	**2018 1**	**2019 1**
Passenger Fares	$ 39,108	$ 37,663	$ 34,783	$ 36,555	$ 38,061
Toll revenues collected	1,157	1,274	1,258	1,297	1,300
Advertising and other	2,789	3,379	3,478	3,649	4,428
Charges for services	-	-	675	933	931
Total Operating Revenues	43,054	42,316	40,194	42,434	44,720
OPERATING EXPENSES:					
Labor cost	286,689	309,510	321,824	347,412	354,799
Materials and supplies	32,407	32,005	38,656	41,623	36,643
Services	28,883	33,447	36,725	39,942	40,214
Utilities	8,316	8,921	8,854	9,373	9,649
Casualty and liability	5,238	4,923	6,901	10,404	6,179
Purchased transportation	19,241	21,477	25,241	23,083	25,483
Leases and rentals	714	919	678	568	759
Miscellaneous	1,735	2,111	1,732	1,966	1,688
Depreciation expense	65,677	62,386	68,539	68,472	72,457
Costs allocated to capital and other programs	(32,441)	(32,039)	(27,641)	(34,047)	(35,929)
Total Operating Expense	416,459	443,660	481,509	508,796	511,942
Operating Income/(Loss)	(373,405)	(401,344)	(441,315)	(466,362)	(467,222)
NON-OPERATING REVENUES (EXPENSES):					
Sales tax revenue	446,374	460,316	467,701	465,250	533,747
Federal operating assistance and other grants	24,553	4,105	4,232	4,230	4,402
Federal subsidy for Build America Bonds	8,715	8,748	8,753	8,784	8,807
State and local operating assistance grants	110,243	114,135	110,959	126,689	156,565
Caltrain subsidy	(8,390)	(8,414)	(8,390)	(8,967)	(10,790)
Capital expense on behalf of, and contribution to other agencies	(61,445)	(53,094)	(86,084)	(61,547)	(35,069)
Altamont Corridor Express subsidy	(3,097)	(3,166)	(3,270)	(3,383)	(3,502)
Investment earnings	9,118	18,493	4,356	5,883	45,619
Interest expense	(15,204)	(11,330)	(15,254)	(15,040)	(20,893)
Other non-operating income	20,371	2,913	5,016	3,235	6,028
Other non-operating expense	(5,734)	(4,177)	(2,928)	(2,990)	(7,482)
Total Non-operating Revenues (Expenses)	525,504	528,529	485,091	522,144	677,432
Income (loss) before capital contributions	152,099	127,185	43,776	55,782	210,210
Capital grants and contributions	277,421	271,057	188,856	137,744	112,076
Transfer in/(out)	-	-	-	-	29,000
Change in net position	429,520	398,242	232,632	193,526	351,286
Net Position, beginning of year	3,737,514	3,978,040	4,376,282	4,608,914	4,844,602
Adjustment to Net Position due to GASB 68 Implementation	(188,994)	-	-	-	-
Adjustment due to GASB 75 Implementation		-	-	42,162	-
Net position, beginning of year, (as restated)	3,737,514	3,978,040	4,376,282	4,651,076	4,844,602
Net Position, end of year	$4,167,034	$4,376,282	$4,608,914	$4,844,602	$5,195,888

Source: Santa Clara Valley Transportation Authority CAFRs Fiscal Years 2015-2019

1 Measure A was not accounted for in the Enterprise Fund after FY 2017, but is included here for comparison purposes only.

Management's Discussion of Financial Results

The Authority has experienced consistent growth for its sales tax revenues subsequent to fiscal year 2009 through fiscal year 2019, with an average compound growth rate of 5.62% per year for the 1976 Sales Tax which exclusively subsidizes transit operations. Between Fiscal Year 2009 and Fiscal Year 2019, Sales tax revenues from the 1976 Sales Tax increased more than 72%. With a combination of solid growth in sales tax and reserve policies adopted following the Great Recession, VTA has ended the six fiscal years, ending with Fiscal Year 2019, with overall revenues exceeding transit operating costs, on a budgetary presentation basis. Audited financial results for Fiscal Year 2020 are not yet available, but it is known that sales tax revenues were significantly reduced as a result of local and state-wide "shelter in place" orders that resulted from the response to the COVID-19 pandemic, and taxable sales in Santa Clara County were significantly lower than budgeted. (see additional COVID discussion below) Based on unaudited data from the California Department of Tax and Fee Administration (CDTFA), Fiscal Year 2020 revenues for VTA's 1976 sales tax were $209.8M,which represents a decline of 11.8% below the prior year actual, and 7.1% below the amount budgeted. Based on current circumstances and economic information, the decline in actual sales tax revenues and anticipated future levels of sales tax revenues are not anticipated to result in any shortfall in meeting debt service obligations for any of VTA's bonds and will not result in any draws on debt service reserves or liquidity facilities.

Offsetting the decline in sales tax funding is approximately $141 million of CARES Act funding received by VTA. The CARES Act funding will offset the funding shortfall through the end of the calendar year and possibly through the end of Fiscal Year 2020. Providing additional financial assurance, VTA has three funded reserves that are described below.

The Authority maintains three Board-designated reserve funds designed to promote long-term financial sustainability: its Operating Reserve Fund, its Transit Sales Tax Stabilization Fund, and its Debt Reduction Fund. Additionally, Authority management designated 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, 2020, the unaudited balance in the Operating Reserve Fund was $75.8 million.

The Transit Sales Tax Stabilization Fund was established in Fiscal Year 2011 as part of the Board's strategies to address budgetary shortfalls following the Great Recession. The Transit Sales Tax Stabilization Fund serves to mitigate the impact of declines in sales tax receipts on the operating budget and reduce any 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% of Operating Assistance revenues from 2000 Measure A, and the quarter-cent State sales tax provided under the Transportation Development Act (TDA). As of June 30, 2020, 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, 2020, the unaudited balance in the Debt Reduction Fund was $61.8 million.

The Authority's SWAP/Lease Collateral Fund reserves against contingent liabilities arising from the Authority's interest rate swaps and leveraged lease arrangements. As of June 30, 2020, the SWAP/Lease Collateral Fund balance was $105.5 million, equal to the liabilities associated with the swaps.

VTA's Transit Fund is responsible for delivery of 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 funds from state sales tax, and a portion of the 2000 Measure A half-cent sales tax provide roughly 75% of the Transit Fund's budgeted revenues for Fiscal Year 2021.

COVID-19

The Authority has been negatively impacted by the economic effects resulting from the response to the COVID-19 pandemic. The COVID-19 pandemic and government responses to the pandemic have negatively affected travel, commerce, investment values, and financial markets globally, and is widely expected to continue to negatively affect economic output worldwide and within the County. The Authority anticipates that such expected decreases in revenue will result in its operating revenue falling below budgeted amounts, resulting in a budget deficit. The Authority has received $141 million of CARES Act funding. CARES Act funding is anticipated to be sufficient to fund the deficit during Fiscal Year 2020-21. To address any deficit, the Authority additionally has available an unaudited Operating Reserve balance of $75.8 million and an unaudited Transit Sales Tax Stabilization Fund balance of $35.0 million.

As part of the state's response, the Governor directed the CDTFA, which is responsible for collection and administration of all sales and use taxes, to allow extensions for filing of tax returns and for payment of taxes for taxpayers impacted by social distancing recommended by state or local officials. The extensions allow a three-month delay in filing returns of $1 million or less. The Authority has been advised that these delays are not likely to have a material impact on revenues.

The Authority currently believes that despite the negative effects of the COVID-19 pandemic on the amounts and timing of sales tax revenue receipts, based on currently available information, there will be sufficient sales tax revenues to pay debt service on all of the Authority's outstanding Sales Tax Revenue Bonds.

Section 218 Agreement

Since VTA's inception in the 1990's and the Santa Clara County Transit District's (its predecessor) creation in the 1970's, VTA's and the Santa Clara County Transit District's employees have continuously participated in social security. In addition, VTA also provides its employees with a qualifying retirement plan (i.e., CalPERS, VTA/ATU Pension Plan). If a state or local government provides its employees with a qualifying retirement system, and if the state or local government still wants employment with VTA to count towards its employees' social security benefits, then a Section 218 Agreement is necessary. A Section 218 Agreement is an agreement between a state or local government and the Social Security Administration (SSA) that provides for social security participation and coverage for the employees of the state or local government who participate in a retirement plan. If an employee is covered by a qualifying retirement system and contributes to social security without a Section 218 Agreement in place between the employer and SSA, that employee's service is not considered covered by Social Security, and social security benefits cannot be collected based on that service.

Issues related to Section 218 Agreements are handled by the SSA and the IRS. To address such issues with local government agencies, the federal government has appointed state social security administrators to monitor and enforce compliance. In California, CalPERS has been appointed by the SSA as the state social security administrator for California. CalPERS notified VTA that it identified a compliance issue whereby VTA provides a qualifying retirement system for its employees, VTA withholds social security from its employees, but VTA has no Section 218 Agreement in place. Also, the Santa Clara County Transit District did not enter into a Section 218 Agreement when it was formed in the 1970s.

VTA has completed its review and analysis of the issues and is in the process of finalizing an action plan for implementation, in coordination with CalPERS, to remedy this error. VTA is confident that its action plan once implemented, would result in continued social security benefit coverage for most, if not all, of its past and current employees. Despite that, it is conceivable that claims could be filed against VTA for failing to have a Section 218 Agreement in place with the SSA. Potential claimants include current and past employees of VTA, spouses and/or named beneficiaries who may lose their eligibility for social security benefits, and it is unclear at the present time what liability, if any, VTA might be subject to from the loss of social security benefits.

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, 2020
Sales Tax Revenue Refunding Bonds, 2018 Series A	$103,215,000	$86,495,000
Sales Tax Revenue Refunding Bonds, 2017 Series B	27,760,000	22,215,000
Sales Tax Revenue Refunding Bonds, 2017 Series A	10,030,000	2,612,000

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

	Original Principal Amount	Principal Amount Outstanding as of June 30, 2020
Sales Tax Revenue Bonds, 2015 Series A and B	$ 89,980,000	$80,325,000
Sales Tax Revenue Bonds, 2010 Series A and 2010 Series B	645,890,000	469,730,000
Sales Tax Revenue Refunding Bonds, 2008 Series A, Series B, Series C and Series D(1)	236,730,000	235,875,000

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

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

Under the Leases, the Authority is required to make annual rental payments to the special purpose trusts. All payments with respect to the Leases have been made in full and on a timely basis. The Authority also has a purchase option at the end of each Lease term. The funding for those rental payments and the purchase options, if exercised, derives from various payment agreements with certain financial institutions ("payment undertakers") where amounts were invested at the lease closing, 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, 2019 – Note 19."

Litigation

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

Cyber Security and Cyber Risk Management

In 2017 VTA upgraded its Cyber security strategy, Data Security policy and developed a more comprehensive Cyber security program. In early 2018 VTA hired a certified Cyber security engineer to lead its Cyber security deployment, Cyber policy enhancement, developed a new 2019 Cyber Security plan, Cyber training, circulate VTA Cyber Security Bulletins, and to distribute VTA's Help Desk Cyber report every third week advising employees on Cyber Security topics. VTA's Cyber Security engineer is further responsible for the New Employee Cyber Security training as part of staff orientation. VTA has partnered with local law enforcement, New York MTA's Cyber security program, Orange County Transit Authority Cyber team, and is a member of the Cyber Security Transit council to help in developing a new transportation focused Cyber security architecture. The upgraded security architecture does device endpoint detection, data protection, active detection response, e-policies, cloud access security, server security, intrusion prevention, global threat intelligence to name a few. In addition to these new tools and processes, VTA's Cyber security program addresses user training, phishing audits, active threat scanning / anti-malware solutions, and logging.

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

Investments and Investment Policy

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

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

Transit Union Pension Funds and the Authority Retirees' Other Post-Employment Benefits Trust) and investment activities under the direction of the Authority.

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

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

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

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

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

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

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

Pension and Retirement Plans

Santa Clara Valley Transportation Authority Amalgamated Transit Union, Local 265 Pension Plan. All ATU employees are covered by the Santa Clara Valley Transportation Authority Amalgamated Transit Union, Local 265 Pension Plan ("ATU Plan"). The ATU Plan is a contributory single-employer defined benefit pension plan. The ATU Plan provides retirement, disability, and death benefits based on the employees' years of service, age, and final compensation. As of January 1, 2020, there were 3,285 members of the ATU Plan. Employees with ten (10) or more years of eligibility service are entitled to full annual pension benefits beginning at age 65. Employees with less than ten (10) but more than five (5) years of eligibility service are entitled to a reduced annual benefit at age 65 provided that the Board of Pensions approves such benefit. Employees with fifteen (15) or more years of eligibility service are entitled to full annual pension benefits beginning at age 55. The ATU Plan permits early retirement if an employee becomes disabled after ten (10) or more years of eligibility service, and deferred vested retirement upon employee termination after ten (10) or more years of eligibility service, with benefits payable at age 65. Employees may elect to receive their benefits, excluding disability and deferred vested, in the form of a joint or survivor annuity. These benefit provisions and all other requirements are established by State statute and the labor agreement with the ATU. For employees hired on or after January 1, 2016, benefit provisions and all other requirements are established by the California Public Employees' Pension Reform Act of 2013 ("PEPRA").

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

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

The following actuarial methods and assumptions are based on a report dated April 2020.

Actuarial Methods and Assumptions:

Description	**Methods/Assumptions**
Valuation Date	January 1, 2020
Actuarial cost method	Individual Entry Age Normal to Final Decrement
Amortization method	Level dollar open
Remaining amortization period	Rolling 20-year
Asset Valuation Method	Market value adjusted to reflect investment earnings greater than (or less than) the assumed rate over a five-year period.
Actuarial Assumptions	
Investment Rate of Return	7.00%
Projected Salary Increases	3.00% depending on service (includes inflation at CPI rate of 2.75%)
Consumer Price Index ("CPI")	2.75% per year
Costs of living adjustments	None

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

ATU Plan investment guidelines are set forth below:

Asset Allocation	Range	Actual[1]	Target
Domestic Large-Cap Equities	12-32%	22%	22%
Domestic Small/Mid-Cap Equities	5-15%	8%	10%
Non-US Developed Large Cap Equities	5-15%	10%	10%
Non-US Small/Mid Cap Equities	0-6%	3%	3%
Int'l Equity Emerging Markets	0-10%	5%	5%
US Core Real Estate	5-15%	10%	5%
Private Real-Estate Lending	0-10%	4%	5%
Diversified Real Assets	0-10%	5%	5%
Domestic Fixed Income	15-30%	23%	19%
Private Credit	0-10%	1%	6%
Absolute Return	4-14%	8%	9%
Cash	0-05%	1%	1%

(1) As of July 31, 2020.

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, 2020 resulted in an decrease in the Authority's contributions to $28.8 million, or 21.76% as a percentage of covered payroll. The Authority pre-funded its Fiscal Year 2020 contribution to the ATU Pension plan at $28.8 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
12/31/10	368,134,113	474,252,147	118,636,425	76	97,569,124	122
12/31/11	373,170,465	517,200,475	144,030,010	72	100,376,441	143
12/31/12	386,347,400	543,942,719	157,595,319	71	102,040,657	154
12/31/13	426,675,205	572,244,808	145,569,603	75	110,682,869	132
12/31/14	464,966,165	600,568,463	135,602,298	77	118,270,653	115
12/31/15	489,759,064	638,565,651	148,806,587	77	128,815,705	116
12/31/16	516,591,148	685,588,515	168,997,367	75	131,640,230	128
12/31/17	549,414,479	742,631,681	193,217,202	74	142,572,313	136
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	78	134,900,811	140

Source: The Authority.

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

Actuarial Valuation Date	Market Value of Assets	Actuarial Accrued Liability	MVA - UAAL	MVA – UAAL Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/10	361,181,295	474,252,147	113,070,852	76	97,569,124	116
12/31/11	356,289,950	517,200,475	160,910,525	69	100,376,441	160
12/31/12	401,661,601	543,942,719	142,281,118	74	102,040,657	139
12/31/13	459,423,208	572,244,808	112,821,600	80	110,682,869	102
12/31/14	483,457,612	600,568,463	135,602,298	80	118,270,653	115
12/31/15	471,900,016	638,565,651	148,806,587	74	128,815,705	116
12/31/16	501,850,792	685,588,515	168,997,367	73	131,640,230	128
12/31/17	564,373,813	742,631,681	178,257,868	76	142,572,313	125
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	70	134,900,811	128

Source: The Authority.

Based on the Authority's Comprehensive Annual 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
6/30/11	17,807,000	100
6/30/12	19,148,000	100
6/30/13	24,412,835	100
6/30/14	25,787,000	100
6/30/15	25,590,000	100
6/30/16	25,751,000	100
6/30/17	27,385,000	100
6/30/18	32,313,039	100
6/30/19	30,583,847	100
6/30/20	28,798,368	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, 2020, was 76.0%. This estimate is based on pay and years of service of all covered employees and uses the actuarial methods and assumptions above.

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

CalPERS is an agent multiple employer defined benefit retirement plan that acts as a common investment and administrative agent for various local and state governmental agencies within California. CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Employees vest after five (5) years of service and may receive retirement benefits at age 50 or age 52 for New Members with statutorily reduced benefits. These benefit provisions and all other requirements are established by state statute and Authority resolutions. The Authority contracts with CalPERS to administer these benefits. The actuarial methods and assumptions are based on a valuation report dated July 2020, for data as of June 30, 2019.

Actuarial Methods and Assumptions:

Description	**Methods/Assumptions**
Valuation Date	June 30, 2018
Actuarial cost method	Entry Age - Normal
Amortization method	Level percent of Payroll
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Discount Rate	7.00% (as of June 30, 2019, net of administrative expense; includes inflation)
Projected Salary Increases	Varies by entry age and service
Inflation	2.50%
Payroll Growth (June 30, 2019)	2.75%

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

The required employer contribution rate is 25.03% of payroll for the Fiscal Year ending June 30, 2022. 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 PEPRA (employees hired after 1/1/2013) contribute 7.25% percent effective 7/1/2020 as determined by CalPERS.

Employees hired on or after January 1, 2013 contribute 7.25% of wages up to the social security wage limit of $126,291 in 2020.

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, 2022, the Authority's estimated annual CalPERS pension cost was $18.6 million.

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

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liabilities	UAAL	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
6/30/09	$203,338,247	$238,083,095	$34,744,848	85	$54,589,177	64
6/30/10	217,334,996	252,655,448	35,320,452	86	53,230,543	66
6/30/11	233,515,530	274,924,477	41,408,947	85	51,626,152	80
6/30/12	248,962,798	295,109,856	46,147,058	84	53,949,689	86
6/30/13	236,908,826	317,711,068	80,802,242	75	52,712,593	153
6/30/14	277,805,292	354,975,715	77,170,423	78	54,294,000	142
6/30/15	282,947,012	375,918,847	92,971,835	75	60,375,000	154
6/30/16	282,534,706	401,463,904	118,929,198	70	61,209,000	194
6/30/17	282,947,012	432,505,147	92,971,835	75	68,280,618	154
6/30/18	282,534,706	473,958,599	118,929,198	70	68,781,115	194

Source: The Authority.
(1) Data as of June 30, 2018 from CalPERS Annual Valuation Report dated July 2019. CalPERS did not provide values for June 30, 2019.

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
6/30/10	$170,928,494	$252,655,448	$81,726,954	68	$53,230,543	154
6/30/11	208,802,014	274,924,477	66,122,463	76	51,626,152	128
6/30/12	209,208,442	295,109,856	85,901,414	71	53,949,689	159
6/30/13	236,908,826	317,711,068	80,802,242	75	52,712,593	153
6/30/14	277,805,292	354,975,715	77,170,423	78	58,616,218	153
6/30/15	282,947,012	375,918,847	92,971,835	75	59,426,664	156
6/30/16	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	73	68,280,618	175
6/30/18	337,872,185	473,958,599	136,086,414	71	68,781,115	197
6/30/19	357,517,079	498,282,924	140,765,845	72	68,522,835	205

Source: The Authority.
Data as of June 30, 2019 from CalPERS Annual Valuation Report dated July 2020.

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

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed
6/30/12	$ 7,159,000	100
6/30/13	7,497,000	100
6/30/14	8,845,000	100
6/30/15	8,965,000	100
6/30/16	10,567,000	100
6/30/17	11,516,000	100
6/30/18	12,208,014	100
6/30/19	13,572,053	100
6/30/20	17,519,527	100
6/30/21	18,605,068	100

Source: The Authority.

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

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

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

GASB Statement 68. In June 2012, the Governmental Accounting Standards Board ("GASB") issued Statement 68: Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27 ("Statement 68"). Statement 68 applies to both ATU and non-ATU plans and requires, commencing for the Fiscal Year ending June 30, 2015, that the net pension liability for both plans be reflected on the balance sheet of the Authority. As a result of Statement 68, the Authority recorded a net pension liability on its balance sheet as of Fiscal Year 2019 of approximately $330 million ($189 million for the ATU Plan and $141 million for CalPERS).

California Public Employees' Pension Reform Act of 2013. The Governor signed the California Public Employee's Pension Reform Act of 2013 (the "PEPRA") into law on September 12, 2012. PEPRA affects 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.

Several unions representing certain public transit employees in the State have asserted to the U.S. Department of Labor ("DOL") that PEPRA is inconsistent with the collective bargaining provisions described under the former Section 13(c), now Section 5333(b) of the Urban Mass Transportation Act. Section 5333 requires that employee protective arrangements must be certified by the DOL as being compliant with Section 5333 before Federal transit funds can be released to a mass transit provider. In response to the unions' assertions, the California Legislature passed Assembly Bill 1222 in September 2013. This Bill temporarily exempted transit workers from PEPRA so California transit agencies could continue to receive federal grants while the United States District Court for the Eastern District of California (the "District Court") in *State of California et al. v. United States Department of Labor et al.* (Civ. No. 2:13-cv-2069 KJM DAD) considered the matter. Assembly Bill 1783, approved by the Governor on September 28, 2014, which took effect immediately as an urgency statute, extended the PEPRA exemption for transit workers until January 1, 2016. On December 30, 2014, the District Court found that DOL acted in violation of the federal Administrative Procedures Act in its application of Section 5333(b) to PEPRA. Thus, PEPRA now applies to employees of public transit systems otherwise subject to Section 5333. The Authority cannot predict whether DOL will appeal the District Court's decision or the final outcome of this litigation.

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.

Retiree Health Care Program. Employees who retire directly from the Authority are eligible for retiree health benefits if they meet certain requirements relating to age and service. For ATU retirees, VTA provides an ATU Retiree Health Care Program (the ATU Program), a post-employment benefit, in accordance with the agreement between VTA and the ATU, to all Classic ATU represented employees who retire from VTA on or after attaining the age of 55 with at least 15 years of eligibility service, or age 65 with 10 years of eligibility service, or upon Board of Pensions' approval age 65 with 5 years of eligibility service, or if an employee becomes disabled and has completed at least 10 years of eligibility service and to all New ATU represented employees who retire from VTA under PEPRA and its mandated provisions. ATU retirees can select from retiree health plans offered under the CalPERS program. For ATU retirees living in California: VTA will contribute up to $100 per month above the Kaiser 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 June 30, 2019, 1,240 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, $139 and $143/per month in 2020and 2021, respectively.

Non-ATU employees who retire directly from VTA on or after attaining the age of 50 years (Classic members) or 52 years (New members) with at least 5 years of CalPERS service are also covered under a Retiree Health Care Program (the administrative retiree program). Non-ATU retirees can select from retiree health plans offered under the CalPERS program. For Non-ATU retirees living in California: VTA will contribute up to the Kaiser Bay Area Employee Only rate. Non-ATU retirees pay any premium in excess of the CalPERS Kaiser Bay Area Employee Only rate. For Non-ATU retirees living outside of California: VTA will contribute up to the Kaiser Out of State Single Party rate. Non-ATU retirees pay any premium in excess of the CalPERS Kaiser Out of State Single Party rate. Non-ATU retirees who are eligible for Medicare are reimbursed for the Medicare Part B premium, excluding penalties/late enrollment fees. As of June 30, 2019, 575 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, 2019, the most recent actuarial valuation date, the plan was 130% funded. The actuarial accrued liability was $258.2 million and the market value of assets was $330.6 million with $72.4 million in an overfunded actuarial accrued liability. The covered payroll was $181.8 million which resulted in a 40% overfunded actuarial accrued liability as a percent of covered payroll.

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

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APPENDIX B

AUDITED FINANCIAL STATEMENTS OF THE AUTHORITY FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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Santa Clara Valley Transportation Authority

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2019

Santa Clara County, California

Santa Clara Valley Transportation Authority

Solutions that move you

Berryessa BART Station and Parking Garage

Milpitas BART Station and Parking Garage

Groundbreaking event – Mathilda Avenue Improvements Project

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

SANTA CLARA VALLEY
TRANSPORTATION AUTHORITY

SAN JOSE, CALIFORNIA

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

Prepared by:
Finance and Administration

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SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Comprehensive Annual Financial Report
For the Year Ended June 30, 2019

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SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Comprehensive Annual Financial Report
For the Year Ended June 30, 2019

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SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Comprehensive Annual Financial Report
For the Year Ended June 30, 2019

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Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Santa Clara Valley Transportation Authority California

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2018

Christopher P. Morrill

Executive Director/CEO

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INTRODUCTORY SECTION

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LETTER OF TRANSMITTAL

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October 28, 2019

Board of Directors
Santa Clara Valley Transportation Authority

Subject: Comprehensive Annual Financial Report

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

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

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

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

PROFILE OF THE GOVERNMENT

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

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

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

ECONOMIC ENVIRONMENT

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

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

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

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

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[1]United States Census Bureau. July 2018.
[2]Fortune 500. March 2019.
[3]George Avalos, "Bay Area Powers to Big Job Gains". San Jose Mercury News. March 2019.
[4]Bay Area News Group. "Bay Area job market extends winning streak, climbs to record highs". June 2019.
[5]Ibid.
[6]Bay Area News. "California Jobless Rate Hits Record Low". January 2018.

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

California's seasonally adjusted unemployment rate held steady at a low of 4.2% in June 2019.[8] This is the lowest on record in a data series stretching back to 1976 when the state started tracking data consistently.[9] Although the State has addressed long-standing problems, such as restoring fiscal health to its retirement benefit plans and making capital improvements, it has built a strong fiscal foundation by paying down liabilities and maintaining reserves that will help manage the effect of an economic downturn. With growing uncertainties related to the global political and economic climate, federal policies, rising costs, and the length of the current economic expansion, the State understands that it requires prudence and constant vigilance to maintain structural balance in each budget year over the forecast period.[10]

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

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

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

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

[9] Bureau of Labor Statistics Data, July 2019.

[10] 2019-20 Revised California Budget. May 2019.

ENTERPRISE NET POSITION OVERVIEW

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

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

[a]Based on the actuarial report which provides that total Net OPEB Asset (less deferrals) was $66.8 million.

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

SIGNIFICANT FINANCIAL POLICIES

Long-Range Planning

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

Biennial Budget and Budgetary Controls

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

Proprietary Funds	Governmental Funds
● VTA Transit	● Congestion Management Program
● BART Operating	● 2016 Measure B Program
● Joint Development	● 2000 Measure A Program
● Express Lanes	● Congestion Management and Highway Program

Internal Control

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

Reserves

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

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

Financial Stability Policy

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

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

MAJOR INITIATIVE

VTA's BART Silicon Valley Project

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

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

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

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

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

AWARDS AND ACKNOWLEDGEMENTS

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

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

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

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

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

Nuria I. Fernandez
General Manager/CEO

Raj Srinath
Deputy General Manager/CFO

2019 VTA BOARD OF DIRECTORS

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

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

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

BOARD OF DTRECTORS
June 2019
Teresa O'Neill, Chairperson
Cindy Chavez, Vice Chairperson

GROUP 1 (San Jose)
City of San Jose
Magdalena Carrasco
Charles "Chappie" Jones
Lan Diep
Sam Liccardo*
Raul Peralez
Devora "Dev" Davis, Alternate

GROUP 2 (North West)
City of Los Altos
Town of Los Altos Hills
City of Mountain View - John McAlister
City of Palo Alto - Adrian Fine, Alternate

GROUP 3 (West Valley)
City of Campbell
City of Cupertino - Rob Rennie
Town of Los Gatos
City of Monte Sereno
City of Saratoga - Howard Miller, Alternate

GROUP 4 (South County)
City of Gilroy - Marie Blankley, Altenate
City of Morgan - Hill Larry Carr

GROUP 5 (North East)
City of Santa Clara - Teresa O'Neill
City of Sunnyvale - Glenn Hendricks, Alternate
City of Milpitas - Rich Tran

GROUP 6 (Santa Clara County)
County of Santa Clara - Cindy Chavez
Dave Cortese
Susan Ellenberg, Alternate

Ex-Officio*
Metropolitan Transportation - Jeannie Bruins
Commission (MTC) Commissioners
representing Santa Clara County,
Cities of Santa Clara County,
and City of San Jose

**These individuals also serve on the MTC.*

VTA BOARD OF DIRECTORS' STANDING COMMITTEES

1. **Administration and Finance Committee (A & F)** reviews and recommends policies pertaining to the general administration and financial management of VTA, including administrative policies and procedures, legislative affairs, human resources, budget and financing, and fiscal issues.

2. **Governance & Audit Committee** reviews and recommends policy decisions required to fulfill the Board's oversight responsibilities for: (1) the integrity of VTA financial statements, (2) compliance with legal and regulatory requirements, and (3) assuring an effective system of internal management and financial controls. It reviews and recommends policy decisions pertaining to Board and organizational goal setting and prioritization, strategic initiative framework development, budget development, and Board and committee processes. It also oversees the activities of the auditor general, the internal audit function, and the public accounting firm that conducts VTA's financial audit.

3. **Congestion Management Program and Planning Committee (CMPP)** reviews and recommends policies related to the Congestion Management Agency and the countywide transportation plan, including the integration of transportation, land-use and air-quality planning.

4. **Safety, Security, and Transit Planning and Operations Committee (SSTPO)** reviews and recommends policies related to system safety and security planning, monitoring and reporting, transit planning, transit capital projects, transit operations, and marketing.

5. **Capital Program Committee (CPC)** reviews and recommends policies related to the activities and imminent issues of VTA capital projects with major resource, multi-jurisdictional coordination, public perception and/or community impact factors. The CPC provides focused oversight to promote the efficient delivery of quality major transportation projects safety, on time, within scope and budget, while minimizing community impact.

VTA BOARD OF DIRECTORS' ADVISORY COMMITTEES

1. **Committee for Transportation Mobility & Accessibility (CTMA)** provides advice to the VTA Board and staff on bus and rail system accessibility issues, as well as on paratransit service. Many of these issues are related to VTA's efforts to comply with the federal Americans with Disabilities Act (ADA). It consists of 17 voting members comprised of individuals from the disabled community and representatives from human services agencies, as well as two ex-officio, non-voting members, one each representing VTA's paratransit service provider and the VTA Board of Directors.

2. **Citizens Advisory Committee (CAC) / 2000 Measure A Citizens Watchdog Committee (CWC)** is a 13-voting member committee representing the residents of Santa Clara County. Members are appointed to represent stakeholder groups from two broad categories: a) Community & Societal Interests; and b) Business & Labor. The CAC advises the Board and VTA administration on issues impacting the communities and organizations they represent. It ***also serves as the independent Citizens Watchdog Committee*** for the 2000 Measure A Transit Improvement Program, and as the 2008 Measure D ballot-specified advisory body that reviews and comments on VTA's comprehensive transit program as part of the countywide transportation plan.

3. **Bicycle and Pedestrian Advisory Committee (BPAC)** consists of 16 voting members comprised of one member appointed by each of the 15 cities within Santa Clara County and one member appointed by the County of Santa Clara. In addition, the Silicon Valley Bicycle Coalition appoints one ex-officio, non-voting representative. The BPAC advises the VTA Board of Directors on planning and funding issues related to bicycle and pedestrian mobility and access. The BPAC also serves as the bicycle and pedestrian advisory committee for the County of Santa Clara.

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

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

VTA BOARD OF DIRECTORS' POLICY ADVISORY BOARDS

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

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

VTA BOARD OF DIRECTORS' OVERSIGHT COMMITTEE

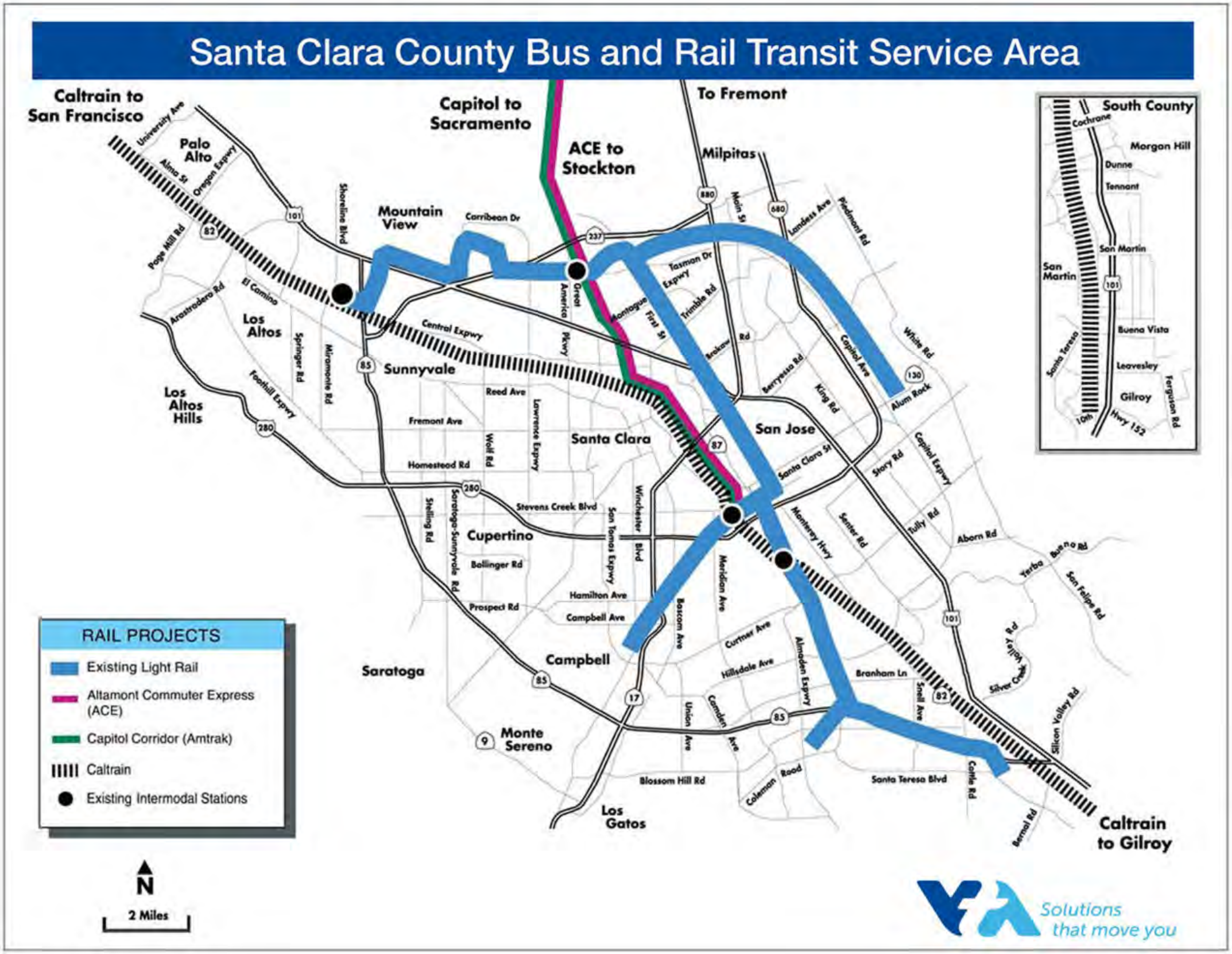
2016 Measure B Citizens' Oversight Committee (2016 MBCOC) - In accordance with the 2016 Measure B ballot, the 2016 MBCOC was established to perform the specific duties defined in the ballot. The 8-member committee is comprised of individuals with relevant expertise and experience necessary to assist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

Santa Clara Valley Transportation Authority

As of June 30, 2019

Principal Officials as of June 30, 2019

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


Santa Clara County Bus and Rail Transit Service Area
RAIL PROJECTS
Existing Light Rail
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Capitol Corridor (Amtrak)
Caltrain
Existing Intermodal Stations
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ACE to Stockton
To Fremont
Caltrain to Gilroy
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Morgan Hill
San Martin
Gilroy
Palo Alto
Mountain View
Los Altos
Los Altos Hills
Sunnyvale
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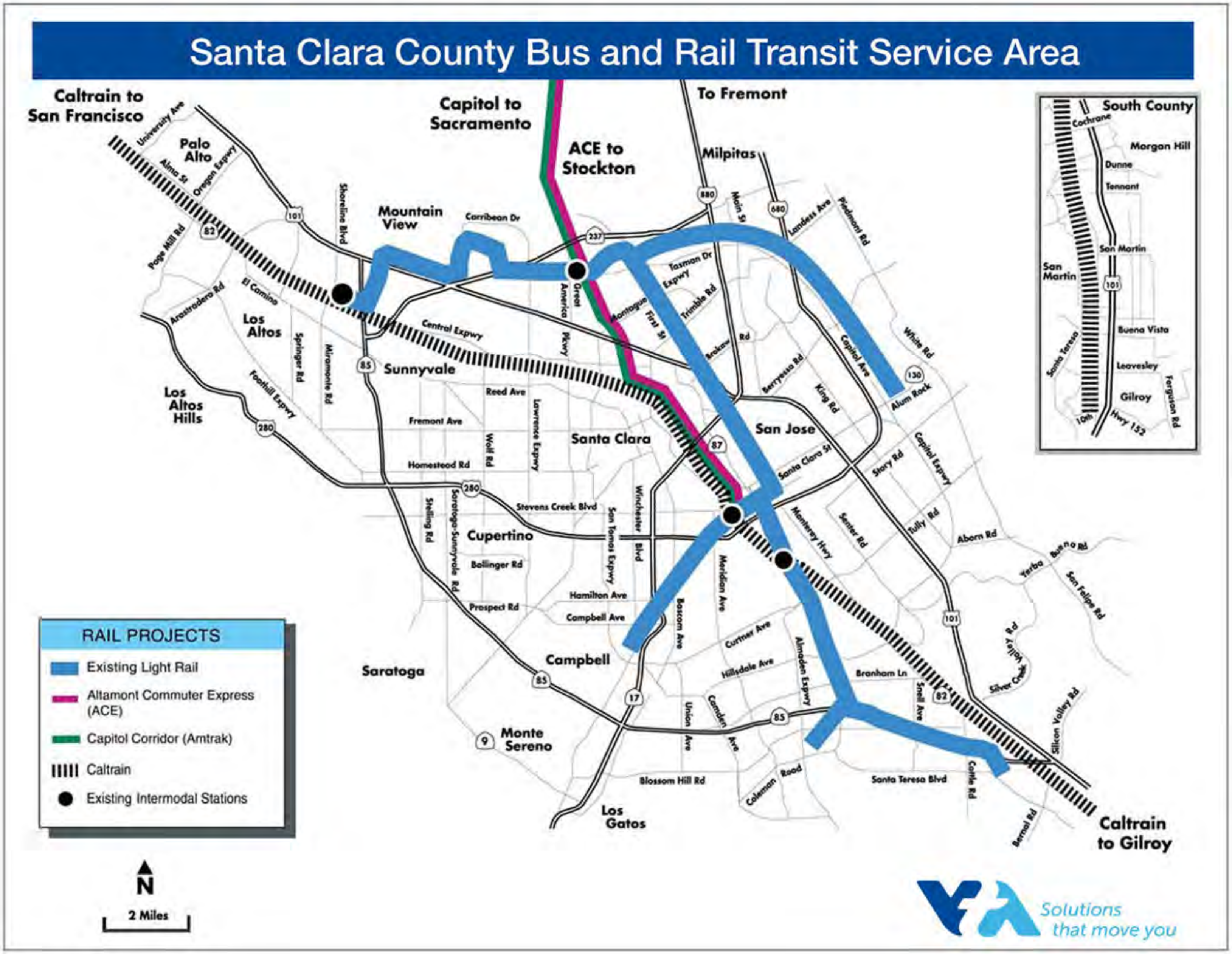
Santa Clara County Bus and Rail Transit Service Area
Caltrain to San Francisco
Capitol to Sacramento
ACE to Stockton
To Fremont
Milpitas
Palo Alto
Mountain View
Los Altos
Los Altos Hills
Sunnyvale
Santa Clara
San Jose
Cupertino
Saratoga
Campbell
Monte Sereno
Los Gatos
Caltrain to Gilroy
University Ave
Alma St
Oregon Expwy
Page Mill Rd
Arastradero Rd
El Camino
Foothill Expwy
Springer Rd
Miramonte Rd
Shoreline Blvd
Carribean Dr
Central Expwy
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Fremont Ave
Homestead Rd
Wolf Rd
Lawrence Expwy
Great America Pkwy
Montague
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Aborn Rd
Yerba Bueno Rd
San Felipe Rd
Villa Rd
Silver Creek Valley Rd
Silicon Valley Rd
Stevens Creek Blvd
San Tomas Expwy
Winchester Blvd
Stelling Rd
Saratoga-Sunnyvale Rd
Bollinger Rd
Prospect Rd
Hamilton Ave
Campbell Ave
Bascom Ave
Meridian Ave
Curtner Ave
Hillsdale Ave
Almaden Expwy
Branham Ln
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Union Ave
Camden Ave
Blossom Hill Rd
Coleman Road
Santa Teresa Blvd
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Morgan Hill
Dunne
Tennant
San Martin
Buena Vista
Santa Teresa
Leavesley
Gilroy
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Ferguson Rd
RAIL PROJECTS
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Capitol Corridor (Amtrak)
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FINANCIAL SECTION

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

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INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules of changes in net pension liability and related ratios, pension schedules of employer contributions, schedule of changes in net other postemployment benefits liability and related ratios, schedule of other postemployment benefits contributions and the special revenue budgetary comparison information as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise VTA's basic financial statements. The enterprise, special revenues and fiduciary fund supplementary information, the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Report on Summarized Comparative Information

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

Other Reporting Required by *Government Auditing Standards*

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

Eide Bailly LLP

Palo Alto, California
October 28, 2019

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MANAGEMENT'S DISCUSSION AND ANALYSIS
(Required Supplementary Information)

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Management's Discussion and Analysis

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

Financial Highlights

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

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Condensed Statement of Activities

For the FY 2019 and FY 2018

(In thousands)

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

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

- The increase in operating grants of $30.0 million was due to the increase in State Transit Assistance (STA) of $23.9 million and Transportation Development Act (TDA) of $6.0 million. The STA increase was a result of receipt of State of Good Repair funds and the passage of Senate Bill 1, augmenting funding through an increase of the diesel sales tax rate. The increase in TDA was consistent with the incremental change in sales tax.

- Sales Tax Revenue increased $38.5 million. Aside from the improved economic conditions, the increase in FY 2019 is partly due to the distribution of sales tax allocations pertaining to previous year. In FY2018 VTA did not accrue any sales tax revenues in addition to the sales tax revenues it received for FY2018 despite California Department of Tax and Fee Administration's admission that incomplete sales tax returns were processed in FY 2018 due to lack of measurable supported data then.

- Investment Earnings increased $23.8 million associated with interest income, unrealized gains/losses, and trading gains/losses. The increase was largely a result of mark-to-market gains on investments due to a decline in interest rates.

- The Transfers-in increase of $47.2 million consisted primarily of $29.0 million associated with 2016 Measure B operating assistance. FY 2019 is the first year of recognition of this operating assistance due to a favorable settlement of a legal challenge on the Measure. Transfers-in also includes fund capital acquisitions from the 2000 Measure A fund, 2000 Measure A Operating Assistance, and the 2000 Measure A Repayment Obligation.

- Increase in program expenses relate to capital contributions to other agencies, interest expense, and other charges. Capital contributions to other agencies increased by $16.5 million mainly as a result of increased expenses incurred by the Express Lanes Fund for the Express Lanes project. Interest expense also recorded a one-time fee for the termination of the three swap agreements relating to the 2008 bonds secured by the 1976 Sales Tax . Other expenses represent loss on disposal of assets for transfer of vehicles to another transportation partner. Although there was an effort to actively manage vacancies during the year, labor cost reported an increase in fringe benefits due to the recognition of additional expenses to fully fund the compensated absences liability.

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

- The 2000 Measure A Special Revenue Fund is used to account for the 2000 Measure A Transit Improvement Program (TIP). In an election, voters of County of Santa Clara approved funding through a half-cent sales tax requiring that sales tax revenues be expended on projects included in the scope of 2000 Measure A. The increase in the fund's net position was largely due to growth in sales tax revenue of $30.0 million and investment income from mark-to-market gains.

- The 2016 Measure B Program Special Revenue Fund was created, upon approval of the Santa Clara County voters in November 2016, to record a 30-year half cent county-wide sales tax transactions in support of enhancing transit, highways, expressway and active transportation (bicycles, pedestrians and streets). The collection of the sales tax started in April 2017. The increase in net position was primarily attributable to recognition of sales tax revenue collected and related interest from inception to June 30, 2019.

- The Congestion Management Program (CMP) Special Revenue Fund relates to Congestion Management Agency functions performed by VTA for Santa Clara County. The change in net position relates to eligible activities funded by the Surface Transportation Program grant, member assessments, and various federal, state, and local grants. The change in fund balance was an increase of $0.8 million.

- The Congestion Management and Highway Program (CMHP) experienced a growth of $25.5 million in grant revenues and capital expenditures. This was a result of increased activities related to the SR 237 Express Lanes Extension project. New Senate Bill 1 (SB1) grant funding was obtained and increased contributions from the Express Lanes were received. The SB1 grant also funded the RT 237/RT 101 Mathilda Interchange during the year.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Capital Assets and Debt Administration

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

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

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

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

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

Outstanding Debt
(In thousands)

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

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

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

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

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

Requests for Information

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

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BASIC FINANCIAL STATEMENTS

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

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

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Statement of Activities

June 30, 2019

(In thousands)

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

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Statement of Fund Net Position

Proprietary Funds

June 30, 2019

(In thousands)

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

(continued on next page)

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Statement of Fund Net Position *(continued)*
Proprietary Funds
June 30, 2019
(In thousands)

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

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

Net Position of Enterprise Funds	$ 5,588,515
Net Position of Internal Service Funds, which benefits Business-Type Activities	—
Net Position of Business-Type Activities (Page 2-19)	$ 5,588,515

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

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

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

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

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

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

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Statement of Cash Flows
Proprietary Funds *(continued)*
For the year ended June 30, 2019
(In thousands)

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

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

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

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

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

Total governmental fund balance (page 2-26)		$ 922,511
Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore, are not reported in the fund:		
Long-term debt	(838,218)	
Derivative instruments	(74,381)	
Deferred inflows of resources related to refunding costs	(3,279)	
Deferred outflows of resources related to derivative instruments	74,381	
Deferred outflows of resources related to refunding costs	3,609	(837,888)
Interest payable on bonds outstanding is not due and payable in the current period, and therefore, is not reported in the funds		(10,276)
Net position of government activities (page 2-19)		$ 74,347

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

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

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

Amounts reported for governmental activities in the statement of activities (page 2-20) are different because:		
Net change in fund balances - total governmental funds (page 2-27)		$ 470,021
Repayment of debt service is an expenditure in the governmental funds, but reduces the long-term liabilities		30,575
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore, are not reported as expenditure in the governmental funds		
Amortization of bond premium	1,555	
Amortization of gain on refunding debt	196	
Amortization of loss on refunding debt	(212)	
Change in accrued interest payable	373	1,912
Change in net position of governmental activities (page 2-20)		$ 502,508

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

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

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

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS

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NOTE 1 – THE FINANCIAL REPORTING ENTITY

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation

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

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

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

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

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

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

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

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

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

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

(b) *Basis of Accounting and Measurement Focus*

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

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

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

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

(c) Cash and Investments

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

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

(d) Inventories

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

(e) Restricted Assets

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

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

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

(g) *Capital Assets*

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

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

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

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

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

(h) *Vacation and Sick Leave Benefits*

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

(i) *Self-Insurance*

VTA retains $3 million in self-insurance for general liability and completely self-insures workers' compensation claims. Estimated losses on claims other than workers' compensation claims are charged to expense in the period the loss is determinable. Estimated losses for workers' compensation claims are charged to expense as a percentage of labor in each accounting period. The costs incurred for workers' compensation and general liability (including estimates for claims incurred but not yet reported) are reported in the Internal Service Fund based on an actuarial determination of the present value of estimated future cash payments (see Notes 15 and 16).

(j) Net Position

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

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

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

- Restricted Net Position - This category consists of debt service, swap collateral, retention, amounts restricted for 1996 Measure B projects, 2000 Measure A program, 2016 Measure B program, and Congestion Management Program (CMP). When both restricted and unrestricted net positions are available, unrestricted resources are used only after the restricted resources are depleted.

- Unrestricted Net Position - The remaining unrestricted net position, although not legally restricted, has been earmarked for future capital and operating needs, as well as for other purposes in accordance with Board directives.

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

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

*Net of related pension and OPEB deferrals

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

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

(k) Cost Allocated to Capital and Other Programs

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

(l) Estimates

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

(m) Fund Balance - Governmental Funds

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

(n) Fund Balance Spending Order Policy

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

(o) New Accounting Pronouncements

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

GASB Statement No. 84 - In January 2017, GASB issued Statement No. 84, Fiduciary Activities. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement also establishes criteria for identifying fiduciary activities of all state and local governments. The Statement is effective for the reporting periods beginning after December 15, 2018, or the FY 2020. VTA is evaluating the impact of the statement.

GASB Statement No. 87 - In June 2017, GASB issued Statement No. 87, *Leases.* The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The Statement is effective for reporting periods after December 15, 2019, or the FY 2021. VTA is evaluating the impact of the Statement.

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

GASB Statement No. 89 - In June 2018, GASB issued Statement No. 89, *Accounting For Interest Cost Incurred Before the End of a Construction Period.* The primary objective of this Statement is to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The Statement is effective for reporting periods after December 15, 2019, or the FY 2021. VTA is evaluating the impact of the Statement.

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

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

NOTE 3 - CASH AND INVESTMENTS

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

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

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

Cash & Cash Equivalents	$ 28,875
Cash & Cash Equivalents with Fiscal Agents	61,904
Investments	2,510,395
Total	$ 2,601,174

Cash and Cash Equivalents

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

Investments policies

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

Investment within the operations pool

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(Continued on next page)

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

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

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

Level 2 – Inputs to the valuation methodology include:

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

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Unobservable inputs reflect VTA's own assumptions about the inputs market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on best information in the circumstances and may include VTA's own data.

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

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

Foreign Currency Risk

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

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

NOTE 4 – INTERFUND TRANSACTIONS

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

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

[1]Represents mainly labor transfers to Congestion Management & Highway Program

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

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

[4]Represents mainly labor transfers to 2016 Measure B Program

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

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

NOTE 5 – DUE FROM AND DUE TO OTHER AGENCIES

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

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

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

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

NOTE 6 – CAPITAL ASSETS

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

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

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

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

NOTE 7 - LONG-TERM DEBT & LIABILITIES

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

Enterprise Activities:

Secured by VTA's 1976 Measure A 1/2 Cent Sales Tax:	
2017 Series A Refunding	$ 5,150
2017 Series B Refunding ($24,465 plus unamortized premium of $4,954)	29,419
2018 Series A Refunding ($96,440 plus unamortized premium of $14,173)	110,613
Secured by Toll Revenues:	
Silicon Valley Express Lanes State Route 237 Loan	15,287
Subtotal	160,469
Less: Current portion of long-term debt	(14,788)
Long term debt, excluding current portion	$ 145,681

Governmental Activities:

Sales tax revenue bonds secured by VTA'S 2000 Measure A 1/2-cent sales tax:	
2008 Series A-D Measure A Refunding	$ 235,875
2010 Series A-B Refunding ($498,575 plus unamortized premium of $448)	499,023
2015 Series A-B Refunding ($83,560 plus unamortized premium of $19,760)	103,320
Subtotal	838,218
Less: Current portion of long-term debt	(32,080)
Long term debt, excluding current portion	$ 806,138

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

- In March 2017, $10.03 million of VTA 2017 Series A Sales Tax Revenue Refunding Bonds were issued to current refund $12.05 million principal amount of the VTA 2007 Series A bonds maturing on June 1, 2017, or later. The refunding was done in order to take advantage of the lower interest cost of the refunding bonds. The refunding bonds were issued at an all-in true interest cost of 2.00%. The 2017 Series A Bonds were issued as traditional fixed rate bonds in a direct purchase by Bank of the West. The 2017 bonds were unrated, did not carry a CUSIP and were issued as a physical, non-book entry security.

- In December 2017, $27.76 million of VTA 2017 Series B Sales Tax Revenue Refunding Bonds were issued to advance refund $31.45 million principal amount of the VTA 2011 Series A bonds maturing on June 1, 2028. The refunding was done in order to take advantage of the lower interest cost of the refunding bonds. The refunding bonds were issued at an all-in true interest cost of 1.98%. The 2017 Series B Bonds were issued as a traditional fixed rate bond in a negotiated sale.

- In September 2018, $103.22 million of VTA 2018 Series A Sales Tax Revenue Refunding Bonds were issued to current refund $114.92 million principal amount of the VTA 2008 Series A, B and C Bonds (the “2008 Bonds”) maturing on June 1, 2026. As part of the refunding, VTA terminated the three fixed payor interest rate swaps associated with the 2008 Bonds. Unlike a traditional refunding for debt service savings, the purpose of the 2018 Bonds was to simplify VTA’s debt portfolio, and to eliminate future uncertainty related to variable rate 2008 Bonds and the related interest rate swaps. Nonetheless, the 2018 Series A Bonds also generated deferred outflows on refunding in the amount of $6.5 million and a net present value savings in the amount of $1.61 million. The refunding bonds were issued at an all-in true interest cost of 3.14%. The 2018 Series A Bonds were issued as a traditional fixed rate bond in a negotiated sale.

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

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

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

- $236.7 million of 2008 Series A-D Measure A Sales Tax Revenue Refunding Bonds (2008 Measure A Bonds) were issued to current refund Series A-D of the 2006 Measure A Sales Tax Revenue Bonds, none of which remain outstanding. The 2008 Measure A Bonds were issued as variable rate demand bonds and bear interest at a weekly rate, which is determined by the Remarketing Agent to be the rate necessary to remarket the 2008 Measure A Bonds at par value. The maturities of the 2008 Measure A Bonds extend to April 1, 2036, and are subject to optional and mandatory redemption and optional and mandatory tender for purchase before maturity. Concurrent with the issuance and sale of the 2008 Measure A Bonds, four interest rate swap agreements originally entered into concurrent with the issuance of the Series A-D of the 2006 Measure A Sales Tax Revenue Bonds, were reassigned to the 2008 Measure A Bonds.

- $645.9 million of 2010 Measure A Bonds, Series A and B, were issued, at a true interest cost of 3.54%, to fund certain 2000 Measure A transit capital improvement projects, most notably the BART Extension to Berryessa. The bonds were issued as a combination of taxable, Build America Bonds (Series A), and traditional tax-exempt bonds (Series B). Related to the Series A Build America Bonds, VTA is entitled to receive a federal subsidy of 35% on its interest cost for the Build America Bonds. However, as a result of the Federal budget impasse and resulting sequestration of funding, the subsidy has been reduced by various amounts beginning in 2013 and has most recently provided a subsidy of about 32.8%. Both bond series are fixed interest rate bonds. The Series A Bonds have a final maturity date of April 1, 2032 and the Series B Bonds have a final maturity of April 1, 2020. The 2010 Measure A Bonds, Series A (taxable Build America Bonds) are subject to mandatory and optional redemption provisions prior to their stated maturity dates. The 2010 Measure A Bonds Series B (tax-exempt) are not subject to redemption prior to their maturity date.

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

(d) *Interest Rate Swaps*

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

Summary

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

Governmental Activities:

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

[CR]Moody's, Standard and Poor's and Fitch, respectively.
NR - No rating for Fitch
*This represents the fair value of the base amount without the accrued interest of $1.9 million.

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

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

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

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

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

Governmental Activities:

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

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

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

Basis Risk: Is the risk that the variable rate payment received by VTA under the swaps does not closely match the variable interest rate paid by VTA to bondholders. The variable rate debt hedged by VTA's interest rate swaps are variable rate demand obligation (VRDO) bonds that are remarketed weekly for two of the Swaps and remarketed daily for the remaining two. VTA is exposed to basis risk because the variable rate receipts from the swaps are based on a rate or index other than the interest rates VTA pays on the VRDO bonds. VTA is exposed to basis risk to the extent that variable interest rate payments paid to bondholders on the bonds are not precisely offset by the variable rate amounts received from the swap. On June 30, 2019, there was a slightly favorable basis variance of 0.4% for the swaps.

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

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

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

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

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

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

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

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

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

Governmental Activities:

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

(e) Long-Term Debt Obligation Summary

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

Business-type Activities:

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

Governmental Activities:

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

(f) Restrictions and Limitations

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

(g) Long Term Liabilities

Business-type Activities:

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

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

Governmental Activities:

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

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

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

NOTE 8 – SALES TAX REVENUES

(a) 1976 and 2000 Sales Tax Measures

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

(b) 2008 Measure B

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

(c) 2016 Measure B

In November 2016, county residents passed a 1/2-cent sales tax to fund activities on enhancing transit, highways, expressways and active transportation (bicycles, pedestrians and complete streets). Tax collection began in April 2017. However, VTA reported all 2016 Measure B tax collections in a liability account until the legality of the tax was resolved. In January 2019, the lawsuit was decided in favor of VTA. Of the $492.7 million reported as sales tax revenue in FY 2019, $256 million related to prior years. This is reported in the governmental fund as *Extraordinary item.*

NOTE 9 – VTA PROGRAMS FUNDED THROUGH LOCAL SALES TAX MEASURES

(a) 2000 Measure A Program

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

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

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

(b) 2008 Measure B

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

(c) 2016 Measure B

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

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

NOTE 10 – FEDERAL, STATE, AND LOCAL ASSISTANCE

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

(a) Federal Grants

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

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

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

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

FTA Section 5307 capital grants represent the federal program which makes federal resources available to urbanized areas and to Governors for transit capital and operating assistance in urbanized areas and for transportation-related planning. This includes funds for transit enhancements and Congestion Mitigation and Air Quality (CMAQ) award for transportation projects or programs that will contribute to the attainment or maintenance of the National Ambient Air Quality Standards (NAAQS) for ozone and carbon monoxide. FTA Section 5309 is a discretionary capital grant program. This provides funding for major transit capital improvements, including heavy rail, commuter rail, light rail, streetcars, and bus rapid transit. The State of Good Repairs Grants under FTA Section 5337 provides capital assistance for maintenance, replacement, and rehabilitation projects of high-intensity fixed guideway and bus systems to help transit agencies maintain assets in a state of good repair. The Transit-Oriented Development (TOD) Planning Grant under FTA section 5338 provides funding to local communities integrate land use and transportation planning with a new fixed guideway or core capacity transit capital investment. The TOD funding will be used towards VTA's BART Silicon Valley Phase II - TOD and Station Access Planning Study project. The bus and bus facilities infrastructure investment program under FTA Section 5339 makes federal resources available to states and direct recipients to replace, rehabilitate and purchase buses and related equipment. Transit Security Grant provides funds for the costs of addressing security enhancements for transit systems.

(b) *State and Local Grants and Assistance*

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

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

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

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

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

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

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

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

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

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

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

(a) Plan Description and Benefits Provided

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

Classic Employees

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

New Employees

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

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

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

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

(b) Basis of Accounting

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

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

(c) Contribution Requirements

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

(d) Changes in Net Pension Liability

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

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

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

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

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

(f) Actuarial Assumptions

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

A summary of key assumptions is as follows:

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

(g) Discount Rate

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

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

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

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

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

[1] Inflation Assumption= 2.75%

(h) Plan's Fiduciary Net Position

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

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

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

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

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

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

(j) Summary of Pension-related accounts

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

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

NOTE 12 – PUBLIC EMPLOYEES' RETIREMENT PLAN

(a) Plan Description and Benefits Provided

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

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

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

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

(b) Basis of Accounting

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

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

(c) Contribution Requirements

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

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

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

(d) Net Pension Liability

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

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

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

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

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

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

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

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

(g) Discount Rate

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

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

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

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

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

[1]An expected inflation of 2.5% used for this period
[2]An expected inflation of 3.0% used for this period

(h) Pension Plan's Fiduciary Net Position

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

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

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

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

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

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

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

(j) Summary of Pension-related accounts

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

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

(a) Plan Description and Benefits Provided

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

Employees who retire directly from VTA are eligible for retiree health benefits if they meet certain requirements related to age and service. For ATU retirees, VTA provides an ATU Retiree Health Care Program (the ATU Program), a post-employment benefit, in accordance with the agreement between VTA and the ATU, to all Classic ATU represented employees who retire from VTA on or after attaining the age of 55 with at least 15 years of eligibility service, or age 65 with 10 years of eligibility service, or upon Board of Pensions' approval age 65 with 5 years of eligibility service, or if an employee becomes disabled and has completed at least 10 years of eligibility service and to all New ATU represented employees who retire from VTA under PEPRA and its mandated provisions. ATU retirees can select from retiree health plans offered under the CalPERS program. For ATU retirees living in California: VTA contributes up to $100 per month above the Kaiser Bay Area Single Party rate for CalPERS medical plans, regardless of medicare status. ATU retirees pay the excess above the VTA contribution of up to $100 per month above the Kaiser Bay Area Single Party rate. For ATU retirees living outside of California: VTA contributes up to $100 per month above the Kaiser Out of State Single Party rate for CalPERS medical plans, regardless of medicare status. ATU retirees pay the excess above the VTA contribution of up to $100 per month above the Kaiser Out of State Single Party rate. ATU retirees who are eligible for Medicare are reimbursed for the Medicare Part B premium, excluding penalties/late enrollment fees.

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

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

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

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

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

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

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

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

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

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

(b) Basis of Accounting

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

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

(c) Contribution Requirements

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

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

(d) Changes in Net OPEB Asset

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

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

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

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

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

(f) Health Care Trend rates

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

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

(g) Actuarial Methods and Assumptions

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

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

(h) Discount Rate

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

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

(i) Plan's Fiduciary Net Position

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

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

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

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

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

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

NOTE 14 – ATU SPOUSAL MEDICAL AND VISION/DENTAL FUND

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

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

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

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

NOTE 15 – INTERNAL SERVICE FUND

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

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

Workers' Compensation and General Liability

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

Actuarial Information

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

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

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

Compensated Absences

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

NOTE 16 – CLAIMS, COMMITMENTS, AND CONTINGENCIES

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

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

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

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

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

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

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

NOTE 17 – LITIGATION

VTA's BART to Silicon Valley Berryessa Extension

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

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

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

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

NOTE 18 – JOINT VENTURES

(a) Peninsula Corridor Joint Powers Board

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

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

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

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

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

(b) Altamont Corridor Express

The Altamont Corridor Express (ACE) is a commuter rail service covering over 85 miles between Stockton and San Jose with stops in Manteca, Tracy, Livermore, Pleasanton, Fremont, Santa Clara, and San Jose. ACE is funded by VTA, the Alameda County Congestion Management Agency, and the San Joaquin Regional Rail Commission which also serves as the managing agency. ACE commenced operations in October 1998, and now provides four daily round trips commuter rail service from San Joaquin County through the Tri-Valley Area of Alameda County to Santa Clara County. In June 2003, VTA entered into a Cooperative Service Agreement with the San Joaquin Regional Rail Commission (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, 2019, VTA contributed approximately $3.5 million for operating costs.

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

(c) Capitol Corridor Intercity Rail Service

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

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

NOTE 19 – LEASE/LEASEBACK

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

REQUIRED SUPPLEMENTARY INFORMATION
(Other than MD&A)

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SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Required Supplementary Information

Schedule of Changes in Net Pension Liability and Related Ratios

Amalgamated Transit Union Pension Plan

(In thousands)

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

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Required Supplementary Information
Schedule of Employer Contributions
Amalgamated Transit Union Pension Plan
(In thousands)

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

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Required Supplementary Information

Schedule of Changes in Net Pension Liability and Related Ratios

California Public Employees' Retirement System (CalPERS)

(In thousands)

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

Information not available prior to FY 2015.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Required Supplementary Information

Schedule of Employer Contributions

California Public Employees' Retirement System (CalPERS)

(In thousands)

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

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Required Supplementary Information

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

Retirees' Other Post Employment Benefits (OPEB)

(In thousands)

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

Information not available prior to 2017.

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

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

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Required Supplementary Information

Budgetary Comparison Schedule

2000 Measure A Program Special Revenue Fund

For the year ended June 30, 2019

(In thousands)

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

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

See Note accompanying this schedule

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

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

See Note accompanying this schedule

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

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

See Note accompanying this schedule

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

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

See Note accompanying this schedule

Note 1 - Budgetary Basis of Accounting

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

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

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SUPPLEMENTARY INFORMATION
(Combining and Individual Fund Information)

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SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Comparative Schedule of Fund Net Position

Enterprise Funds

June 30,

(In thousands)

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

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

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

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

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Comparative Schedule of Revenues, Expenses, and Changes in Fund Net Position

Enterprise Fund

For the years ended June 30,

(In thousands)

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

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Comparative Schedule of Cash Flows

Enterprise Funds

For the years ended June 30,

(In thousands)

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

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Comparative Schedule of Cash Flows *(Continued)*

Enterprise Funds

For the years ended June 30,

(In thousands)

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

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Budgetary Comparison Schedule - Enterprise Fund

VTA Transit Fund

For the year ended June 30, 2019

(In thousands)

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

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Budgetary Comparison Schedule - Enterprise Fund (*continued*)

VTA Transit Fund

For the year ended June 30, 2019

(In thousands)

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

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

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

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

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

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

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Combining Statement of Fiduciary Net Position

Retiree Benefits Trust Funds

June 30, 2019

(In thousands)

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

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Combining Statement of Changes in Fiduciary Net Position

Retiree Benefits Trust Funds

For the year ended June 30, 2019

(In thousands)

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

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Combining Statement of Assets and Liabilities

Agency Funds

June 30, 2019

(In thousands)

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

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Combining Statement of Changes in Assets and Liabilities

Agency Funds

For the year ended June 30, 2019

(In thousands)

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

STATISTICAL SECTION

FINANCIAL TRENDS:

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

Table 1 - Changes in Net Position

Table 2 - Net Position by Component

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

Table 4 - Current Ratio

Table 5 - Operating Revenues and Operating Expenses

Table 6 - Non-operating Assistance

Table 7 - Targeted Operating Reserves

REVENUE CAPACITY:

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

Table 8 - Revenue Base and Revenue Rates

Table 9 - Sales Tax Rates

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

DEBT CAPACITY:

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

Table 11 - Total Outstanding Debt by Type

Table 12 - Ratios of Outstanding Debt

Table 13 - Direct and Overlapping Debt and Debt Limitation

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

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

Table 16 - Projected Pledged Revenue Coverage

DEMOGRAPHIC AND ECONOMIC INFORMATION:

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

Table 17 - Population Trends

Table 18 - Income and Unemployment Rates

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

Table 20 - Silicon Valley Major Employers

OPERATING INFORMATION:

Table 21 - Operating Indicators

Table 22 - Farebox Recovery Ratio

Table 23 - Revenue Miles

Table 24 - Passenger Miles

Table 25 - Selected Statistical Data

Table 26 - System Data

Table 27 - Employee Headcount

Table 28 - Capital Assets

Source: Unless otherwise indicated, the source of information presented in the Statistical Section is VTA's current or prior years' CAFR.

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

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

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

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

[1]Starting with FY 2016, BABs subsidy was reported under Program Revenues-Operating Grants.
[2]Capital Grants under governmental activities were reported under Operating Grants starting with FY 2016. These grants will operate assets that will be owned by other entities.
[3]FY 2017 was restated due to change of 2000 Measure A Program Fund from enterprise to governmental in FY 2018.

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

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

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

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

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

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

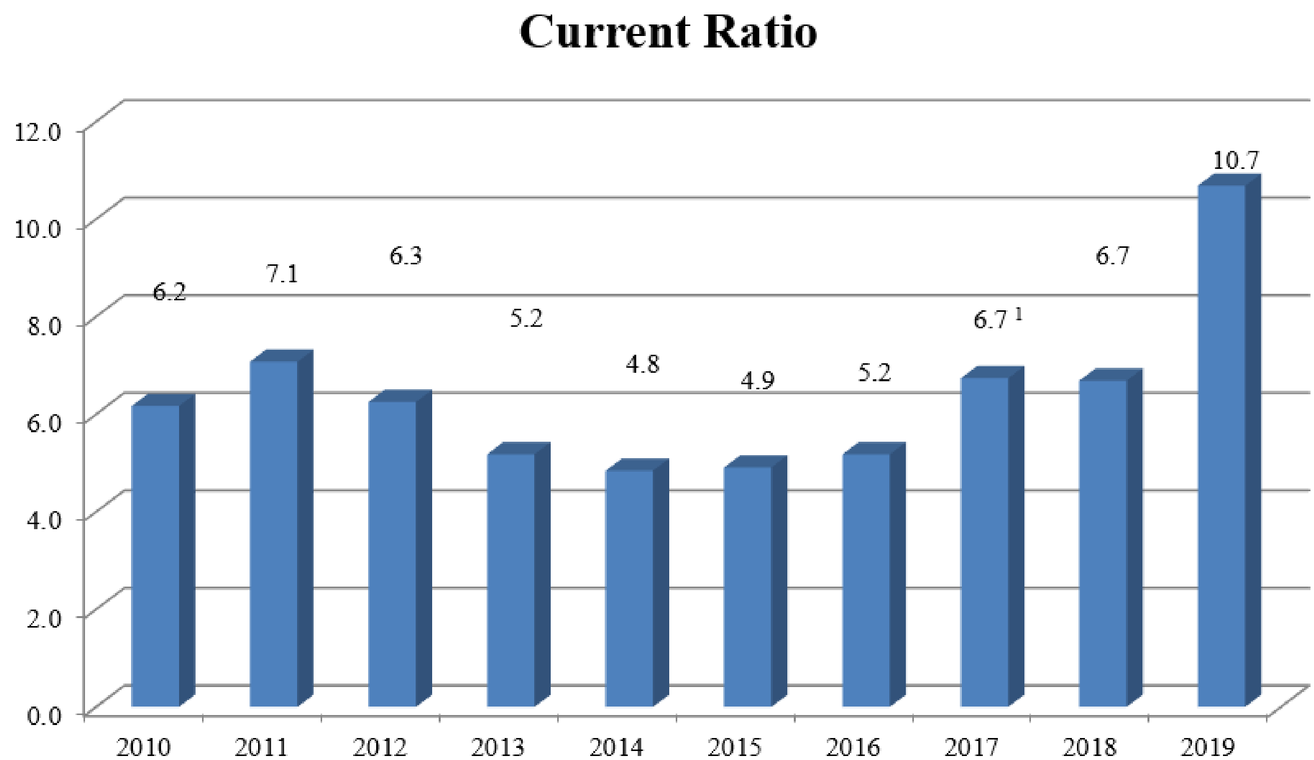
	Fiscal Years									
	2010	2011	2012	2013	2014	2015	2016	2017 [2]	2018	2019
REVENUES										
Member Agency Assessment Revenue	$ 2,495	$ 2,407	$ 2,407	$ 2,407	$ 2,407	$ 2,407	$ 2,407	$ 2,407	$ 2,528	$ 2,654
Federal Technical Studies Operating Assistance Grants	1,235	1,398	1,367	1,014	1,728	1,371	1,887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

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

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

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

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

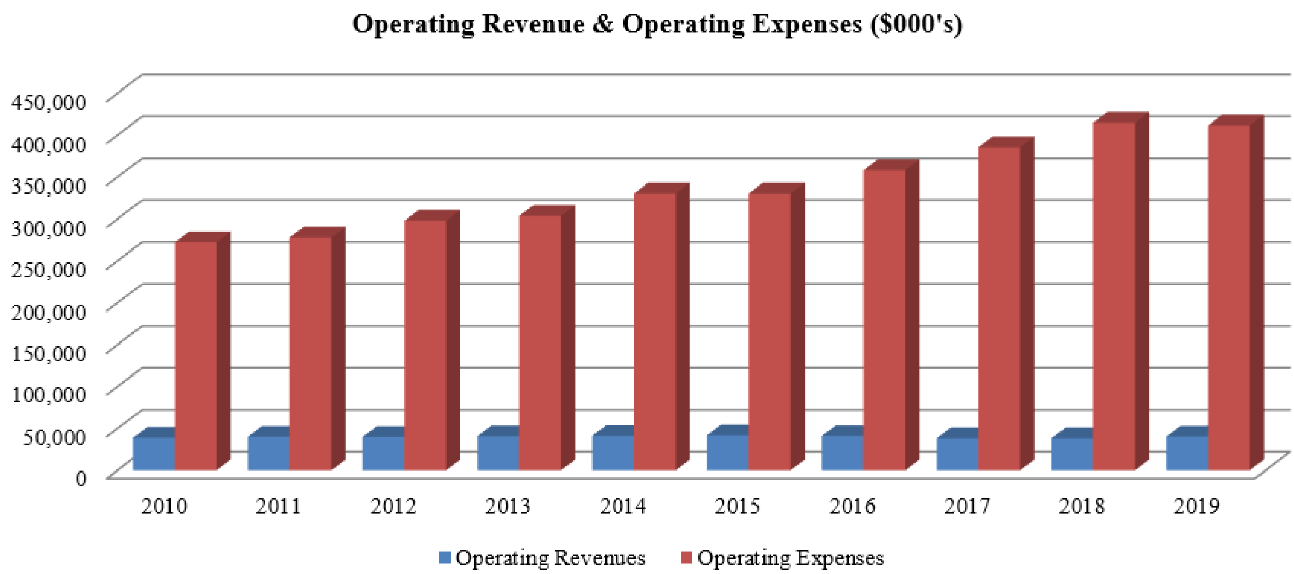


	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Current and Restricted Assets ($000's)	$ 685,995	$ 855,268	$ 907,208	$1,098,625	$1,284,402	$1,375,968	$1,332,998	$ 685,914	$ 700,885	$ 793,181
Current and Restricted Liabilities	111,204	120,849	142,830	212,127	265,298	280,262	257,399	101,779	104,929	74,239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

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

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

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



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

Table 6

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

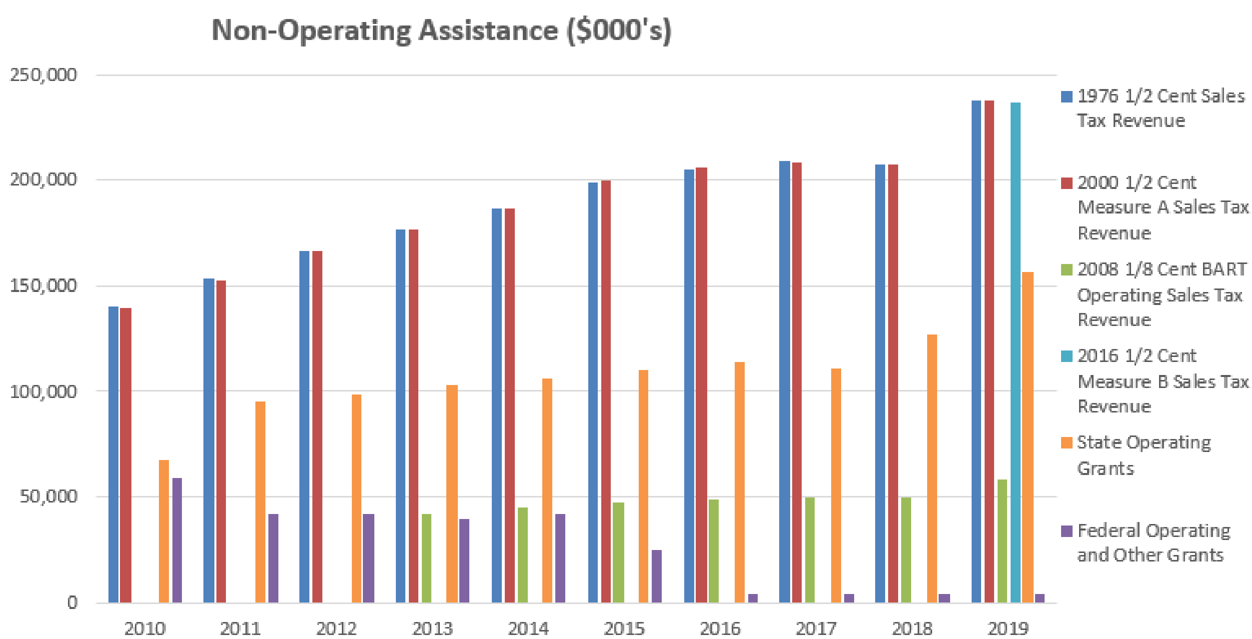
Financial Trends - Non-Operating Assistance

Sales Tax Revenues and Enterprise Operating Grants

Ten Years Ended June 30, 2019

(In thousands)

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



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

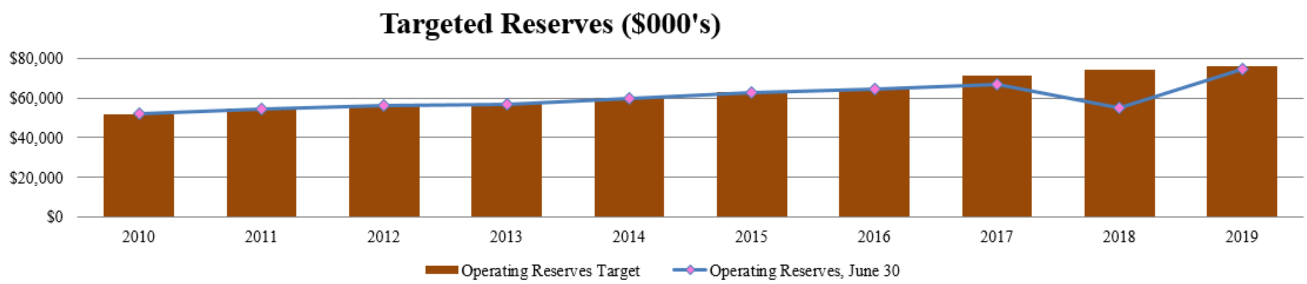
[1]The collection of VTA's 2000 Measure A Sales Tax started on April 1, 2006.

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

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

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

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



	2010 [1]	2011 [2]	2012 [3]	2013	2014	2015	2016	2017	2018	2019
Current Assets, excluding restricted asset	$104,933	$108,396	$106,085	$101,726	$110,906	$124,284	$130,096	$143,377	$136,012	$159,219
Total Current Liabilities, excluding restricted liability	(30,950)	(33,484)	(29,547)	(24,329)	(29,790)	(36,878)	(32,334)	(40,030)	(44,540)	(46,997)
Current Net Position	$ 73,983	$ 74,912	$ 76,538	$ 77,397	$ 81,116	$ 87,406	$ 97,762	$103,347	$ 91,472	$112,222
Less: Inventory & Other Current Assets[4]	(22,126)	(20,317)	(20,270)	(20,373)	(21,289)	(24,469)	(33,615)	(36,688)	(36,665)	(36,408)
Operating Reserves, June 30	$ 51,857	$ 54,595	$ 56,268	$ 57,024	$ 59,827	$ 62,937	$ 64,147	$ 66,659	$ 54,807	$ 75,814
Operating Reserves Target	$ 51,857	$ 54,595	$ 56,268	$ 57,024	$ 59,827	$ 62,937	$ 64,147	$ 71,322	$ 73,979	$ 75,814
(15% of Budgeted Expenses)										

[1]In FY 2010, the operating reserve target is 15% of final operating budget at June 30. In prior years, it was based on 15% of adopted operating budget.
[2]Starting FY 2011, the operating reserve target is based on 15% of subsequent year's operating budget.
[3]Starting FY 2012, the current assets balance excludes reserve amounts among which are: local share of capital projects, debt reduction, and sales tax stabilization.
[4]This includes inventory and other current assets.

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

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

[1]Includes fares for bus and rail services only.

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

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

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

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

[6]The 2016 Measure B half-cent Sales Tax was approved by County voters in 2016 to fund enhancement of transit, highways, expressways and active transportation.
The collection of this half-cent tax measure started in April 2017. However, sales tax was only recognized as revenues in FY 2019 as the litigation on the Measure was resolved to VTA's favor.

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

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

Fiscal Year	State	City	VTA[1]	Total
2010	7.25%	1.00%	1.00%	9.25%
2011	7.25%	1.00%	1.00%	9.25%
2012[2]	6.25%	1.00%	1.00%	8.25%
2013[3]	6.63%	1.00%	1.12%	8.75%
2014	6.63%	1.00%	1.12%	8.75%
2015	6.63%	1.00%	1.12%	8.75%
2016[4]	6.38%	1.25%	1.12%	8.75%
2017[5]	6.12%	1.25%	1.63%	9.00%
2018	6.12%	1.25%	1.63%	9.00%
2019	6.12%	1.25%	1.63%	9.00%

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

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

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

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

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

Source: California Department of Tax and Fee Administration

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

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

[1]2019 data is not available at the time of printing

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

Source: MuniServices

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

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

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

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

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

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

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

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

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

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

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

	Available Revenue	Annual Debt Service [1]			
Fiscal Year	**Sales Tax Revenue**	**Principal**	**Interest[2]**	**Total**	**Coverage**
2010	$ 140,037	$ 9,180 [3]	$ 7,025	$ 16,205	8.6
2011	152,050	9,370	6,748	16,118	9.4
2012	166,567	10,215	8,153	18,368	9.1
2013	176,716	10,400	9,194	19,594	9.0
2014	186,431	10,435	9,766	20,201	9.2
2015	199,221	10,705	7,965	18,670	10.7
2016	205,418	14,310	7,485	21,795	9.4
2017	209,005	14,820 [4]	7,325	22,145	9.4
2018	207,589	14,322	6,972	21,294	9.7
2019	237,869	11,403	13,060 [5]	24,463	9.7

[1] This schedule includes Junior and Senior Lien debts.
[2] Interest is exclusive of interest earned from bond proceeds.
[3] This does not include regular principal of $2.9 million due for 1985 Equipment Trust Certificates as this debt was redeemed in FY 2009.
[4] Restated to exclude $10 million of principal payment due to refinancing activity in FY 2017.
5 This includes $5.7 million of swap termination cost associated with the termination of three swap agreements hedging the 1976 Sales Tax 2008 bonds.

Table 15

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Debt Capacity – Pledged Revenue Coverage – 2000 Measure A Half-Cent Sales Tax Revenue Bonds

Ten Years Ended June 30, 2019

(In thousands)

	Available Revenue	Annual Debt Service			
Fiscal Year	**Sales Tax Revenue**	**Principal**	**Interest[1]**	**Total**	**Coverage[2]**
2010	$ 139,305	$ —	$ 14,156	$ 14,156	9.8
2011	151,518	2,430	33,490	35,920	4.2
2012	166,280	2,525	44,337	46,862	3.5
2013	176,533	2,625	44,262	46,887	3.8
2014	186,302	24,595	45,577	70,172	2.7
2015	199,653	25,775	45,086	70,861	2.8
2016	205,636	26,965	44,118	71,083	2.9
2017	208,672	28,160	43,783	71,943	2.9
2018	207,870	29,530	42,954	72,484	2.9
2019	237,874	30,575	40,866	71,441	3.3

[1]This is exclusive of interest earned from bond proceeds.

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

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

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

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

($ In thousands)

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

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

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

($ In thousands)

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

[1]Source: Growth rates provided by outside economists.
[2]Includes actual debt service on the 2017 Series A, 2017 Series B and 2018 Series A Bonds.
[3]Does not include any additional parity debt.
[4]Includes actual debt service on the 2010 and 2015 Bonds. Debt Service on the 2008 Bonds is calculated based on the rate established pursuant to the 2008 Swap Agreement, 3.765%.
*No assurance is given that actual results will meet the forecasts of VTA in any way.

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

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

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

County of Santa Clara Population

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

[1]Totals may not be precise due to independent rounding.

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

Table 18

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Demographic and Economic Data - Income and Unemployment Rates

Ten Years Ended June 30, 2019

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

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

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

[3] California Employment Development Department. Not seasonally adjusted.

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Civilian Labor Force[1] (In thousands)	879.8	871.6	894.8	910.9	924.0	993.7	1,018.4	1,026.5	1,041.7	1,048.8
Civilian Employment	777.5	774.0	804.6	830.6	857.5	942.3	976.1	987.9	1,008.0	1,021.5
Civilian Unemployment	102.2	97.6	90.2	80.3	66.5	51.4	42.3	38.6	33.7	27.3
Civilian Unemployment Rate										
County	11.6%	11.2%	10.1%	8.8%	7.2%	5.2%	4.2%	3.8%	3.2%	2.6%
State of California	11.6%	12.2%	12%	10.6%	8.5%	7.4%	6.2%	5.7%	4.4%	4.1%
Wage and Salary Employment[2] (In thousands)										
Total Farm Agriculture	$ 3.6	$ 3.6	$ 3.4	$ 3.5	$ 5.1	$ 3.6	$ 3.6	$ 3.9	$ 3.5	$ 3.5
Construction and Mining	32.9	32.3	30.9	35.6	37.6	38.6	42.3	47.9	48.5	48.0
Manufacturing	153.5	150.7	154.6	155.1	156.3	156.6	159.4	161.3	163.4	169.1
Transportation & Public Utilities	11.7	11.9	11.8	12.7	13.9	14.7	15.0	14.8	14.9	15.5
Wholesale Trade	36.0	34.7	35.0	34.4	36.2	36.2	36.0	37.4	35.2	31.4
Retail Trade	77.4	75.6	77.5	80.3	84.2	82.3	84.9	85.0	85.0	85.0
Finance, Insurance & Real Estate	31.5	30.8	31.2	33.6	33.9	35.1	35.0	35.2	35.8	36.8
Services	404.4	418.5	432.8	455.4	450.0	469.1	491.4	509.3	522.8	539.3
Government	95.0	93.4	88.6	90.2	93.5	92.4	89.9	91.2	92.8	94.0
Information	N/A	N/A	N/A	N/A	N/A	66.2	74.7	74.5	85.0	91.6
Total[3]	$846.0	$851.5	$865.8	$900.8	$910.7	$994.8	$1,032.2	$1,060.5	$1,086.9	$1,114.2

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

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

[3] Totals may not be precise due to independent rounding.

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

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

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

*Estimate provided by the most recent city and county financial reports because the employer did not provide local employment figure.
Ranking is based on low end of range.

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

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

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

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

BUS

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

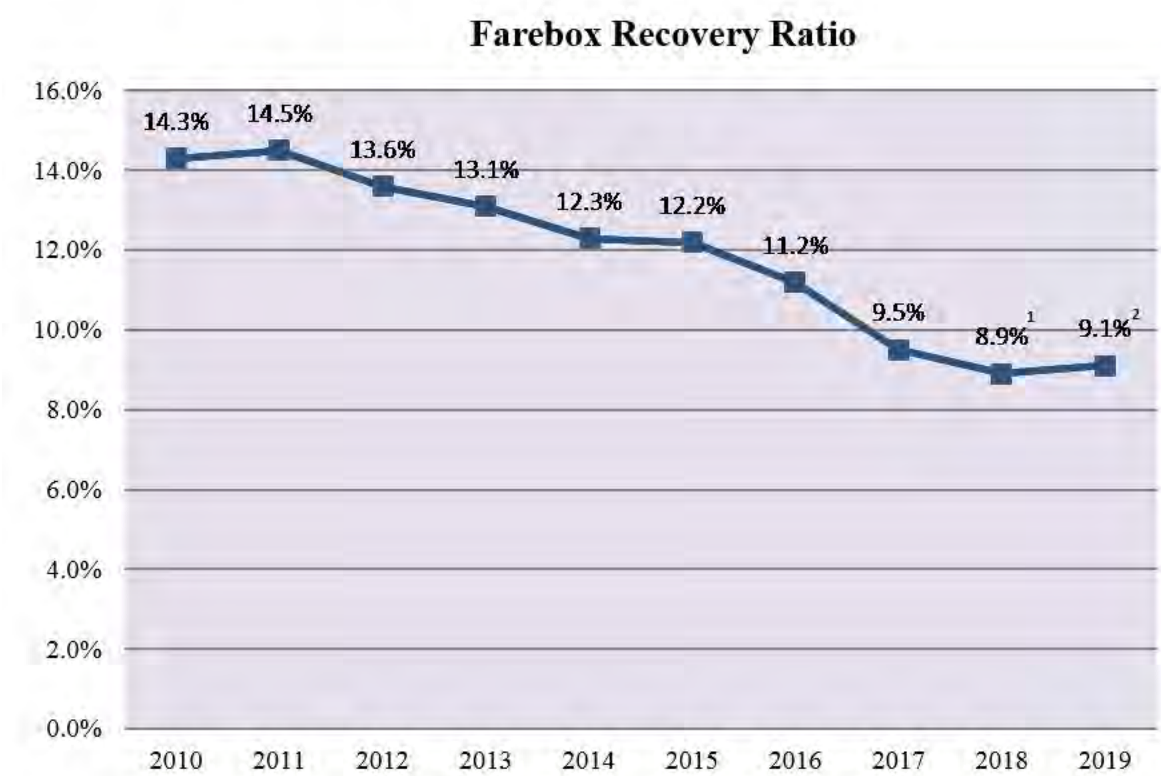
LIGHT RAIL

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

Source: VTA Operations Division.

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

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



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

[1] Based on audited NTD data.
[2] Based on proforma and unaudited NTD data.

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

The following chart shows total vehicle miles in revenue service.

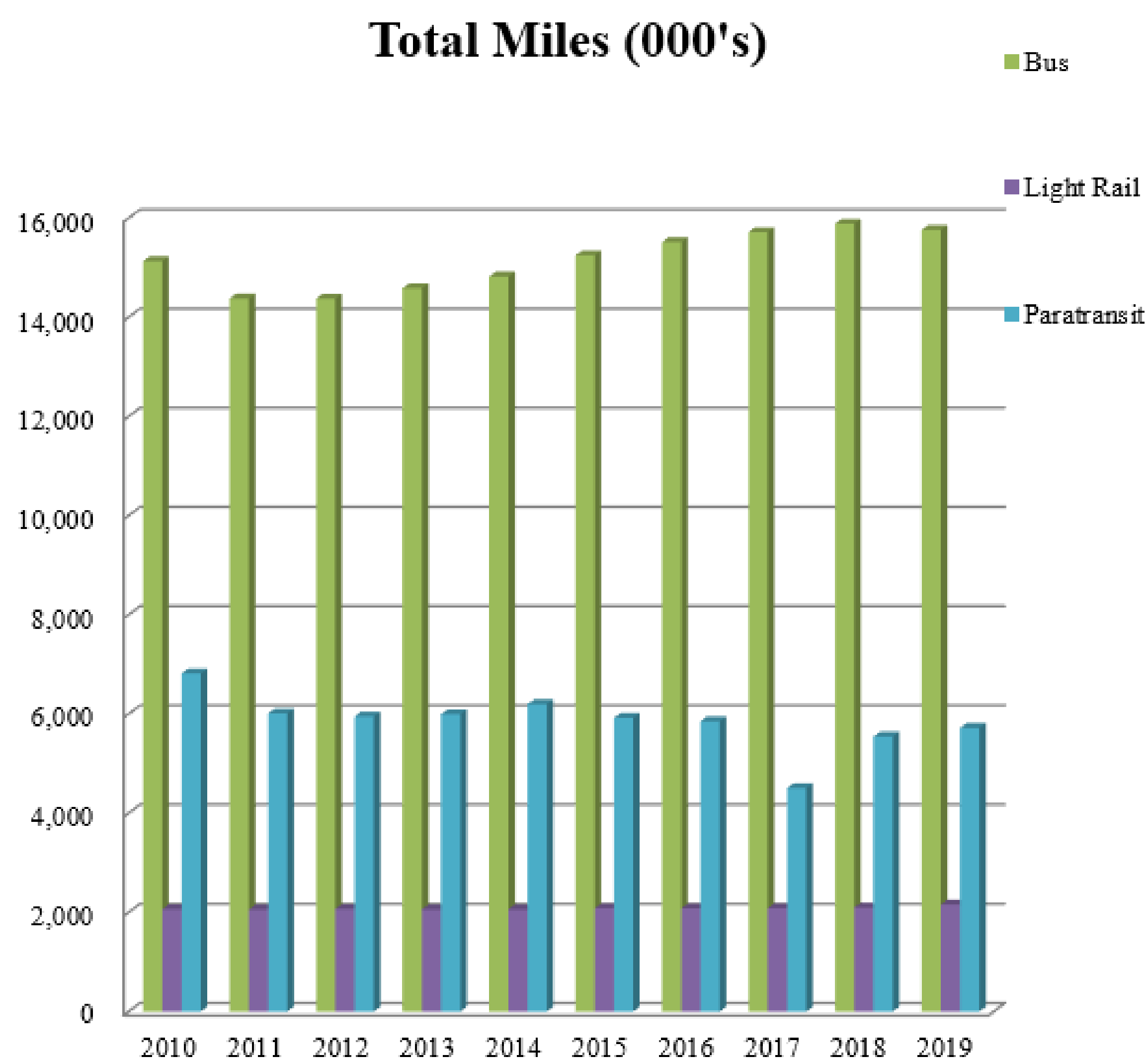


Table 24
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Operating Information – Passenger Miles
Ten Years Ended June 30, 2019

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

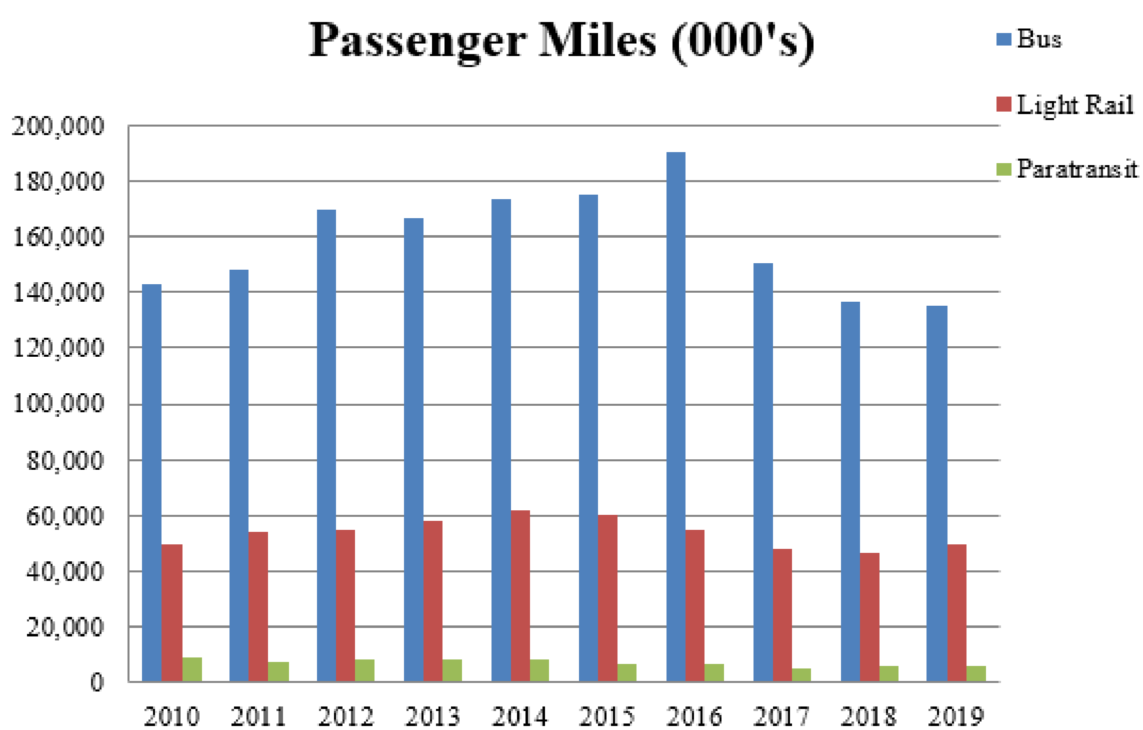


Table 25
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Operating Information – Selected Statistical Data
Ten Years Ended June 30, 2019

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

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

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

URBANIZED AREA (UZA):
346 Square Miles

ROUTES

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

HOURS OF OPERATION

Monday-Sunday	24 hours

PARK AND RIDE LOTS:

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

FACILITIES

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

Table 27
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Operating Information – Employee Headcount[1]
Ten Years Ended June 30, 2019

Fiscal Year	Operations	Planning & Programming[2]	Office of the Deputy GM/CFO[3]	Planning & Engineering[4]	SVRT Program[5]	External Affairs[6]	Office of the Chief of Staff[6]	Business Services[7]	Safety & Compliance[8]	General Counsel	General Manager	Total
2010	1,588	50	95	97	4	57	NA	100	NA	8	18	2,017
2011	1,576	50	90	90	5	53	NA	102	NA	8	11	1,985
2012	1,599	52	93	86	6	51	NA	103	NA	9	13	2,012
2013	1,614	51	88	90	6	55	NA	99	NA	11	13	2,027
2014	1,687	42	69	79	6	37	25	138	NA	12	5	2,100
2015	1,724	43	74	81	NA	4	55	135	30	13	5	2,164
2016	1,758	50	75	74	NA	26	NA	192	33	13	11	2,232
2017	1,761	50	76	74	NA	30	41	196	NA	14	2	2,244
2018	1,795	48	73	86	NA	4	75	173	NA	13	10	2,277
2019	1,690	NA	251	96	NA	54	NA	NA	24	14	16	2,145

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

[2]As 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.

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

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

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

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

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

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

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

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

Source: Comprehensive Annual Financial Report

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

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APPENDIX C

COUNTY OF SANTA CLARA DEMOGRAPHIC AND ECONOMIC INFORMATION

COVID 19 Pandemic

The economic and demographic data contained in this Appendix are the latest available, but are as of dates and for periods before the economic impact of the COVID 19 pandemic and the economic recession. Accordingly, they are not indicative of the current financial condition or future prospects of the County. See "RISK FACTORS – COVID 19 Pandemic" 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 which once existed throughout the area and has two cities, separated by roughly 10 miles. The northern portion of the County is densely populated, extensively urbanized and heavily industrialized. The County contains 15 cities, the largest of which is the City of San Jose, the third largest city in the State and the County seat. The uppermost northwestern portion of the County, with its concentration of high-technology, electronics-oriented industry, is popularly referred to as the "Silicon Valley." Large employers include Alphabet Inc./Google Inc., Apple Inc., Cisco Systems, Inc., Facebook Inc., Intel Corp., Hewlett-Packard Company and Oracle Corporation.

Neighboring counties include San Mateo in the northwest, Santa Cruz in the southwest, San Benito in the south, Merced and Stanislaus in the east, and Alameda in the northeast. The City of San Jose is approximately 50 miles south of San Francisco and 42 miles south of the City of Oakland. These are the three largest cities of the nine-county San Francisco Bay Area, with the City of San Jose being the largest.

Population

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

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

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

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

The data from the 2010 U.S. Census indicate that the County's population reached 1,781,642, representing a 37.6% overall increase from the population base in 1980, an average rate of 11.2% per Census count. Over the same period, statewide population grew more rapidly at a rate of 16.3%. San Jose surpassed San Francisco as the largest city in the Bay Area, with a population of 957,369. According to the 2010 census data, over one-half of the County's residents live in San Jose.

The proportion of residents living in cities is currently approximately 95.0%, in contrast to the County's makeup in 1940 when urban residents made up only 6.5% of the County's population. Since the 1940s, the increasing maturation of the County's employment and economic sectors has resulted in the incorporation of new cities as well as the expansion of city boundaries, resulting in a shrinking fraction (currently 5.6%) of residents living in unincorporated areas.

Recent Annual Population Performance. Between 2015 and 2019, the County population grew approximately 1.5%. All of the cities in the County experienced growth during this period, with Morgan Hill posting the fastest growth (4.9%). Currently, approximately 4.5% of the County residents live in unincorporated areas, a percentage which has steadily decreased over time as the population continues to migrate toward the cities.

County of Santa Clara Population

City	1970	1980	1990	2000	2010	2015	2016	2017	2018	2019
Campbell	24,731	26,843	36,088	38,138	39,349	41,986	42,584	42,372	42,696	43,250
Cupertino	18,216	34,297	39,967	50,602	58,302	58,038	58,185	60,097	60,091	59,879
Gilroy	12,665	21,641	31,487	41,464	48,821	54,324	55,170	55,336	55,615	55,928
Los Altos	24,872	25,769	26,599	27,693	28,976	30,513	31,353	31,298	31.361	31,190
Los Altos Hills	6,862	7,421	7,514	8,025	7,922	8,595	8,658	8,417	8,568	8,785
Los Gatos	23,466	26,906	27,357	28,592	29,413	31,157	31,376	30,448	30,601	30,988
Milpitas	27,149	37,820	50,690	62,698	66,790	74,140	75,521	74,327	74,865	76,231
Monte Sereno	3,074	3,434	3,287	3,483	3,341	3,445	3,475	3,528	3,630	3,787
Morgan Hill	6,485	17,060	23,928	33,586	37,882	42,382	43,645	43,680	44,513	45,742
Mountain View	54,206	58,655	67,365	70,708	74,066	76,712	77,925	80,897	81,527	81,992
Palo Alto	55,999	55,225	55,900	58,598	64,403	67,331	68,207	69,446	69,721	69,397
San Jose	445,779	629,400	782,224	895,131	945,942	1,030,053	1,042,094	1,042,782	1,051,316	1,043,058
Santa Clara	87,717	87,700	93,613	102,361	116,468	121,580	123,752	125,528	129,604	128,717
Saratoga	27,199	29,261	28,061	29,849	29,926	30,060	30,219	31,271	31,435	31,407
Sunnyvale	95,408	106,618	117,324	131,844	140,081	146,629	148,372	150,599	153,389	155,567
Unincorporated	152,181	127,021	106,173	99,813	89,960	87,029	87,352	87,465	87,666	88,368
County Total[1]	1,066,009	1,295,071	1,497,577	1,682,585	1,781,642	1,903,974	1,927,888	1,937,473	1,956,598	1,954,286

[1] Totals may not be precise due to independent rounding.
Source: U.S. Census 1970-2010; State of California, Department of Finance, Demographic Research Unit (Population Estimates for Cities, Counties, and the State, 2015-2019 with 2010 Census Benchmark).

Employment and Industry

The County is home to a highly skilled and diverse work force, a situation that has traditionally translated into lower unemployment rates in the County when compared to State and national average unemployment rates. Three major industry sectors comprise approximately 56% of the County's employment: Goods Producing – 221,900, Professional & Business Activities – 237,300 and Manufacturing – 172,300.

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 2016 through 2020.

County of Santa Clara Average Annual Employment	2016	2017	2018	2019	2020[1]
Civilian Labor Force	1,024,000	1,041,700	1,048,800	1,063,400	1,040,000
Employment	985,100	1,008,000	1,021,500	1,037,100	929,100
County Unemployment	38,900	33,700	27,300	26,300	110,900

Source: Employment Development Department.
(1) As of June 2020.

County of Santa Clara Unemployment Rate	2016	2017	2018	2019	2020[1]
County Unemployment Rate	3.8%	3.2%	2.6%	2.5%	10.7%
State Unemployment Rate	5.4%	4.8%	4.1%	3.9%	14.9%
United States Unemployment Rate	4.2%	4.3%	3.9%	3.7%	11.1%

Source: Employment Development Department.
(1) As of June 2020.

The following table lists employment details by industry in the County for 2015 through 2019.

County of Santa Clara
Industry Employment

	2015	2016	2017	2018	2019
Total, All Industries	1,028,900	1,060,600	1,093,700	1,115,200	1,134,900
Total Farm	3,700	3,900	3,600	3,500	3,100
Total Nonfarm	1,025,200	1,056,700	1,090,100	1,111,700	1,131,800
Goods Producing	203,300	209,300	211,200	217,200	220,900
Mining and Logging	200	300	200	200	200
Construction	42,900	47,600	47,900	48,300	51,000
Manufacturing	160,200	161,300	163,100	168,700	169,700
Service Providing	821,900	847,400	878,900	894,500	910,900
Transportation, Warehousing & Utilities	14,100	14,800	14,900	15,300	15,700
Information	70,400	74,500	84,600	92,100	100,700
Financial Activities	34,200	35,200	35,800	36,400	37,400
Professional & Business Services	215,200	224,100	236,200	235,900	241,800
Educational & Health Services	154,900	160,600	167,400	171,900	174,000
Leisure & Hospitality	94,500	97,600	102,000	104,200	104,900
Other Services	26,500	27,000	28,400	28,400	28,700
Government	90,100	91,200	92,700	93,800	94,200

Source: Employment Development Department.

Major Employers

The County, which is centered in the heart of Silicon Valley, is home to numerous high technology and computer software and hardware manufacturing companies. According to the Silicon Valley Business Journal, as of July 10, 2020, Apple Inc. was the largest employer of the Silicon Valley with 25,000 employees. Second on the list was Alphabet/Google Inc. which employed 23,000. The County of Santa Clara, Stanford University and Facebook Inc. topped off the top five employers in the County respectively. The uppermost northwestern portion of the County, with its concentration of high-technology, electronics-oriented industry, is popularly referred to as the "Silicon Valley." Major employers in Silicon Valley include Apple Inc., Google LLC, Cisco Systems Inc., Tesla Motors Inc., Intel Corp., Hewlett-Packard Company, and Oracle Corporation. The table below lists the twenty-five largest employers in the County.

County of Santa Clara Largest Employers (2020)

Employer	Industry
ABM	Janitor Service
Adobe Inc.	Publishers-Computer Software
Advanced Micro Devices Inc.	Semiconductor Devices
Alphabet Inc./Google	Internet Search Engines
Apple Inc.	Computers-Electronic-Manufacturers
Applied Materials Inc.	Semiconductor Manufacturing Equip
California's Great America	Amusement & Theme Parks
Christopher Ranch LLC	Garlic
Cisco Systems Inc.	Computer Peripherals
Ebay Inc.	E-Commerce
Flextronics International	Semiconductor Devices
Fujitsu Laboratories of America	Laboratories-Research & Development
HP Inc.	Computers-Electronic-Manufacturers
Intel Corp	Semiconductor Devices (
Intuitive Surgical Inc.	Physicians & Surgeons Equipment & Supplies
Lockheed Martin Space Systems	Satellite Equipment & Systems
Lucile Packard Children’s Hosp. Stanford	Hospitals
Lumileds Lighting Co.	Lighting Fixtures-Supplies & Parts
Maxim Integrated Products Inc.	Printed & Etched Circuits
NASA	Federal Government-Space Research/Tech
Netapp Inc.	Computer Storage Devices
Prime Materials	Semiconductors & Related Devices
SAP Center	Stadiums Arenas & Athletic Fields
Stanford School of Medicine	Schools-Medical
Super Micro Computer Inc.	Computers-Electronic-Manufacturers

Source: Employment Development Department. America’s Labor Market Information System (ALMIS) Employer Database, 2020 1st 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 2019 are not available.

County of Santa Clara and State of California
Median Income
2009 through 2018

Year	County of Santa Clara	State of California
2009	84,990	58,925
2010	90,581	62,401
2011	89,064	61,632
2012	90,747	61,400
2013	91,702	60,190
2014	93,854	61,990
2015	96,310	65,087
2016	111,069	67,739
2017	106,761	67,169
2018	126,606	70,489

Source: http://quickfacts.census.gov; American Community Survey.

Commercial Activity

The County is an important center of commercial activity. Taxable sales activity at business and personal service outlets, as well as at other non-retail commercial establishments, is a significant component of the County's commercial activity. The following table sets forth the amount of taxable transactions from 2015 through 2019.

County of Santa Clara
Taxable Transactions by Sector
2015 through 2019
(In thousands)[1]

	2015	2016	2017	2018	2019
Motor Vehicle and Parts Dealers	$ 4,254,761	$ 4,453,924	$ 4,673,436	$ 5,189,061	$ 4,895,490
Home Furnishings and Appliance Stores	2,216,911	2,279,286	2,334,890	2,523,914	2,327,631
Building Material and Garden Equipment and Supplies Dealers	1,784,187	1,852,932	1,927,089	2,054,769	2,070,996
Food and Beverage Stores	1,227,355	1,250,058	1,927,089	2,054,769	1,336,533
Gasoline Stations	2,107,950	1,880,225	2,029,347	2,289,673	2.292,100
Clothing and Clothing Accessories Stores	2,505,418	2,502,063	2,502,266	2,642,634	2,670,708
General Merchandise Stores	2,340,253	2,264,188	2,631,162	2,750,161	2,818,316
Food Services and Drinking Places	4,426,069	4,678,454	4,844,474	5,086,588	5,345,174
Other Retail Group	2,838,004	2,997,460	3,833,909	3,957,264	4,078,284
Total Retail and Food Services	**$23,700,907**	**$24,158,590**	**$25,206,495**	**$26,885,137**	**$27,836,133**
All Other Outlets	17,530,851	17,673,079	17,942,535	18,467,936	19,051,350
Total All Outlets	**$41,231,759**	**$41,831,669**	**$43,149,031**	**$45,353,073**	**$46,887,483**

[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 2010 through 2019.

County of Santa Clara
Building Permit Valuations
2010 through 2019
(In Millions of Dollars)

Year	New Residential	New Non-Residential	Total
2010	1,085.90	1,155.60	2,241.50
2011	333.70	627.70	961.40
2012	1,088.40	660.10	1,748.50
2013	2,060.04	4,183.20	6,243.25
2014	2,230.35	2,655.41	4,885.76
2015	1,866.60	3,589.80	5,456.40
2016	1,709.88	4,698.16	6,408.04
2017	2,308.26	3,359.32	5,667.61
2018	2,385.25	4,132.15	6,517.40
2019	1,816.24	5,447.64	7,263.88

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

County of Santa Clara
Number of New Dwelling Units
2010 through 2019

Year	Single Family	Multiple Family	Total
2010	826	3627	4,453
2011	464	64	526
2012	1,269	3,970	5,239
2013	1,859	6,009	7,868
2014	1,602	8,310	9,912
2015	1,710	3,906	5,616
2016	1,608	3,297	4,905
2017	2,022	6,526	8,548
2018	2,011	6,342	8,352
2019	1,814	8,246	10,060

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") and as further supplemented and amended by the Sixth Supplemental Indenture, dated as of September 1, 2020 (the "Sixth Supplemental Indenture" and, together with the First Supplemental Indenture, the Second Supplemental Indenture, the Third Supplemental Indenture, the Fourth Supplemental Indenture and the Fifth 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 2020 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 means any Person who has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of any Bond, including, without limitation, any Person holding Bonds through nominees or depositories, including the Securities Depository.

Board means the Board of Directors of the Issuer.

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

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

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

Bond Reserve Requirement with respect to a Series of Bonds for which the Issuer shall have established a Bond Reserve Fund shall have the meaning specified in the Supplemental Indenture establishing the terms and provisions of such Series of Bonds. No Bond Reserve Fund is established for the 2020 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.[*]

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.

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

Interest Rate Swap Agreement means with respect to the 2008 Series Bonds: (i) the International Swaps and Derivatives Association ("ISDA") Master Agreement, including the Schedule to the ISDA Master Agreement, the ISDA Credit Support Annex and the Confirmation thereto, each dated as of August 1, 2006, as amended from time to time, pursuant to which the Issuer and Bank of America, N. A. have entered into an interest rate swap transaction in the notional amount of $50,000,000; (ii) the ISDA Master Agreement, including the Schedule to the ISDA Master Agreement, the ISDA Credit Support Annex and the Confirmation thereto, each dated as of August 1, 2006, as amended from time to time, pursuant to which the Issuer and Citibank, N.A., New York have entered into an interest rate swap transaction in the notional amount of $85,875,000; (iii) the ISDA Master Agreement, including the Schedule to the ISDA Master Agreement, the ISDA Credit Support Annex and the Confirmation thereto, each dated as of August 1, 2006, as amended from time to time, pursuant to which the Issuer and Goldman Sachs Mitsui Marine Derivative Products, L.P. have entered into an interest rate swap transaction in the notional amount of $50,000,000; and (iv) the ISDA Master Agreement, including the Schedule to the ISDA Master Agreement, the ISDA Credit Support Annex and the Confirmation thereto, each dated as of August 1, 2006, as amended from time to time, pursuant to which the Issuer and Morgan

Stanley Capital Services Inc. have entered into an interest rate swap transaction in the notional amount of $50,000,000.

Investment Policy means the investment policy adopted by the Board on April 4, 1996 and reaffirmed by the Board on May 3, 2007, as heretofore modified, amended and supplemented, and as such investment policy may be further modified, amended or supplemented from time to time by action of the Board.

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

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

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

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

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

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

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

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

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

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

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

(3) Investments in a money market fund rated "AAAm or "AAAm-G" or better by Standard & Poor's including funds for which the Trustee or an affiliate provides investment advice or other services;

(4) Pre-refunded Municipal Obligations defined as follows: Any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and

(A) which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest rating category of Standard & Poor's and Moody's or any successors thereto; or

(B) (i) which are fully secured as to principal and interest and prepayment premium, if any, by an escrow consisting only of cash or obligations described in paragraph A(2) above, which escrow may be applied only to the payment of such principal of and interest and prepayment premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified prepayment date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and prepayment premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate;

(5) General obligations of states with a rating of at least "A2/A" or higher by both Moody's and Standard & Poor's;

(6) Any investment agreement with a financial institution or insurance company which has at the date of execution thereof an outstanding issue of unsecured, uninsured and unguaranteed debt obligations or a claims paying ability rated (or the parent company or guarantor of which is rated) in either of the two highest long-term Rating Categories by Moody's and Standard & Poor's;

(7) The Local Agency Investment Fund managed by the Treasurer of the State of California, as referred to in Section 16429.1 of the Government Code of the State but only to the extent such investment is registered in the name of the Trustee;

(8) Shares in a common law trust established pursuant to Title 1, Division 7, Charter 5 of the Government Code of the State which invests exclusively in investments permitted by Section 53601 of Title 5 Division 2, Chapter 4 of the Government Code of the State, as it may be amended ("CAMP");

(9) The commingled investment fund of the County of Santa Clara, California, which is administered in accordance with the investment policy of said County as established by the Director of Finance thereof, as permitted by Section 53601 of the Government Code of the State, copies of which policy are available upon written request to said Director of Finance; and

(10) Any other forms of investments, including repurchase agreements, approved in writing by each Credit Enhancement Provider then providing Credit Enhancement for a Series of Bonds.

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

Liquidity Facility means, with respect to a Series of Bonds, a line of credit, letter of credit, standby purchase agreement or similar liquidity facility, issued by a commercial bank, insurance company, pension fund or other financial institution, and delivered or made available to the Trustee, as from time to time supplemented or amended pursuant to its terms, or, in the event of the delivery or availability of an Alternate Liquidity Facility, such Alternate Liquidity Facility.

Liquidity Facility Bonds means any Bonds purchased with moneys drawn under (or otherwise obtained pursuant to the terms of) a Liquidity Facility, but excluding any Bonds no longer considered to be Liquidity Facility Bonds in accordance with the terms of the applicable Liquidity Facility.

Liquidity Facility Provider means, with respect to a Series of Bonds, the commercial bank, insurance company, pension fund or other financial institution issuing (or having primary obligation, or acting as agent for the financial institutions obligated, under) a Liquidity Facility then in effect with respect to such Series of Bonds.

Liquidity Facility Rate means, with respect to a Series of Bonds, the interest rate per annum, if any, specified in the Liquidity Facility delivered in connection with such Series of Bonds as applicable to Liquidity Facility Bonds.

Mandatory 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.

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.

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.

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.

2007 Series A Bonds means the Santa Clara Valley Transportation Authority 2000 Measure A Sales Tax Revenue Refunding Bonds, 2007 Series A, authorized by, and at any time Outstanding pursuant to the Indenture.

2008 Series Bonds means, collectively, the 2008 Series A Bonds, the 2008 Series B Bonds, the 2008 Series C Bonds and the 2008 Series D Bonds.

2008 Series A Bonds means the Santa Clara Valley Transportation Authority 2000 Measure A Sales Tax Revenue Refunding Bonds, 2008 Series A, authorized by, and at any time Outstanding pursuant to the Indenture.

2008 Series B Bonds means the Santa Clara Valley Transportation Authority 2000 Measure A Sales Tax Revenue Refunding Bonds, 2008 Series B, authorized by, and at any time Outstanding pursuant to the Indenture.

2008 Series C Bonds means the Santa Clara Valley Transportation Authority 2000 Measure A Sales Tax Revenue Refunding Bonds, 2008 Series C, authorized by, and at any time Outstanding pursuant to the Indenture.

2008 Series D Bonds means the Santa Clara Valley Transportation Authority 2000 Measure A Sales Tax Revenue Refunding Bonds, 2008 Series D, authorized by, and at any time Outstanding pursuant to the Indenture.

2010 Series A Bonds means the Santa Clara Valley Transportation Authority 2000 Measure A Sales Tax Revenue Bonds, 2010 Series A (Taxable Build America Bonds), authorized by, and at any time Outstanding pursuant to the Indenture.

2010 Series B Bonds means the Santa Clara Valley Transportation Authority 2000 Measure A Sales Tax Revenue Bonds, 2010 Series B (Tax-Exempt Bonds), authorized by, and at any time Outstanding pursuant to the Indenture.

2015 Series A Bonds means the Santa Clara Valley Transportation Authority 2000 Measure A Sales Tax Revenue Refunding Bonds, 2015 Series A (Tax-Exempt), authorized by, and at any time Outstanding pursuant to the Indenture.

2015 Series A Bonds means the Santa Clara Valley Transportation Authority 2000 Measure A Sales Tax Revenue Refunding Bonds, 2015 Series B (Taxable), authorized by, and at any time Outstanding pursuant to the 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.

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* See "Fourth Supplemental Indenture – Pledge of Subsidy Payments."

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 (vi) all interest, profits and other income received from the investment of moneys in any other fund or account shall be transferred to the Revenue Fund.

All Investment Securities credited to any Bond Reserve Fund shall be valued (at market value) as of March 1 of each year (or the next succeeding Business Day if such day is not a Business Day), such market value to be determined by the Trustee in the manner then currently employed by the Trustee or in any other manner consistent with corporate trust industry standards. Notwithstanding anything to the contrary in the Indenture, in making any valuations of investments under the Indenture, the Trustee may utilize and rely on computerized securities pricing services that may be available to it, including those available through its regular accounting system.

The Trustee may commingle any of the funds or accounts established pursuant to the Indenture (except the Rebate Fund and any Purchase Fund) into a separate fund or funds for investment purposes only, provided that all funds or accounts held by the Trustee under the Indenture shall be accounted for separately as required by the Indenture. The Trustee may act as principal or agent in the making or disposing of any investment and, with the prior written consent of the Issuer may impose its customary charge therefor. The Trustee may sell at the best price obtainable, or present for redemption, any Investment Securities so purchased whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such Investment Security is credited. The Trustee shall not be liable or responsible for any loss resulting from any investment made in accordance with the provisions of the Indenture.

Issuance of Additional Bonds and Other Obligations

Issuance of Additional Bonds. The Issuer may by Supplemental Indenture establish one or more additional Series of Bonds, payable from 2000 Measure A Sales Tax Revenues and secured by the pledge made under the Indenture equally and ratably with Bonds previously issued, and the Issuer may issue, and the Trustee may authenticate and deliver to the purchasers thereof, Bonds of any Series so established, in such principal amount as shall be determined by the Issuer, but only upon compliance by the Issuer with the provisions of the Indenture described below under the caption "Proceedings for Issuance of Additional Bonds" and any additional requirements set forth in said Supplemental Indenture and subject to the specific conditions set forth below, each of which is hereby made a condition precedent to the issuance of any such additional Series of Bonds.

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

(B) Subject to the provisions of the Indenture described above under the caption "Funding and Application of Bond Reserve Funds," in the event a Supplemental Indenture providing for the issuance of such Series of Bonds shall require either (i) the establishment of a Bond Reserve Fund to provide additional security for such Series of Bonds or (ii) that the balance on deposit in an existing Bond Reserve Fund be increased, forthwith upon the receipt of the proceeds of the sale of such Series, to an amount at least equal to the Bond Reserve Requirement with respect to such Series of Bonds and all other Bonds secured by such Bond Reserve Fund to be considered Outstanding upon the issuance of such additional Series of Bonds, the Supplemental Indenture providing for the issuance of such additional Series of Bonds shall require deposit of the amount necessary. Said deposit shall be made as provided in the Supplemental Indenture providing for the issuance of such additional Series of Bonds and may be made from the proceeds of the sale of such Series of Bonds or from other funds of the Issuer or from both such sources or may be made in the form of a letter of credit, surety bond or insurance policy as provided in the provisions of the Indenture described above under the caption "Funding and Application of Bond Reserve Funds."

(C) The aggregate principal amount of Bonds issued under the Indenture shall not exceed any limitation imposed by law or by any Supplemental Indenture.

(D) The Issuer shall place on file with the Trustee a Certificate of the Issuer certifying that the lesser of (i) the amounts of 2000 Measure A Sales Tax Revenues for a period of twelve (12) consecutive months (selected by the Issuer) during the eighteen (18) months immediately preceding the date on which such additional Series of Bonds will become Outstanding, or (ii) the estimated 2000 Measure A Sales Tax Revenues for the Fiscal Year in which such Series of Bonds are to be issued, shall have been, or will be, as applicable, at least equal to 1.3 times Maximum Annual Debt Service, on all Series of Bonds and Parity Obligations then Outstanding and the additional Series of Bonds then proposed to be issued, which Certificate shall also set forth the computations upon which such Certificate is based.

(E) Principal payments of each additional Series of Bonds shall be due on April 1 in each year in which principal is to be paid if and to the extent deemed practical in the reasonable judgment of the Issuer with regard to the type of Bond to be issued, and, if the interest on such Series of Bonds is to be paid semiannually, such interest payments shall be due on April 1 and October 1 in each year to the extent deemed practical in the reasonable judgment of the Issuer with regard to the type of Bond to be issued.

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

In the event additional assets or revenues are included within the definition of "Revenues" by a Supplemental Indenture, such additional assets or revenues shall be included in the calculations to be provided pursuant to the provisions of the Indenture described in paragraph (D) above as if such additional assets or revenues had always been included in "Revenues."

Proceedings for Issuance of Additional Bonds. Before any additional Series of Bonds shall be issued and delivered, the Issuer shall file each of the documents identified below with the Trustee (upon which documents the Trustee may conclusively rely in determining whether the conditions precedent to the issuance of such Series of Bonds have been satisfied).

(A) A Supplemental Indenture authorizing such Series executed by the Issuer.

(B) A Certificate of the Issuer certifying: (i) that no Event of Default has occurred and is then continuing; and (ii) that the requirements of the Indenture described in paragraphs (B) and (C) under the caption "Issuance of Additional Bonds" have been satisfied by the Issuer.

(C) A Certificate of the Issuer certifying (on the basis of calculations made no later than the date of sale of such Series of Bonds) that the requirement of the Indenture described in paragraph (D) under the caption "Issuance of Additional Bonds" is satisfied.

(D) An Opinion of Bond Counsel to the effect that the Supplemental Indenture is being entered into in accordance with the Indenture and that such Series of Bonds, when duly executed by the Issuer and authenticated and delivered by the Trustee, will be valid and binding obligations of the Issuer.

Issuance of Refunding Bonds. Refunding Bonds may be authorized and issued by the Issuer without compliance with the provisions of the Indenture described above under the captions "Issuance of Additional Bonds" and "Proceedings for Issuance of Additional Bonds;" provided that Maximum Annual Debt Service on all Bonds Outstanding and all Parity Obligations outstanding following the issuance of such Refunding Bonds is less than or equal to Maximum Annual Debt Service on all Bonds Outstanding and all Parity Obligations outstanding prior to the issuance of such Refunding Bonds. Such Refunding Bonds may be issued in an aggregate principal amount sufficient (together with any additional funds available or to become available) to provide funds for the payment of all or a portion of the following:

(1) the principal or Redemption Price of the Outstanding Bonds or outstanding Parity Obligations to be refunded;

(2) all expenses incident to the calling, retiring or paying of such Outstanding Bonds or outstanding Parity Obligations and the Costs of Issuance of such Refunding Bonds;

(3) interest on all Outstanding Bonds or outstanding Parity Obligations to be refunded to the date such Bonds or Parity Obligations will be called for redemption or paid at maturity;

(4) interest on the Refunding Bonds from the date thereof to the date of payment or redemption of the Bonds or Parity Obligations to be refunded; and

(5) funding a Bond Reserve Fund for the Refunding Bonds, if required.

Before such Series of Refunding Bonds shall be issued and delivered pursuant to the provisions of the Indenture described under this caption, the Issuer shall file each of the documents identified below with the Trustee (upon which documents the Trustee may conclusively rely in determining whether the conditions precedent to the issuance of such Series of Refunding Bonds have been satisfied).

(1) A Supplemental Indenture authorizing such Series of Refunding Bonds executed by the Issuer.

(2) A Certificate of the Issuer certifying: (i) that Maximum Annual Debt Service on all Bonds and Parity Obligations which will be outstanding following the issuance of such Series of Refunding Bonds is less than or equal to Maximum Annual Debt Service on all Bonds Outstanding and Parity Obligations outstanding prior to the issuance of such Refunding

Bonds; and (ii) that the requirements of the Indenture described in paragraphs (A), (B), and (C) under the caption "Issuance of Additional Bonds" are satisfied.

(3) If any of the Bonds to be refunded are to be redeemed prior to their stated maturity dates, irrevocable instructions to the Trustee to give the applicable notice of redemption or a waiver of the notice of redemption signed by the Holders of all or the portion of the Bonds or Parity Obligations to be redeemed, or proof that such notice has been given by the Issuer; provided, however, that in lieu of such instructions or waiver or proof of notice of redemption, the Issuer may cause to be deposited with the Trustee all of the Bonds and Parity Obligations proposed to be redeemed (whether canceled or uncanceled) with irrevocable instructions to the Trustee to cancel said Bonds or Parity Obligations so to be redeemed upon the exchange and delivery of said Refunding Bonds.

(4) An Opinion of Bond Counsel to the effect that the Supplemental Indenture is being entered into in accordance with the Indenture and that such Series of Refunding Bonds, when duly executed by the Issuer and authenticated and delivered by the Trustee, will be valid and binding obligations of the Issuer.

Limitations on the Issuance of Obligations Payable from 2000 Measure A Sales Tax Revenues; Parity Obligations; Subordinate Obligations. The Issuer will not, so long as any of the Bonds are Outstanding, issue any obligations or securities, howsoever denominated, payable in whole or in part from 2000 Measure A Sales Tax Revenues except the following:

(A) Bonds authorized pursuant to provisions in the Indenture described above under the caption "Issuance of Additional Bonds";

(B) Refunding Bonds authorized pursuant to the provisions of the Indenture described above under the caption "Issuance of Refunding Bonds";

(C) Parity Obligations, provided that the following conditions to the issuance or incurrence of such Parity Obligations are satisfied:

(1) Such Parity Obligations have been duly and legally authorized for any lawful purpose;

(2) No Event of Default shall have occurred and then be continuing, as evidenced by the delivery of a Certificate of the Issuer to that effect, which Certificate of the Issuer shall be filed with the Trustee;

(3) Such Parity Obligations are being issued or incurred either (i) for purposes of refunding in compliance with the requirements for the issuance of Refunding Bonds set forth in the Indenture and described above under the caption "Issuance of Refunding Bonds" or (ii) the Issuer shall have placed on file with the Trustee a Certificate of the Issuer, upon which the Trustee may conclusively rely certifying (on the basis of calculations made no later than the date of sale or incurrence of such Parity Obligations, as applicable) that the requirements of the Indenture described in paragraph (D) under the caption "Issuance of Additional Bonds" relating to the issuance of an additional Series of Bonds have been satisfied with respect to such Parity Obligations, which Certificate shall also set forth the computations upon which such Certificate is based evidencing compliance with the requirements set forth in subsection (ii) of this paragraph;

(4) As and to the extent applicable, the Trustee shall be designated as paying agent or trustee for such Parity Obligations and the Issuer shall deliver to the Trustee a transcript of the proceedings providing for the issuance of such Parity Obligations (but the Trustee shall not be responsible for the validity or sufficiency of such proceedings or such Parity Obligations).

Notwithstanding any other provision of the Indenture to the contrary, the execution and delivery of an Interest Rate Swap Agreement shall not be subject to compliance with the provisions of the Indenture described in paragraphs (C)(3) or (C)(4) above.

(D) Subordinate Obligations which are payable as to principal, premium, interest and reserve fund requirements, if any, only out of 2000 Measure A Sales Tax Revenues after the prior payment of all amounts then required to be paid under the Indenture from 2000 Measure A Sales Tax Revenues for principal, premium, interest and reserve fund requirements, if any, for all Bonds Outstanding, and all Parity Obligations outstanding, as the same become due and payable and at the times and in the manner as required in the Indenture and in the instrument or instruments pursuant to which any Parity Obligations were issued or incurred.

(E) Termination payments and fees and expenses on Interest Rate Swap Agreements and other obligations which shall be secured by a lien and charge on the 2000 Measure A Sales Tax Revenues subordinate to the lien and charge upon the 2000 Measure A Sales Tax Revenues which secures the Bonds, Parity Obligations and payment of principal and interest on Subordinate Obligations.

Calculation of Maximum Annual Debt Service with Respect to Parity Obligations. For purposes of the Indenture, Maximum Annual Debt Service with respect to Parity Obligations shall be determined no later than the date of incurrence of such Parity Obligations utilizing the assumptions set forth in the definition of Debt Service; provided, however, that if a Parity Obligation is contingent upon funds being provided pursuant to such Parity Obligation to pay principal, or purchase price of, or interest on a Bond, such Parity Obligations shall not be considered outstanding until such payment is made thereunder.

Certain Covenants of the Issuer

Punctual Payments. The Issuer will punctually pay or cause to be paid the principal or Redemption Price of and interest on all the Bonds, in strict conformity with the terms of the Bonds and of the Indenture, according to the true intent and meaning thereof, and shall punctually pay or cause to be paid all Mandatory Sinking Account Payments, but in each case only out of 2000 Measure A Sales Tax Revenues as provided in the Indenture.

Against Encumbrances. The Issuer will not create any pledge, lien or charge upon any of the 2000 Measure A Sales Tax Revenues having priority over or having parity with the lien of the Bonds except only as permitted in the caption "Limitations on the Issuance of Obligations Payable from 2000 Measure A Sales Tax Revenues; Parity Obligations; Subordinate Obligations" above.

Accounting Records and Financial Statements. The Issuer will at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with generally accepted accounting principles, in which complete and accurate entries shall be made of all transactions relating to the Revenues. Such books of record and account shall be available for inspection by the Trustee at reasonable hours and under reasonable circumstances.

The Issuer will furnish the Trustee, within two hundred ten (210) days after the end of each Fiscal Year, the financial statements of the Issuer for such Fiscal Year, together with the report and opinion of an independent certified public accountant stating that the financial statements have been prepared in accordance with generally accepted accounting principles and that such accountant's examination of the financial statements was performed in accordance with generally accepted auditing standards and a Certificate of the Chief Financial Officer of the Issuer stating that no event which constitutes an Event of Default or which with the giving of notice or the passage of time or both would constitute an Event of Default has occurred and is continuing as of the end of such Fiscal Year, or specifying the nature of such event and the actions taken and proposed to be taken by the Issuer to cure such default. Thereafter, a copy of such financial statements will be furnished to any Holder upon written request to the Issuer, which copy of the financial statements may, at the sole discretion of the Issuer, be provided by means of posting such financial statements on an internet site that provides access to the Holders.

Collection of 2000 Measure A Sales Tax Revenues. The Issuer covenants and agrees that it has duly levied the 2000 Measure A Sales Tax in accordance with the Act, pursuant to and in accordance with the Ordinance, duly passed and adopted by the Issuer. Said Ordinance has not and will not be amended, modified or altered so long as any of the Bonds are Outstanding in any manner which would reduce the amount of or timing of receipt of 2000 Measure A Sales Tax Revenues, and the Issuer will continue to levy and collect the 2000 Measure A Sales Tax to the full amount permitted by law. The Issuer further covenants that the Issuer has entered into an agreement with the 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.

Fourth 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 Fourth Supplemental Indenture, the Issue has determined that the Subsidy Payments shall be pledged to, and provided as additional security for, the benefit of the 2010 Series A Bonds.

Pledge of Subsidy Payments. As additional security for the payment of all amounts owing on the 2010 Series A Bonds, all Subsidy Payments received with respect to the 2010 Series A Bonds are irrevocably pledged to the Trustee, subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture. Such Subsidy Payments shall immediately be subject to such pledge upon the issuance of the 2010 Series A Bonds, and such pledge shall constitute a first lien on and security interest in such collateral which shall immediately attach to the collateral and be effective, binding and enforceable against the Issuer and all others asserting the rights therein, to the extent set forth, and in accordance with, this Indenture irrespective of whether those parties have notice of this pledge and without the need for any physical delivery, recordation, filing or further act. The pledge of Subsidy Payments with respect to the 2010 Series A Bonds herein made shall be irrevocable until all of the 2010 Series A Bonds are no longer Outstanding and no amounts are owed in connection with the 2010 Series A Bonds. The Issuer shall cause the Subsidy Payments with respect to the 2010 Series A Bonds to be sent directly to the Trustee, and the Trustee shall deposit the Subsidy Payments, when received, to the Interest Fund. Subject to the provisions set forth in Indenture, such Subsidy Payments shall be included within the definition of Revenues.

Proposed Amendment of Definition of Debt Service. As set forth in the Fourth Supplemental Indenture, the Issuer has proposed to amend and restate clause (g) of the definition of "Debt Service" to read in its entirety as follows:

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

Effective Date of Amendment of Definition of Debt Service. The amendment of clause (g) of the definition of "Debt Service" set forth above shall take effect at the sole option of the Issuer upon the earliest to occur of (i) the date when no 2007 Series A Bond remains Outstanding and (ii) the date when the provisions set forth in the Indenture relating to the limitations on rights of Credit Enhancement Providers, Liquidity Facility Providers and Reserve Facility Providers shall apply with respect to the exercise of rights by the Credit Enhancement Provider for the 2007 Series A Bonds and the Reserve Facility Provider for 2007 Series A Bonds.

Treatment of Subsidy Payments Upon Effectiveness of Amendment. At such time as the amendment of clause (g) of the definition of "Debt Service" set forth above shall become effective, Subsidy Payments shall no longer be included within the definition of Revenues for purposes of any calculations to be provided pursuant to the provisions of the Indenture described above in subsection (D) under the caption "Issuance of Additional Bonds."

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APPENDIX E

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 $69,675,000 Santa Clara Valley Transportation Authority 2000 Measure A Sales Tax Revenue Refunding Bonds, 2020 Series A (Taxable) (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 National Association, as successor trustee (the "Trustee"), and a Sixth Supplemental Indenture, dated as of September 1, 2020, between the Authority and the Trustee (the "Sixth 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 September 16, 2020, 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, 2020, 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 2020 Bonds, or other material events affecting the tax status of the Series 2020 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 2020 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 of 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: September 23, 2020

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:	$69,675,000 Santa Clara Valley Transportation Authority 2000 Measure A Sales Tax Revenue Refunding Bonds, 2020 Series A (Taxable)
Date of Issuance:	September 23, 2020

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 Sixth Supplemental Indenture, dated as of September 1, 2020, each by and between the Authority and U.S. Bank 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: ___________________________________

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APPENDIX F

CLEARING SYSTEMS

Disclaimer

The following information has been provided by DTC, Euroclear and Clearstream Banking, 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.

The Depository Trust Company and 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, 2020 Series A (Taxable) (collectively, 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."

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.

Euroclear and Clearstream Banking

Euroclear and Clearstream Banking each hold securities for their customers and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders. Euroclear and Clearstream Banking provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream Banking also deal with domestic securities markets in several countries through established depositary and custodial relationships. Euroclear and Clearstream Banking have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream Banking customers are worldwide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream Banking is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system, either directly or indirectly.

<u>Clearing and Settlement Procedures</u>

Any Bonds sold in offshore transactions will be initially issued to investors through the book-entry facilities of DTC, for the account of its participants, including but not limited to Euroclear and Clearstream Banking. If the investors are participants in Clearstream Banking and Euroclear in Europe, or indirectly through organizations that are participants in the Clearing Systems, Clearstream Banking and Euroclear will hold omnibus positions on behalf of their participants through customers' securities accounts in Clearstream Banking's and Euroclear's names on the books of their respective depositories. In all cases, the record holder of the Bonds will be DTC's nominee and not Euroclear or Clearstream Banking. The depositories, in turn, will hold positions in customers' securities accounts in the depositories' names on the books of DTC. Because of time zone differences, the securities account of a Clearstream Banking or Euroclear participant as a result of a transaction with a participant, other than a depository holding on behalf of Clearstream Banking or Euroclear, will be credited during the securities settlement processing day, which must be a business day for Clearstream Banking or Euroclear, as the case may be, immediately following the DTC settlement date. These credits or any transactions in the securities settled during the processing will be reported to the relevant Euroclear participant or Clearstream Banking participant on that business day. Cash received in Clearstream Banking or Euroclear as a result of sales of securities by or through a Clearstream Banking participant or Euroclear participant to a DTC Participant, other than the depository for Clearstream Banking or Euroclear, will be received with value on the DTC settlement date but will be available in the relevant Clearstream Banking or Euroclear cash account only as of the business day following settlement in DTC.

Transfers between participants will occur in accordance with DTC rules. Transfers between Clearstream Banking participants or Euroclear participants will occur in accordance with their respective rules and operating procedures. Cross-market transfers between persons holding directly or indirectly through DTC, on the one hand, and directly or indirectly through Clearstream Banking participants or Euroclear participants, on the other, will be effected in DTC in accordance with DTC rules on behalf of the relevant European international clearing system by the relevant depositories; however, cross-market transactions will require delivery of instructions to the relevant European international clearing system by the counterparty in the system in accordance with its rules and procedures and within its established deadlines in European time. The relevant European international clearing system will, if the transaction meets its settlement requirements, deliver instructions to its depository to take action to effect final settlement on its behalf by delivering or receiving securities in DTC, and making or receiving payment in accordance with normal procedures for same day funds settlement applicable to DTC. Clearstream Banking participants or Euroclear participants may not deliver instructions directly to the depositories.

The Authority will not impose any fees in respect of holding the Bonds; however, holders of book-entry interests in the Bonds may incur fees normally payable in respect of the maintenance and operation of accounts in the Clearing Systems.

Initial Settlement

Interests in the Bonds will be in uncertified book-entry form. Purchasers electing to hold book-entry interests in the Bonds through Euroclear and Clearstream Banking accounts will follow the settlement procedures applicable thereto and applicable to DTC. Book-entry interests in the Bonds will be credited by DTC to Euroclear and Clearstream Banking participants' securities clearance accounts on the business day following the date of delivery of the Bonds against payment (value as on the date of delivery of the Bonds). DTC participants acting on behalf of purchasers electing to hold book-entry interests in the Bonds through DTC will follow the delivery practices applicable to securities eligible for DTC's Same Day Funds Settlement system. DTC participants' securities accounts will be credited with book-entry interests in the Bonds following confirmation of receipt of payment to the Authority on the date of delivery of the Bonds.

Secondary Market Trading

Secondary market trades in the Bonds will be settled by transfer of title to book-entry interests in the Clearing Systems. Title to such book-entry interests will pass by registration of the transfer within the records of Euroclear, Clearstream Banking or DTC, as the case may be, in accordance with their respective procedures. Book-entry interests in the Bonds may be transferred within Euroclear and within Clearstream Banking and between Euroclear and Clearstream Banking in accordance with procedures established for these purposes by Euroclear and Clearstream Banking. Book-entry interests in the Bonds may be transferred within DTC in accordance with procedures established for this purpose by DTC. Transfer of book-entry interests in the Bonds between Euroclear or Clearstream Banking and DTC shall be effected in accordance with procedures established for this purpose by Euroclear, Clearstream Banking and DTC.

Special Timing Considerations

Investors should be aware that investors will only be able to make and receive deliveries, payments and other communications involving the Bonds through Euroclear or Clearstream Banking on days when those systems are open for business. In addition, because of time-zone differences, there may be complications with completing transactions involving Clearstream Banking and/or Euroclear on the same business day as in the United States. U.S. investors who wish to transfer their interests in the Bonds, or to receive or make a payment or delivery of Bonds, on a particular day, may find that the transactions will not be performed until the next business day in Luxembourg if Clearstream Banking is used, or Brussels if Euroclear is used.

Clearing Information

The Authority and the Underwriters expect that the Bonds will be accepted for clearance through the facilities of Euroclear and Clearstream Banking. The CUSIP numbers and international securities identification numbers/common code for the Bonds are set out on the inside cover page of this Official Statement.

General

None of Euroclear, Clearstream Banking or DTC is under any obligation to perform or continue to perform the procedures referred to above, and such procedures may be discontinued at any time.

Neither the Authority, the Underwriters nor any of their agents will have any responsibility for the performance by Euroclear, Clearstream Banking or DTC or their respective direct or indirect participants or account holders of their respective obligations under the rules and procedures governing their operations or the arrangements referred to above.

Limitations

For so long as the Bonds are registered in the name of DTC or its nominee, Cede & Co., the Authority and the Trustee will recognize only DTC or its nominee, Cede & Co., as the registered owner of the Bonds for all purposes, including payments, notices and voting. So long as Cede & Co. is the registered owner of the Bonds, references in this Official Statement to registered owners of the Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of the Bonds.

Because DTC is treated as the owner of the Bonds for substantially all purposes, Beneficial Owners may have a restricted ability to influence in a timely fashion remedial action or the giving or withholding of requested consents or other directions. In addition, because the identity of Beneficial Owners is unknown to the Authority or DTC, it may be difficult to transmit information of potential interest to Beneficial Owners in an effective and timely manner. Beneficial Owners should make appropriate arrangements with their broker or dealer regarding distribution of information regarding the Bonds that may be transmitted by or through DTC.

Among other things, the Authority will have no responsibility or obligation with respect to:

- the accuracy of the records of DTC, its nominee or any Direct Participant or Indirect Participant with respect to any Beneficial Ownership interest in any Bonds;
- the delivery to any Direct Participant or Indirect Participant or any other person, other than a registered owner as shown in the bond register kept by the Trustee, of any notice

with respect to any Bonds including, without limitation, any notice of redemption with respect to any Bonds;

- the payment to any Direct Participant or Indirect Participant or any other person, other than a registered owner as shown in the bond register kept by the Trustee, of any amount with respect to the principal of, premium, if any, or interest on, any Bonds; or
- any consent given by DTC or its nominee as registered owner.

APPENDIX G

FORM OF BOND COUNSEL OPINION

[Closing Date]

Santa Clara Valley Transportation Authority
3331 North First Street, Building C
San Jose, California 95134

$69,675,000
Santa Clara Valley Transportation Authority
2000 Measure A Sales Tax Revenue Refunding Bonds
2020 Series A (Taxable)

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance of $69,675,000 aggregate principal amount of Santa Clara Valley Transportation Authority 2000 Measure A Sales Tax Revenue Refunding Bonds, 2020 Series A (Taxable) (the “2020 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 2020 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 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”), and a Sixth Supplemental Indenture, dated as of September 1, 2020 (the “Sixth 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 2020 Series A Bonds are being issued to refund and defease a portion of the Authority’s outstanding 2000 Measure A Sales Tax Revenue Refunding Bonds, 2015 Series A (such portion referred to herein as the “Refunded Bonds”).

The 2020 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 2000 Measure A Sales Tax was approved by more than two-thirds of the electorate of the County of Santa Clara (the “County”) voting on the ballot measure in November 2000 and is scheduled to expire March

31, 2036. The 2020 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 2020 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 2020 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 2020 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 2020 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 statutes, regulations, rulings and court decisions, interest on the 2020 Series A Bonds is exempt from personal income taxes of the State of California.

The opinions expressed in paragraphs 1 and 2 above are qualified to the extent the enforceability of the 2020 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 2020 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 2020 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,

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY • 2000 MEASURE A SALES TAX REVENUE REFUNDING BONDS, 2020 SERIES A (TAXABLE)