SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

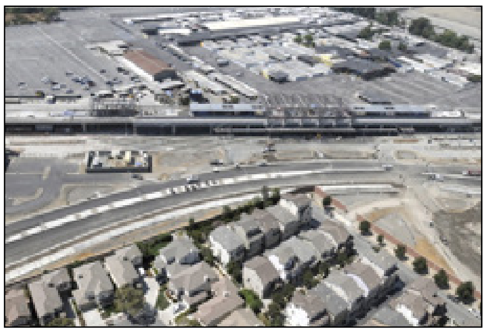
Comprehensive Annual Financial Report

FISCAL YEAR 2016

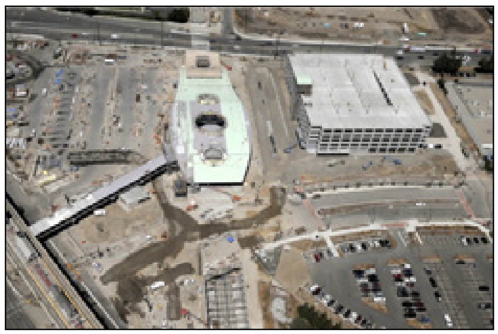
For Fiscal Year Ended
June 30, 2016
Santa Clara County, California

SANTA CLARA
Valley Transportation Authority
Part of every trip you take®

VTA served 10,000 football fans during Super Bowl 50 at Levi's Stadium in Santa Clara.



Berryessa BART Station getting final touches of plaza and roadway.



Milpitas BART Station includes pedestrian bridge to light rail and six-story garage.

I-280/I-880/Stevens Creek Blvd Improvement Project completed August 2015.

Alum Rock BRT Station inspired by rich agricultural history of San Jose.

Story Road Eastbound BRT Station inspired by lowrider car culture in east San Jose.

Eastridge Transit Center and new 60-foot articulated Rapid Transit Bus (BRT).

One of the many light rail platform passenger information signs installed this year.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

SAN JOSE, CALIFORNIA

Comprehensive Annual Financial Report (CAFR)
For Fiscal Year Ended June 30, 2016

Prepared by:
Finance and Budget Division

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SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Comprehensive Annual Financial Report
For the Year Ended June 30, 2016

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Comprehensive Annual Financial Report

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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, 2015

Jeffrey R. Emer

Executive Director/CEO

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SECTION 1 - **INTRODUCTION**

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LETTER OF TRANSMITTAL

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October 28, 2016

Board of Directors
Santa Clara Valley Transportation Authority

Subject: Comprehensive Annual Financial Report

It is a pleasure to submit to you the Comprehensive Annual Financial Report (CAFR) of the Santa Clara Valley Transportation Authority (VTA) for the year ended June 30, 2016. The CAFR was prepared in accordance with the guidelines recommended by the Government Finance Officers Association of the United States and Canada (GFOA). VTA Management assumes responsibility for the accuracy and completeness of the data and the clarity of the presentation, including all disclosures. To the best of our knowledge, the enclosed report is presented in conformity with Generally Accepted Accounting Principles (GAAP), and is complete and reliable in all material respects.

Vavrinek, Trine, Day & Company LLP, a firm of licensed Certified Public Accountants, has audited the financial statements. The goal of the audit is to obtain a reasonable assurance that the financial statements are free of material misstatements. Vavrinek, Trine, Day & Company LLP concluded, based on the audit, that there was a reasonable basis for rendering an unmodified opinion on the financial statements for the fiscal year ended June 30, 2016, and that the financial statements are fairly stated in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

In addition, Vavrinek, Trine, Day & Company LLP also conducts the federally mandated "Single Audit" designed to meet requirements of federal grantor agencies. The standards governing the Single Audit require the independent auditor to report on the fair presentation of the financial statements, 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 VTA's 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 1-11 of this report.

ECONOMIC ENVIRONMENT

The information presented in the financial statements is better understood when considered with a broader perspective of the specific environment in which the government entity operates. 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 1.8 million is one of the largest in the state, and the largest of the nine Bay Area counties.[1] The northwest portion of the County, known as Silicon Valley, is home to many leading computer and electronic companies such as Google, Cisco, Hewlett-Packard, Yahoo, eBay, Facebook, and Apple among others. Santa Clara County has enjoyed diverse employment and revenue base.

According to the US Department of Labor report in June 2016, the national unemployment rate dropped to 4.9% and the number of unemployed persons was 7.8 million, compared to prior year's statistics during the same period, when unemployment rate was 5.3% and the number of unemployed persons was 8.3 million. In June 2016, the state's unemployment rate dropped to 5.4% from 6.2% the prior year. Although the Santa Clara County's unemployment rate was unchanged at 4% from a year ago, it is still the fourth lowest ranking among the counties within the state.[2]

Job gains were seen specifically in the areas of Technology, Healthcare and Social Services, Education, Accommodation and Food Services, and Management Office positions.[3] With a strong labor market and rising real income, consumer spending on goods was high. Job growth and a surge in wages also fueled the demand for housing causing prices and rents to soar.[4] The County continues to see construction of high-density housing units near transit hubs in anticipation of long-term challenges affecting housing and transportation.

The letter of the State Governor in January 2016 disclosed that the state budget is in good shape. Barring any significant changes, the budget over the next two years is in balance. The state is able to eliminate the budgetary debts and continue to maintain a healthier rainy day fund. The

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[1] Population Demographics for Santa Clara County in 2015 and 2016.

[2] Local Area Unemployment Statistics. June 2016.

[3] Silicon Valley Index. 2015.

[4] San Jose Mercury News. County's Median Hits $1 million for First Time. May 18, 2016.

fiscal stability from a balanced budget and a recovering state economy have been a reprieve from the prior decade's budget deficits.

Consistent with the state's improved financial condition, the Transportation Development Act (TDA) revenue increased by $3.9 million in FY 2016. The State Transportation Assistance (STA) revenue, however, declined by $318 thousand as prices for diesel, along with gasoline and crude oil, remain at a historical low. Both revenues are state programs that provide funds to operate bus and rail systems in California.

FY 2016 witnessed positive economic conditions leading to higher consumer and business spending. This contributed to the growth in VTA's major revenue sources for operations and capital activity, i.e. 1976 Half-Cent, 2000 Measure A, and BART Operating sales taxes. These sales tax revenues are dependent upon taxable sales activity in the county. For FY 2016, the 1976 Half-Cent, 2000 Measure A, and BART Operating sales tax revenues grew 3.1%, 3% and 3.7%, respectively.

ENTERPRISE NET POSITION OVERVIEW

GASB Statement 34 requires 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 beginning on page 2-4 and should be read in conjunction with it.

VTA's enterprise funds report the activities of its transit operations, 1996 Measure B Transportation Improvement Program, 2000 Measure A Transit Improvement Program, BART Operating, Express Lanes, and Joint Development Program.

The Enterprise Funds net position increased by $398.2 million to $4.4 billion. This consists of VTA Transit Fund of $2.0 billion, Measure B Transit Fund of $976 thousand, Express Lanes Fund of $2.4 million, Measure A Fund of $2.2 billion, BART Operating Fund of $187.5 million, and Joint Development of $29.2 million. Total FY 2016 Net Position is provided below (in thousands):

Net Investment in Capital Assets		$ 3,394,540
Restricted:		
2000 Measure A projects	$ 429,907	
SWAP/lease collateral	120,764	
BART Operating	187,515	
Debt service	49,840	
1996 Measure B Projects	974	789,000
Unrestricted:		
Debt reduction	$ 76,378	
Operating reserve	64,147	
Sales tax stabilization	35,000	
Local share of capital projects	134,029	
Inventory and prepaid expenses	33,615	
Irrevocable transfer made to OPEB trust fund	15,865	
Joint Development	26,909	
Express Lanes	2,364	
Unrestricted before GASB 68 adjustment	388,307	
Net Position Liability (GASB 68)*	(195,565)	192,742
Total Net Position		$ 4,376,282

*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 $80.6 million and $115 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 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 as follows:

Proprietary Funds	Governmental Funds
• VTA Transit • 1996 Measure B Transit* • 2000 Measure A Transit • Joint Development • Express Lanes • BART Operating	• Congestion Management Program • Congestion Management and Highway Program • 1996 Measure B Program*

*No additional appropriation in recent adopted budget as program is nearing its completion.

Internal Control

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

Reserves

The following is a summary of VTA Transit Reserves established by the Board of Directors. The Net Pension Liability (inclusive of the related deferrals) resulting from the GASB 68 implementation may reduce any or all of these reserves.

Reserve	Balance as of June 30, 2016 (in millions)	Remarks
Operating Reserve	$64.147	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 revenue shortfalls or unavoidable expenditure needs. The detailed calculation and information on the operating reserve is shown on page 3-8.

Reserve	Balance as of June 30, 2016 (in millions)	Remarks
Sales Tax Stabilization	$35	This reserve serves to mitigate 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	$76.378	This reserve may be used to reduce long-term liabilities or provide funding for approved transit-related capital improvements and replacement of capital assets. This reserve is used to fund local portion of the VTA Transit capital program in order to keep assets in a state of good repair.

Financial Stability Policy

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

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

MAJOR INITIATIVE

VTA's BART Silicon Valley Project

The VTA's BART Silicon Valley Project is a 16-mile extension of the existing BART system to San Jose, Milpitas, and Santa Clara, which will be delivered through a phased approach. The first phase, the Silicon Valley Berryessa Extension (SVBX), is a 10-mile, two-station extension, beginning in Fremont south of the future 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, $387.6 million in state and other local funding, and $1.134 billion from Measure A sales tax. In March 2012, VTA received a $900 million grant commitment from the FTA for the project, along with the first $100 million allocation, as provided for in the Full Funding Grant Agreement (FFGA). The FFGA is a multi-year contractual agreement that formally defines the project scope, cost, and schedule, and establishes the terms of the federal financial assistance. Execution of the FFGA allowed the commencement of construction of the 10-mile, two-station BART extension. As of June 2016, $531 million of the total $552.6 million grant award, has been expended and received.

In August 2014, VTA received the Traffic Congestion Relief Program (TCRP) funds in the amount of $39 million which constitutes the final installment of the State of California's $649 million TCRP allocation plan adopted by the California Transportation Commission (CTC) in 2008. As of June 2016, remaining unexpended amount from this allocation is $8.7 million.

The project scope includes BART vehicles, VTA feeder buses, double-track grade-separated guideway, traction power substations, high voltage substations, a communication system, passenger drop-off facilities, surface and structured parking facilities, bus transit centers, a pedestrian bridge, real estate acquisition, drainage improvements, environmental mitigation, financing, startup and revenue testing, and other elements necessary for project delivery. The project also includes facility additions to the existing BART Hayward Yard for maintenance of BART vehicles.

The first major design and construction contract, valued at $772 million for the line, track, systems, and stations, was awarded in December 2011 to Design Builder Skanska-Shimmick-Herzog, a Joint Venture. Construction of the 10-mile, two-station project is planned for 2012 to late 2017. Construction continues at future station areas and major intersections that the BART system will cross. At the future Milpitas Station and Berryessa Station systems, civil and building work is underway. The parking garage at both stations has been topped out. Elevator and parking technology installations and site work are underway. At the Berryessa Station Campus, work is underway on the Police Zone Facility and Ancillary Building. The first pilot BART vehicle was received in March 2016. Qualification and train operator training has been started. VTA and BART have finalized an agreement for a new BART Operation Control Center (OCC). VTA and BART will execute the agreement after BART completes the environmental review for OCC project.

VTA continues project development activities for the second 6-mile phase of the project. This includes four stations, with a five-mile-long subway tunnel through downtown San Jose, and ends at grade in Santa Clara near the Caltrain Station. The project also includes the construction of a maintenance facility at the current Newhall Yard, the Newhall Maintenance Facility, as well as the purchase of 48 BART vehicles. A Request for Proposal was issued for a single-bore tunnel technical study focusing on areas such as station configurations, ventilation, and emergency egress. Proposals have been received and contract award is anticipated in Fall 2016. A second administrative draft Supplemental Environmental Impact Statement/Subsequent Environmental Impact Report (SEIS/SEIR) was submitted to Federal Transit Administration (FTA) in June 2016. This document reflects revisions based on FTA and BART comments, as well as new options for the station location at Diridon and a single-bore tunnel. Phase II Working Group meetings continue to be held.

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 2015 Comprehensive Annual Financial Report. This is the 20th 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, Investment Services, Retirement Services, and Finance departments. The Copy Center, Creative Services, Office of the Board Secretary, and Marketing departments also made significant contributions to the form, content, and production of the report. The team members demonstrated a commendable degree of personal dedication and determination in producing this document.

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

Nuria I. Fernandez
General Manager/CEO

Raj Srinath
Chief Financial Officer

2016 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 attempts to balance regional representation and 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.

Cindy Chavez, Chairperson
Jeannie Bruins, Vice Chairperson
As of June 30, 2016

Group	Jurisdiction	Member
GROUP 1	City of San Jose	Magdalena Carrasco Rose Herrera Johnny Khamis Sam Liccardo* Manh Nguyen Raul Peralez, Alternate
GROUP 2	City of Los Altos	Jeannie Bruins
	Town of Los Altos Hills	
	City of Mountain View	John McAlister, Alternate
	City of Palo Alto	
GROUP 3	City of Campbell	Jason Baker*
	City of Cupertino	
	Town of Los Gatos	
	City of Monte Sereno	
	City of Saratoga	Howard Miller, Alternate
GROUP 4	City of Gilroy	Perry Woodward
	City of Morgan Hill	Larry Carr, Alternate
GROUP 5	City of Milpitas	Jose Esteves, Alternate
	City of Santa Clara	Teresa O'Neill
	Citty of Sunnyvale	Glenn Hendricks
GROUP 6	County of Santa Clara	Cindy Chavez Ken Yeager David Cortese,* Alternate
Ex-Officio**	Metropolitan Transportation Commission (MTC) Commissioners Representing Santa Clara County, Cities of Santa Clara County, and City of San Jose	None

* *These individuals serve on the MTC.*

** *There are no Ex-Officio Board Members for 2016 as the MTC representatives from Santa Clara County, Cities of Santa Clara County and City of San Jose are also VTA Board Members or Alternate VTA Board Members.*

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, 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. **Transit Planning and Operations Committee (TP & O)** reviews and recommends policies related to transit planning, transit capital improvement projects, transit operations, and marketing.

5. **Silicon Valley Rapid Transit (SVRT) Program Working Committee** reviews the ongoing program activities and recommends policy decisions pertaining to the program activities of the VTA's BART Silicon Valley Extension Project, which brings the BART regional heavy rail system 16 miles from Alameda County to the Santa Clara County cities of Milpitas, San Jose, and Santa Clara.

VTA BOARD OF DIRECTORS' ADVISORY COMMITTEES

1. **Committee for Transit Accessibility (CTA)** provides advice to the VTA Board and administration 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 21 voting members comprised of individuals from the senior and disabled communities and representatives from human services agencies, as well as two ex-officio, non-voting members, one each representing VTA's paratransit broker and the VTA Board of Directors.

2. **Citizens Advisory Committee (CAC) / 2000 Measure A Citizens Watchdog Committee (CWC)** is a 17 voting member committee representing the residents of Santa Clara County, as well as specified community stakeholder groups, including business and labor, with an interest in transportation. The CAC advises the VTA Board and 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 countrywide 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 appoint one non-voting representative each 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.

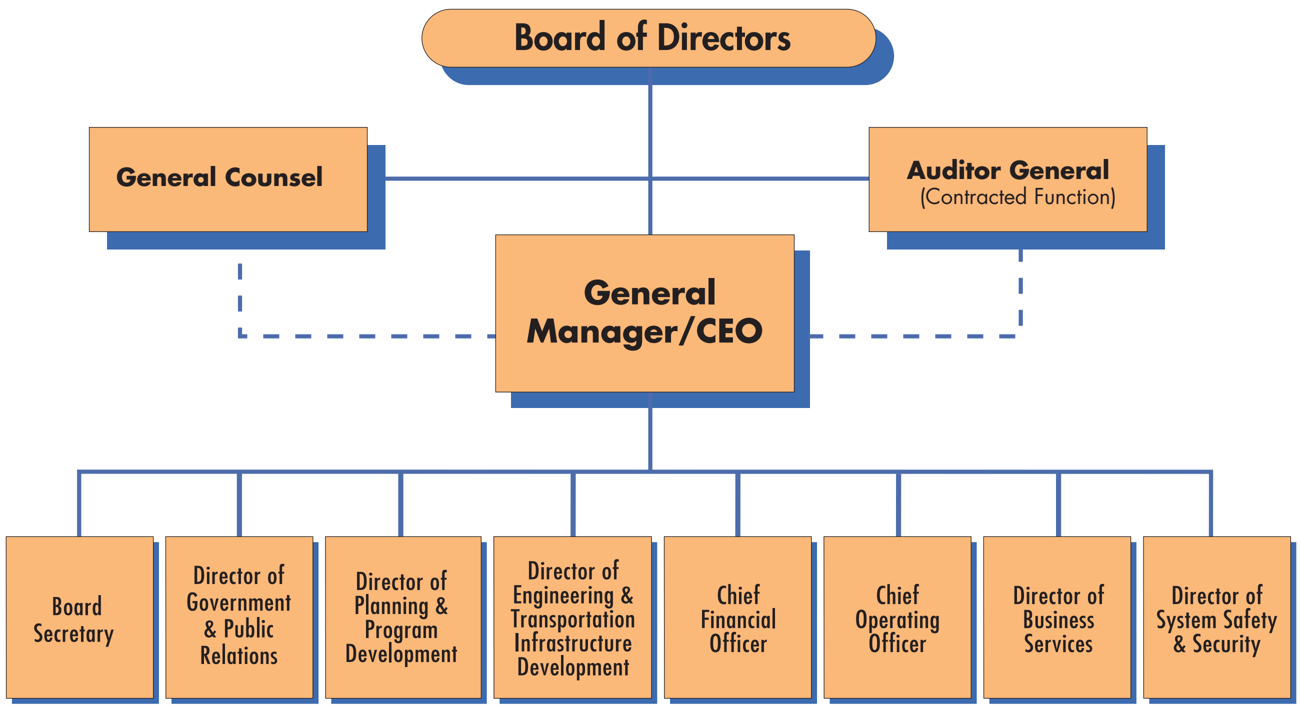
VTA BOARD OF DIRECTORS' POLICY ADVISORY BOARDS

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 six active PABs:

- **Diridon Station Joint Powers Policy Advisory Board**
- **Downtown East Valley Policy Advisory Board**
- **El Camino Real Rapid Transit Policy Advisory Board**
- **Silicon Valley Rapid Transit Corridor and BART Warm Springs Extension Policy Advisory Board**
- **Vasona Light Rail Project Policy Advisory Board**
- **State Route (SR) 85 Corridor Policy Advisory Board**

Santa Clara Valley Transportation Authority

As of June 30, 2016



Principal Officials as of June 30, 2016

General Manager/CEO	Nuria I. Fernandez
General Counsel	Robert Fabela
Auditor General (Contracted Function)	Bill Eggert
Board Secretary	Elaine Baltao
Director of Government & Public Relations	James Lawson
Director of Planning & Program Development	John Ristow
Director of Engineering & Transportation Infrastructure Development	Carolyn Gonot
Chief Financial Officer	Raj Srinath
Chief Operating Officer	Inez P. Evans
Director of Business Services	Alberto Lara
Director of System Safety & Security	Steve Keller

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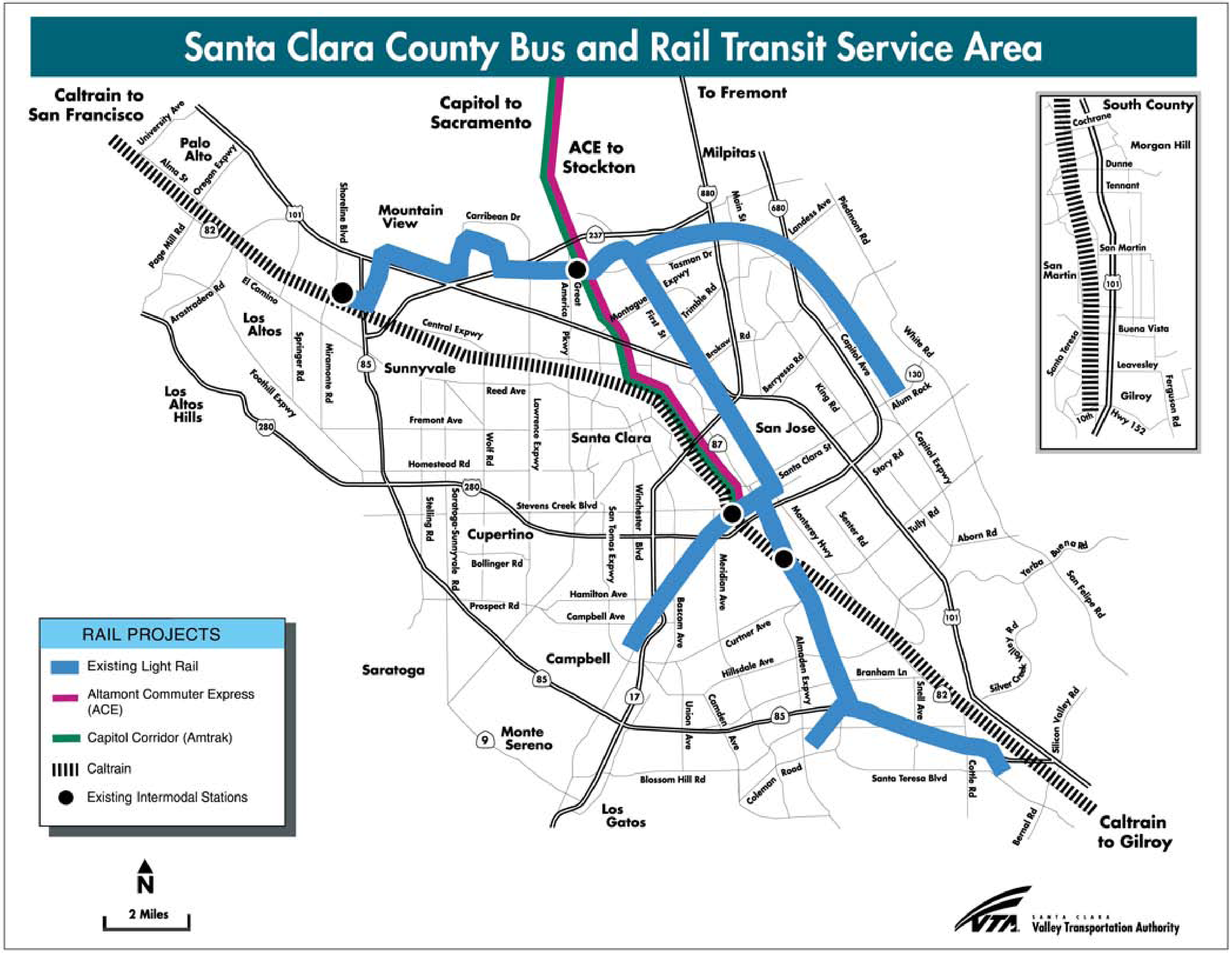

Santa Clara County Bus and Rail Transit Service Area
Caltrain to San Francisco
Capitol to Sacramento
ACE to Stockton
To Fremont
Milpitas
Palo Alto
Mountain View
Los Altos
Los Altos Hills
Sunnyvale
Santa Clara
San Jose
Cupertino
Campbell
Saratoga
Monte Sereno
Los Gatos
Caltrain to Gilroy
South County
Morgan Hill
San Martin
Gilroy
RAIL PROJECTS
Existing Light Rail
Altamont Commuter Express (ACE)
Capitol Corridor (Amtrak)
Caltrain
Existing Intermodal Stations
2 Miles
Santa Clara Valley Transportation Authority

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SECTION 2 – **FINANCIAL SECTION**

INDEPENDENT AUDITOR'S REPORT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Required Supplementary Information)

BASIC FINANCIAL STATEMENTS:

Government-wide Financial Statements

- Statement of Net Position
- Statement of Activities

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Proprietary Funds:

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

Governmental Funds:

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

Fiduciary Funds:

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

Required Supplementary Information (other than MD&A):

- Schedule of Changes in Net Pension Liability and Related Ratios – ATU Pension Plan
- Schedule of Employer Contributions – ATU Pension Plan
- Schedule of Changes in Net Pension Liability and Related Ratios – CalPERS Plan
- Schedule of Employer Contributions – CalPERS Plan
- Schedule of Funding Progress – Retirees' Other Post Employment Benefits Trust
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Supplementary Information – Combining and Individual Fund Statements and Schedules:

Enterprise Funds:

- Comparative Schedule of Fund Net Position
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INDEPENDENT AUDITOR'S REPORT

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Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants & Consultants

VALUE THE DIFFERENCE

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, governmental activities, each major fund, and the aggregate remaining fund information of the Santa Clara Valley Transportation Authority (VTA), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the VTA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, governmental activities, each major fund, and the aggregate remaining fund information of the VTA, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 2-q to the financial statements, in 2016, VTA adopted new accounting guidance, GASB Statement No. 72, *Fair Value Measurement and Application*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the VTA's basic financial statements. The enterprise 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 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, 2016.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of VTA as of and for the year ended June 30, 2015 (not presented herein), and have issued our report thereon dated October 25, 2015, which contained unmodified opinions on the respective financial statements of the business-type activities, the governmental activities, each major fund, and the aggregate remaining fund information. The enterprise fund supplementary information as of and for the year ended June 30, 2015 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the June 30, 2015 financial statements. The enterprise fund supplementary information as of and for the year ended June 30, 2015 have been subjected to the auditing procedures applied in the audit of the 2015 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the enterprise fund supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2015.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2016, on our consideration of the VTA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the VTA's internal control over financial reporting and compliance.

Vavrinek, Trine, Day & Co. LLP

Palo Alto, California
October 21, 2016

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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 2016. 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, 2016, VTA’s net position amounted to approximately $4.4 billion. Of this amount, approximately $3.4 billion consisted of net investment in capital assets which is associated with VTA’s capital program.
- Enterprise Funds operating revenues mainly from passenger fares were $42.3 million, a decrease of $738 thousand or 1.7% from FY 2015.
- As of June 30, 2016, VTA had total outstanding bonds in the amount of $1.1 billion.
- VTA Transit Fund net position decreased by $33.7 million to $2 billion.
- The three board-designated reserves; i.e., Transit Operating Reserve, Debt Reduction Reserve, and Sales Tax Stabilization Reserve were $64.1 million, $76.4 million, and $35 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 $195.6 million. This 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.
- VTA Measure A Fund net position in FY 2016 added $380 million to a total of $2.2 billion. This amount is restricted for the Measure A Transit Improvement Program per the Measure A Ballot.
- The 1976 Sales Tax revenue, reflecting an improvement in taxable sales activity in the County, increased $6.2 million, or 3.1% from FY 2015 level to $205.4 million in FY 2016.
- The 2000 Measure A Sales Tax revenue increased $6 million or 3% to $205.6 million in FY 2016.
- Federal, state, and local operating grants were $16.5 million or 11.5% lower in FY 2016. The decline was largely a result of the elimination of the use of federal grants for the funding of preventive maintenance. While FY 2016 did not report grant revenue for preventive maintenance activities, the prior year reported a $20.4 million revenue for this purpose. State Transit Assistance was also lesser by $317.6 thousand in FY 2016. This was offset in part by a net increase of $4.2 million in the Transportation Development Act (TDA) revenue, and other operating assistance.

- Capital grants decreased by $6.4 million from the FY 2015 level, due to a decrease in grant-funded activities relating to Silicon Valley Berryessa Extension (SVBX) and procurement of vehicles. The decrease was partially offset by recognition of grant revenues for Mission Boulevard (Route 262)/Warren Avenue/Freight Railroad Relocation Program, Mountain View Double Track Phase I, and Santa Clara Station Underpass projects.
- As of June 30, 2016, the net position of Express Lanes and Joint Development funds amounted to $2.4 million and $29.2 million, respectively. The Express Lanes Fund recorded toll collection from SR 237/I-880 Express Connector. The Joint Development Fund reported property rental revenues and other proceeds generated from VTA's Joint Development Program.
- In FY 2016, BART operating fund's net position was $187.5 million. The BART Operating Sales Tax increased by $1.8 million or 3.7%, to $49.3 million in FY 2016.

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 inflow and outflow 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 (e.g., uncollected taxes and earned but unused vacation leave).

   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, BART operating, and capital project activity. 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.

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 can be 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 three major governmental funds to account for the financial activities of VTA's Congestion Management Program, the Congestion Management and Highway Program, and the 1996 Measure B 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, the 1996 Measure B Transit projects, the 2000 Measure A capital and operating activities, BART Operating, Joint Development Program, and Express Lanes Program.

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

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

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

Senate Bill 83 Vehicle Registration Fee (SB 83 VRF), the Bay Area Air Quality Management District (BAAQMD), and the 1996 Measure B Ancillary, which includes the Pavement Management and Bicycle programs, are accounted for in an agency fund, a fund that accounts for assets held solely in a custodial capacity. The 1996 Measure B Ancillary Fund was closed in FY 2016.

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 2-33 through 2-94 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 and Pension Contributions pertaining to ATU and CalPERS, VTA's funding progress relative to Other Post Employment Benefits as well as the Congestion Management Program Budgetary Schedule. Required supplementary information can be found on pages 2-95 through 2-101 of this report.

   Other supplementary information such as the combining statements and other individual schedules found immediately following the required supplementary information present individual fund statements and schedules for the Enterprise and Fiduciary Funds. Other supplementary information can be found on pages 2-102 through 2-112 of this report.

4. **Government-wide Financial Analysis**. The Government-Wide Statement of Net Position and the Statement of Activities report a $398.4 million increase in net position. The

Business-Type activities were the major source of the growth as the Government-type activities' net position decreased by $342 thousand. The increase in the business-type net position was due primarily to sales tax receipts, TDA, and capital grants related to VTA's BART Silicon Valley Extension Project. The 1976 sales tax, 2000 Measure A sales tax, and BART operating sales tax collections for the fiscal year were $205.4 million, $205.6 million, and $49.3 million, respectively. During FY 2016, VTA enterprise funds acquired or built total capital assets of approximately $461.2 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 local Measure A sales tax revenues.

Santa Clara Valley Transportation Authority
Condensed Schedule of Net Position
FY 2016 and FY 2015
(In thousands)

	Business -Type Activities		Government Activities		Total	
	2016	2015	2016	2015	2016	2015
Asset:						
Current and other Assets	$ 1,441,236	$ 1,495,830	$ 19,057	$ 20,918	$ 1,460,293	$ 1,516,748
Capital assets, net	4,497,706	4,100,080	-	-	4,497,706	4,100,080
Total assets	5,938,942	5,595,910	19,057	20,918	5,957,999	5,616,828
Deferred outflow of resources	208,206	127,922	-	-	208,206	127,922
Liabilities:						
Current Liabilities	268,286	283,182	17,900	19,419	286,186	302,601
Long-term liabilities outstanding	1,498,314	1,446,584	-	-	1,498,314	1,446,584
Total liabilities	1,766,600	1,729,766	17,900	19,419	1,784,500	1,749,185
Deferred inflow of resources	10,959	23,199	-	-	10,959	23,199
Net Position:						
Net Investment In Capital Assets	3,394,540	2,950,181	-	-	3,394,540	2,950,181
Restricted	789,000	822,834	1,157	1,499	790,157	824,333
Unrestricted	186,049	197,852	-	-	186,049	197,852
Total Net Position	$ 4,369,589	$ 3,970,867	$ 1,157	$ 1,499	$ 4,370,746	$ 3,972,366

The largest portion of VTA's net position (approximately 78%) 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 Measure A and B Transit Improvement Programs, BART operating, debt service collateral with the bond trustees, and Swap/Lease collateral. The unrestricted categories include funds set aside by Board policies and for funding of local share of capital projects; inventory and prepaid expenses; VTA transit operating reserve, debt reduction, express lanes and joint development program funds, sales tax stabilization, irrevocable transfer made to the OPEB Trust, and a deficit in compensated absences. The irrevocable transfer made to OPEB Trust, although unrestricted, is earmarked for OPEB Trust Fund's future operating needs. The unrestricted net position is generally available for appropriation with Board approval. The details of net position categories are shown on page 2-39, Note 2(j).

Governmental Accounting Standards Board (GASB) Statement 68 requires public employees to comply with new accounting and professional reporting standards. Under this standard, employers that participate in a defined benefit pension plan, administered as a trust or equivalent arrangement, are required to record the net pension liability, pension contributions, and deferred outflows/inflows of resources related to pensions in their financial statements. Net Pension Liability is the amount owed by VTA to its employees for benefits provided through a defined benefit pension plan. This consists of $80.6 million for CalPERS and $115 million for ATU, net of related deferrals.

Business-Type Activities – The total net position of $4.4 billion was up by $398.7 million in FY 2016. The current fiscal year reported favorable changes affecting general revenues and unfavorable changes affecting net program expenses. Net program expenses (total expenses minus program revenues) increased by $37.6 million in FY 2016, mainly due to the increase in total expenses of $14 million and decrease in program revenues of $23.6 million.

The rise in total program expense is primarily due to the increase in labor and related fringe of $22.8 million. There was an incremental adjustment in labor rates in accordance with certain collective bargaining agreements, and recording of GASB 68-required pension expense. The unfavorable change in pension expense was largely due to the increase in actuarial estimate as a result of reduction in discount rate assumption specifically for ATU. Service was increased by $4.6 million due to added security personnel which allowed presence of law enforcement 24 hours a day. The decline in the following expenses offset the earlier increases: contribution to other agencies of $8.4 million, interest expense of $3.9 million, and other net operating expenses of $1.1 million. The decline in other net operating expenses was a result of a decrease in contributions to other agencies. These are expenditures incurred by projects whose generated assets would end up being owned by other entities (such as Hayward Maintenance Complex, Mission Boulevard/Warren Avenue, and Kato Road). There was also a decrease in interest expense as a result of increased capitalized interest. With the 2010 taxable bonds being completely drawn since August 2015, related interest was fully capitalized for the most part of the fiscal year.

In the program revenue category, charges for services were down $738 thousand due to decreases in passenger fares collected ($1.44 million), as well as shelter advertising revenues ($56.2 thousand). These decreases were offset partially by an increase in toll, advertising revenues, and other operating revenues of $758.2 thousand. The increase in toll revenues was attributed primarily to higher toll rates. Advertising revenues also experienced an increase brought about by a higher minimum annual guarantee by the vendor.

Operating Assistance grants decreased by $16.5 million due to the elimination of use of federal grants for funding preventive maintenance activities. While there was no preventive maintenance grant received in FY 2016, a $20.4 million in preventive maintenance grant received was recognized in the prior year. State transit assistance was also lesser by $317.6 thousand in FY 2016. This reduction was offset partially by an increase of $3.9 million in Transportation Development Act (TDA) and net increase of $320 thousand in other federal and state operating assistance grants relating to Transit Assistance Program, Transportation for Clean Air Act Shuttle Program, Job Access Reverse Commute, and Transit Security Grant Program revenues.

Capital grants decreased by $6.4 million as a result of reduced activities mainly in the grant-funded Silicon Valley Berryessa Extension (SVBX) and procurement of buses. The decrease was partially offset by the recognition of grant revenues for Mission Boulevard (Route 262)/Warren Avenue/Freight Railroad Relocation Program, Mountain View Double Track Phase I and Santa Clara Station Underpass projects.

In the general revenue category, the upswing in sales taxes of $14 million and investment income of $9.7 million, offset by a decrease in other income of $17.7 million, resulted in a $6 million improvement. The increase in investment income was largely due to higher mark-to-market gains of $8.3 million as a result of modestly lower interest rates. Other income decreased during the year because there were proceeds received from sale of properties in the prior year but none in the current year.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Condensed Schedule of Activities
FY 2016 and FY 2015
(In thousands)

	Business-Type Activities		Governmental Activities		Total	
	2016	2015	2016	2015	2016	2015
Expenses:						
Operations, support services, and CMP program	$ 431,212	$ 407,618	$ 8,228	$ 8,071	$ 439,440	$ 415,689
Caltrain subsidy & capital expense, on behalf of, and contribution to other agencies	61,508	69,835	-	-	61,508	69,835
Altamont Corridor Express subsidy	3,166	3,097	-	-	3,166	3,097
Interest expense	11,330	15,204	-	-	11,330	15,204
Other non-operating expenses	4,177	5,734	-	-	4,177	5,734
Claims and change in future claim estimates	12,999	8,881	-	-	12,999	8,881
Contribution to agencies	-	-	210	168	210	168
Capital outlay on behalf of other agencies	-	-	11,189	20,127	11,189	20,127
Total expenses	524,392	510,369	19,627	28,366	544,019	538,735
Program revenues:						
Charges for services	42,316	43,054	2,529	2,526	44,845	45,580
Operating grants*	126,988	143,511	16,585	2,096	143,573	145,607
Capital grants	271,057	277,421	-	22,964	271,057	300,385
Total program revenues	440,361	463,986	19,114	27,586	459,475	491,572
Net program revenues (expenses)	(84,031)	(46,383)	(513)	(780)	(84,544)	(47,163)
General revenues:						
Sales tax revenue	460,316	446,374	-	-	460,316	446,374
Investment income	19,102	9,420	16	9	19,118	9,429
Other Income	3,335	20,993	155	250	3,490	21,243
Total general revenues	482,753	476,787	171	259	482,924	477,046
Change in net position	398,722	430,404	(342)	(521)	398,380	429,883
Net position, beginning of year	3,970,867	3,729,457	1,499	2,020	3,972,366	3,731,477
Adjustment to Net Position due to GASB 68 Implementation	-	(188,994)	-	-	-	(188,994)
Net position, beginning of year	3,970,867	3,540,463	1,499	2,020	3,972,366	3,542,483
Net position, end of year	$4,369,589	$3,970,867	$ 1,157	$ 1,499	$4,370,746	$3,972,366

*To be comparative with FY 2016, $8.7 million BABs subsidy in FY 2015 was reflected under Operating grants.

Governmental Activities – The net position of governmental activities decreased $342 thousand, with an ending balance of $1.2 million; all in the Special Revenue Fund. Major elements of changes in fund balance were as follows:

- In the Congestion Management and Highway Program (CMHP) Capital Projects Funds, total grant revenues and capital expenditures were $13.8 million. In FY 2016, CMHP reported a decrease in grant revenues as a result of waning activities on projects (e.g. Stevens Creek construction and US101/Capitol Expressway/Yerba Buena Interchange). The decrease was partially offset by a slight increase in activity in SR 237 Express Lanes-Phase II Extension and improvements at Mathilda Road. Measure B Highway Program showed capital grant revenue of $183 thousand with the same amount of capital expenditures. The decrease in Measure B Highway Program activities is due to the program's winding down to completion.
- In the Congestion Management Program (CMP) Special Revenue Fund, total revenue sources were $5.3 million, an increase of $405 thousand from the $4.9 million in FY 2015. The

increase is primarily due to the increase in Surface Transportation Program grant. Total expenditures were $5.6 million, an increase of $226 thousand from FY 2015. This is due primarily to the increase in internal labor spent on CMP projects such as Countywide Bicycle Plan updates. The change in fund balance was a decrease of $342 thousand. CMP projects were funded from member assessments and various federal, state, and local grants.

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, 1996 Measure B Transportation Improvement Program, 2000 Measure A Transit Improvement Program, BART Operating, Express Lanes Program, and the Joint Development Program.

			Change Favorable/(Unfavorable)	
Enterprise Funds Revenue	**2016**	**2015**	**Amount**	**Percent**
Charges for services	$ 42,316	$ 43,054	$ (738)	(1.71%)
Operating grants	126,988	143,511	(16,523)	(11.51%)
Capital grants	271,057	277,421	(6,364)	(2.29%)
1976 half-cent sales tax	205,418	199,221	6,197	3.11%
2000 Measure A half-cent sales tax	205,636	199,653	5,983	3.00%
BART Operating Sales Tax	49,262	47,500	1,762	3.71%
Investment earnings	18,493	9,118	9,375	102.82%
Other income	2,913	20,371	(17,458)	(85.70%)
Total	$ 922,083	$ 939,849	$ (17,766)	(1.89%)

Charges for Services – In the VTA Transit and Express Lanes funds, charges for services which were derived from bus farebox receipts, light rail ticket sales, toll fees, sale of monthly passes (including Eco Pass, tokens, and convention passes), and advertising income were, $42.3 million in FY 2016. The $738 thousand or 1.71% decrease from FY 2015 was primarily due to decrease in passenger fare revenues. The low gas price coupled with ongoing construction activities on the VTA transit system have a negative impact on the ridership. During FY 2016, toll revenues collected from the express lane were approximately $1.3 million, an increase of $117 thousand from FY 2015. The increase in toll revenues was attributed to higher toll rates.

Operating Grants – VTA Transit Operating grants include Transportation Development Act (TDA), State Transit Assistance (STA), Federal Section 5307 Urbanized Formula Program Grants, state vehicle license fees (AB434), and Federal Section 5311 Formula Grants for Other than Urbanized Areas. In FY 2016, total operating grants decreased $16.5 million or 11.5% from the FY 2015 level. There was an elimination of the use of federal funds for funding preventive maintenance activities which caused a drop in federal assistance of $20.4 million compared to prior year. There was also a decrease in State Transit Assistance (STA) revenue of $317.6 thousand. The decrease was offset in part by an increase in Transportation Development (TDA) revenue of $3.9 million and net increase of $320 thousand in other federal and state operating assistance grants relating to Transit Assistance Program, Transportation for Clean Air Act, Shuttle Program, Job Access Reverse Commute, and Transit Security Grant Program revenues.

TDA funds are derived from a quarter-cent sales tax levied by the state on taxable transactions occurring in the Santa Clara County. The Metropolitan Transportation Commission (MTC) retains a portion of these funds for administration and approximately 94.5% is returned to the source county (i.e., Santa Clara). After sales tax derived from local measures, TDA revenue is VTA’s second largest source of revenue for operations. For FY 2016, the actual TDA receipts were $98.5 million. This is a $3.9 million or 4.1% rise over the prior fiscal year as the taxable sales activity in the county expanded in FY 2016.

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 in the region from the prior fiscal year. In FY 2016, VTA received $13.6 million compared to the $13.9 million in FY 2015. The slightly lesser STA apportionment was attributed to the low diesel price during FY 2016.

Federal Section 5307 consists of Americans with Disabilities Act (ADA) Operating Assistance. ADA Operating set aside funds are used for paratransit activities, a mandated service that VTA provides to residents of Santa Clara County.

Capital Grants – Capital grants include Federal Sections 5307 and 5309, other federal pass-through, various State transit-related capital grants, capital contribution from local agencies, and reimbursements received by VTA for capital expenses undertaken on behalf of other agencies. These were reported under the VTA Transit, Measure B Transit, and 2000 Measure A funds. Total capital grants decreased $6.4 million or 2.3% to $271 million. This is primarily due to reduced activities in the federal and state funded Silicon Valley Berryessa Extension (SVBX) and procurement of buses. The decrease was partially offset by the recognition of grant revenues relating to Mission Boulevard (Route 262)/Warren Avenue/Freight Railroad Relocation Program, Mountain View Double Track Phase I and Santa Clara Station Underpass projects.

The 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 State Board of Equalization (SBOE) 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 2016, total sales tax revenues were $205.4 million, a $6.2 million or 3.1% growth compared to the prior fiscal year's sales tax revenue.

2000 Measure A Half-Cent Sales Tax Revenues – The 2000 Measure A Half-Cent Sales Tax is collected by the SBOE for VTA in the same manner as the 1976 Measure B Sales Tax. The 2000 Measure A Sales Tax revenues are reported in the 2000 Measure A fund and restricted for projects and operational activities included in the 2000 Measure A ballot. The collection of this tax occurred after the expiration of the 1996 Half-Cent Measure B Sales Tax on March 31, 2006. For FY 2016, total sales tax revenues were $205.6 million, a $6 million or 3% growth compared to the prior fiscal year's sales tax revenue.

BART Operating – In November 2008, county residents passed 1/8-cent sales tax to fund the operating and maintenance costs of the BART Extension. Collection of the tax which will be for a period not to exceed 30 years, took effect on July 1, 2012. In FY 2016, total sales tax revenue under the BART Operating Fund was $49.3 million.

Investment Earnings – The investment earnings are derived from three primary sources: short, mid, and long-term investment portfolios. Investment earnings were primarily recorded under 2000 Measure A Fund. Pursuant to VTA's adopted investment policy and California Government Code, 100% of surplus assets are invested in domestic fixed income investments. The increase in investment income of $9.7 million in FY 2016 was largely due to higher mark-to-market gains as a result of modestly lower interest rates.

Federal Subsidy for Build America Bonds (BABs) – In FY 2011, VTA issued 2010 Measure A Sales Tax Bonds which are taxable to the bond holders and recorded under 2000 Measure A Fund. The bonds were issued under the federal BABs program which provides a 35% interest cost subsidy to VTA. In compliance with Governmental Accounting Standards Board (GASB), VTA recognizes the BABs subsidy as an income item in its financial statements. Starting with FY 2016, this item was presented as Program Revenues under Operating grants. In FY 2016, 2000 Measure A Fund reported BABs subsidy of $8.7 million, more by $33 thousand from the previous year as a result of the rate reduction in federal sequestration order.

Other income - In FY 2016, total other income was $3.3 million, a decrease of $17 million. There were proceeds received from sale of properties in the prior year but none in the current year.

Comparison of
Enterprise Funds Expenses
FY 2016 and FY 2015
(In thousands)

Enterprise Funds Expenses	**2016**	**2015**	**Change Favorable/(Unfavorable) Amount**	**Change Favorable/(Unfavorable) Percent**
Operations and support services	$ 443,660	$ 416,459	$ (27,201)	(6.53%)
Caltrain and ACE subsidy	11,580	11,487	(93)	(0.81%)
Capital contributions to/or expenses on-behalf of other agencies	53,094	61,445	8,351	13.59%
Interest expense and other bond charges	11,330	15,204	3,874	25.48%
Other non-operating expenses	4,177	5,734	1,557	27.15%
Total	$ 523,841	$ 510,329	$ (13,512)	(2.65%)

Operations and Support Services – Operations and support services expenses are incurred for bus and light rail operations, services and support programs in VTA Transit Fund. These expenses include labor and fringe, support services, insurance, purchased transportation and other overhead costs related to bus and light rail operations. For FY 2016, operations and support services expense was $27.2 million or 6.5% higher compared to that of FY 2015. Labor and benefit costs increased by $22.8 million or 5.5% in FY 2016 as a result of an increase in labor rates as provided for by certain collective bargaining agreements and GASB 68-required pension expense. Pension expense rose because actuarial estimate increased affecting the net pension liability, particularly for ATU. Services increased by $4.5 million in FY 2016 as a result of added sheriff security personnel which extended law enforcement availability 24 hours a day. Purchased transportation from Outreach also grew by $2.2 million brought about by increase in transportation provider cost. These increases were partly offset by a drop in insurance and depreciation. The reduction in general liability insurance provision was a result of actuarial determination that the established reserves were adequate. Depreciation dropped by $3.3 million as a result of retirement of zero-emission buses in FY 2016. There was also a decline in other cost allocated to capital translating to a decreased capitalized labor and associated costs.

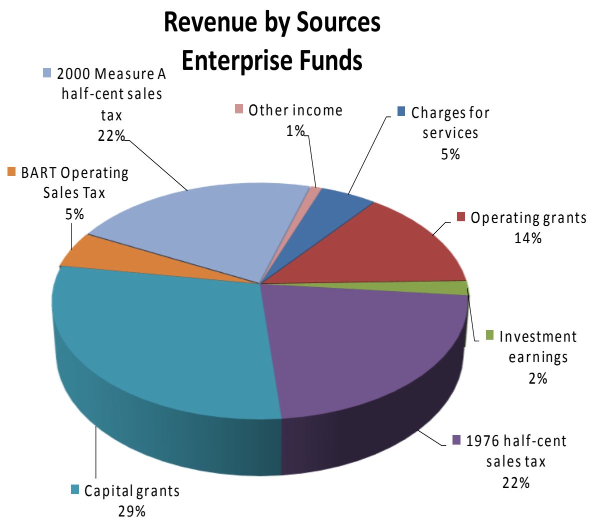
Caltrain and Altamont Corridor Express (ACE) Subsidy – Caltrain is a commuter rail service, provided by the Peninsula Corridor Joint Powers Board (PCJPB), which consists of 3 member agencies: VTA, San Mateo County Transit District (SamTrans) and City and County of San Francisco. VTA contributes a portion of Caltrain operating and maintenance costs for commuter train service from Santa Clara County to San Francisco. Operating subsidy to Caltrain under the VTA Transit Fund was $8.4 million in FY 2016; $24 thousand more than the contribution in FY 2015.

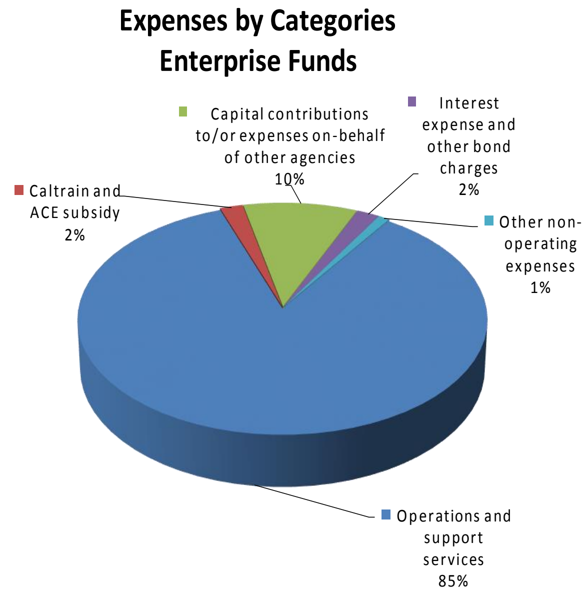
The ACE is administered by and funded under a cooperative agreement among VTA, the Alameda County Congestion Management Agency and the San Joaquin Regional Rail Commission (SJRRC). VTA's subsidy to ACE commuter rail service under the VTA Transit Fund totaled $3.2 million in FY 2016; $68 thousand more than the contribution in FY 2015. The annual subsidy was based on the joint power agreement with these agencies.

Capital Contributions to/or Expenses on Behalf of Other Agencies – As part of its capital program, VTA makes capital contribution to or undertakes capital projects jointly with other agencies. As the ownership of these capital assets does not rest with VTA, these capital expenses are reported as non-operating expenses on its financial statements. In FY 2016, total capital contributions to/or on behalf of other agencies were $53.1 million ($7.4 million in VTA Transit Fund, $4.8 million in Measure B Transit Fund, and $40.9 million in 2000 Measure A Fund), or $8.4 million lesser compared to the preceding year's level. This is largely due to a decline in capital activities relating to projects such as Hayward Maintenance Complex, Mission Boulevard/Warren Avenue, and Kato Road.

Interest Expense and other Bond Charges – Interest expense and other bond charges were $11.3 million; $3.9 million less compared to prior year, due to more interest expense being capitalized in FY 2016 in the 2000 Measure A Fund. As the 2010 taxable bonds were completely drawn down in August 2015, the percentage of capitalized interest proportionately increased.

Other Non-Operating Expenses – Other non-operating expenses were $1.6 million less in FY 2016 largely due to the completion of the strategic bus rapid transit plan study.





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 other VTA funds. As of June 30, 2016, the total deficit for this fund category, entirely from the Compensated Absences program, was $6.7 million and is funded by VTA Transit's FY 2017 operating budget.

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

<u>*Special Revenue Fund*</u> – This fund accounts for the activities of the Congestion Management Program. The table that follows shows the details of changes in fund balance between the current and prior fiscal year:

Comparison of Special Revenue Fund
FY 2016 and FY 2015
(In thousands)

Special Revenue Fund	2016	2015	Change Favorable/(Unfavorable) Amount	Percent
Assessment to member agencies	$ 2,407	$ 2,407	$ -	0.00%
Federal grant revenues	1,887	1,371	516	37.64%
State and local operating grants	699	725	(26)	(3.59%)
Other revenues	155	250	(95)	(38.00%)
Administrative fees	122	119	3	2.52%
Investment earnings	16	9	7	77.78%
Total Revenues	5,286	4,881	405	8.30%
Salaries and benefits	(4,221)	(3,989)	(232)	(5.82%)
Professional services	(1,176)	(1,225)	49	4.00%
Contribution to agencies	(210)	(168)	(42)	(25.00%)
Material and Services	(21)	(19)	(2)	(10.53%)
Miscellaneous	-	(1)	1	100.00%
Total Expenses	(5,628)	(5,402)	(226)	(4.18%)
Change in fund balances	(342)	(521)	179	(34.36%)
Fund balances, beginning of year	1,499	2,020	(521)	(25.79%)
Fund balances, end of year	$ 1,157	$ 1,499	$ (342)	(22.82%)

Total fund revenues under Congestion Management Program, which primarily include member assessments and grants, were $5.3 million in FY 2016, an increase of $405 thousand from the preceding year, due primarily to an increase in Surface Transportation Program grant revenue. Total expenditures were $5.6 million, an increase of $226 thousand from FY 2015. This is due primarily to internal labor spent on CMP projects such as Countywide Bicycle Plan updates. The change in fund balance was a decrease of $342 thousand. CMP projects were funded from member assessments and various federal, state, and local grants.

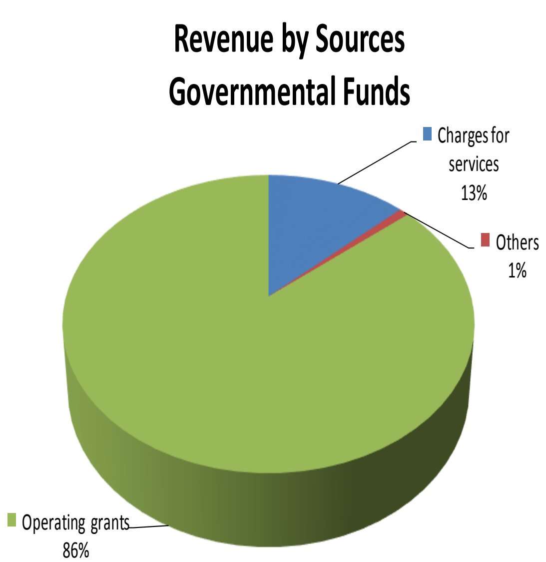
Capital Projects Fund – This fund accounts for VTA's two major capital programs – Congestion Management and Highway Program and Measure B Highway Program. The following table shows the details of changes in fund balance between the current and prior fiscal years:

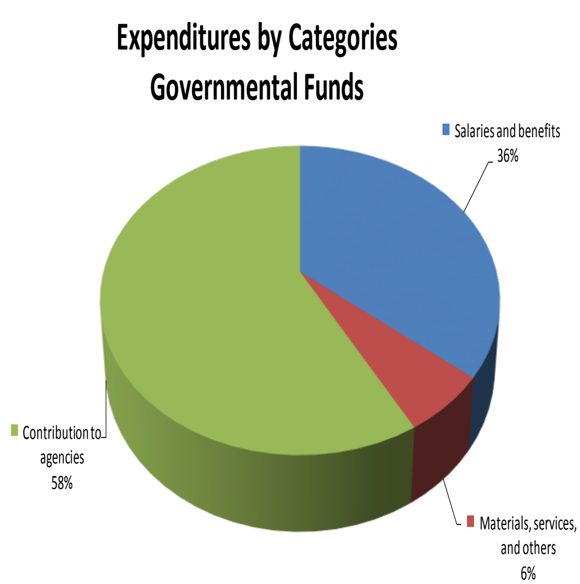
Comparison of
Capital Project Funds
FY 2016 and FY 2015
(In thousands)

Capital Projects Funds	2016	2015	Change Favorable/(Unfavorable) Amount	Percent
Federal, State, and local capital grant revenues	$ 13,999	$ 22,964	$ (8,965)	(39.04%)
VTA labor and overhead costs	(2,810)	(2,837)	27	0.95%
Capital expenditures on behalf of other agencies	(11,189)	(20,127)	8,938	44.41%
Change in fund balances	$ -	$ -	$ -	

For FY 2016, total revenues were $14 million which represent the total amount expended on the projects and fully funded by other governmental agencies. This consists of $13.8 million in Congestion Management and Highway Program, and $183 thousand in Measure B Highway Fund.

The VTA labor and overhead costs primarily from Congestion Management and Highway Program were $27 thousand lower in FY 2016. Capital expenditures on behalf of other agencies were $11.2 million in FY 2016, an $8.9 million drop largely attributed to less activities in projects nearing completion (I-880/I-280/Stevens Creek Improvement and US101/Capitol Expressway/Yerba Buena Interchange). The decrease was partially offset by a slight increase in activity in SR 237 Express Lanes-Phase II Extension and improvements at Mathilda Road.





Capital Assets and Debt Administration

Capital assets – VTA's investment in capital assets is entirely in its business-type activity since VTA has no capital assets invested in the governmental activities. As of June 30, 2016 investment in capital assets net of accumulated depreciation, amounts to $4.5 billion. This investment in capital assets includes Land and Right-of-Way, Buildings, Improvements, Equipment & Furniture, Vehicles, the Caltrain-Gilroy Extension, Light Rail Tracks/Electrification, Leasehold Improvements, and Other Operating Equipment. During FY 2016, VTA expended $461.2 million on acquisition and construction of capital assets.

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

	2016	2015
Land and Right-of-way	$ 1,126,359	$ 1,124,646
Construction in Progress	2,611,823	2,177,750
Buildings & Improvements Equipment & Fixtures	266,990	265,191
Vehicles with Leased Vehicles	311,848	333,183
Caltrain-Gilroy Extension	27,770	29,080
Light Rail Tracks/Electrification	141,317	156,194
Other Operating Equipment	5,710	7,705
Leasehold Improvements	5,889	6,331
Total	$ 4,497,706	$ 4,100,080

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

Long-term debt – At year end, VTA has $1.1 billion bonds outstanding. For FY 2016, the total debt payment made was approximately $41.3 million while the total amortization of the bond premium was $3.6 million.

Outstanding Debt
Proprietary Funds
(In thousands)

	2016	**2015**
Sr. Lien Sales Tax Revenue Bonds (1976 Tax)	$ 184,116	$ 199,054
Sr. Lien Sales Tax Revenue Bonds (2000 Tax)	932,049	961,711
Total	**$1,116,165**	**$1,160,765**

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

For Senior Lien Sales Tax Revenue Bonds secured by 1976 sales tax revenues, VTA maintains uninsured ratings of “AAA” from Standard & Poor’s (S&P), “AA” rating from Fitch, and a “Aa2” rating from Moody’s.

For Sales Tax Revenue Bonds secured by 2000 Measure A sales tax revenues, VTA maintains uninsured ratings of “Aa2” from Moody’s and “AA+” from S&P.

Each of the two liens listed above has a separate series of 2007 bonds and each series has a bond insurance policy issued by Ambac Assurance Corporation insuring the timely payment of debt service. Since the credit ratings for Ambac Assurance Corporation are currently lower than ratings for the VTA’s bond liens, 2007 bonds bear the rating of the respective sales tax bond liens as listed above.

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

Requests for Information

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

BASIC FINANCIAL STATEMENTS

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SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Statement of Net Position
June 30, 2016
(In thousands)

	Business-Type Activities	Governmental Activities	Total
ASSETS			
Cash and investments	$ 363,775	$ -	$ 363,775
Receivables, net	4,071	-	4,071
Internal balances	269	(269)	-
Due from other agencies	50,070	-	50,070
Inventories	32,040	-	32,040
Other current assets	1,575	-	1,575
Net OPEB asset	15,865	-	15,865
Restricted assets:			
Cash and investments	820,549	15,159	835,708
Receivables, net	4	-	4
Due from other agencies	149,685	4,167	153,852
Other current assets	248	-	248
Capital and other assets:			
Intangible Assets	3,085	-	3,085
Capital assets - nondepreciable	3,738,182	-	3,738,182
Capital assets - depreciable, net of accumulated depreciation	759,524	-	759,524
Total assets	5,938,942	19,057	5,957,999
DEFERRED OUTFLOW OF RESOURCES			
Accumulated decrease in fair value of hedging derivative, deferred amount on refunding, & deferred outflow of resources-pension related	208,206	-	208,206
LIABILITIES			
Accounts payable and accrued expenses	19,364	-	19,364
Deposits	333	-	333
Accrued payroll and related liabilities	9,805	-	9,805
Bond interest and other fees payable	515	-	515
Unearned revenues	2,560	-	2,560
Other accrued expenses	271	-	271
Liabilities payable from restricted assets:			
Accounts payable and accrued expenses	72,183	1,735	73,918
Bond interest and other fees payable	11,368	-	11,368
Unearned revenues	7	-	7
Due to other agencies	98,120	16,165	114,285
Long-term liabilities:			
Derivative instruments	119,076	-	119,076
Due within one year	53,760	-	53,760
Due in more than one year	1,379,238	-	1,379,238
Total liabilities	1,766,600	17,900	1,784,500
DEFERRED INFLOW OF RESOURCES			
Deferred inflow-pension related	6,957	-	6,957
Deferred amount on refunding	4,002	-	4,002
Total deferred inflows of resources	10,959	-	10,959
NET POSITION			
Net investment in capital assets	3,394,540	-	3,394,540
Restricted:			
Swap/lease collateral	120,764	-	120,764
Debt Service	49,840	-	49,840
2000 Measure A projects	429,907	-	429,907
1996 Measure B projects	974	-	974
BART Operating	187,515	-	187,515
Congestion management program	-	1,157	1,157
Unrestricted (Note 2j)	186,049	-	186,049
Total Net Position	$ 4,369,589	$ 1,157	$ 4,370,746

See Accompanying Notes to Basic Financial Statements

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Statement of Activities

For the Year ended June 30, 2016

(In thousands)

	Business-Type Activities	Governmental Activities	Total
	Transit	Congestion Management	
EXPENSES:			
Operations, support services, and CMP program	$ 431,212	$ 8,228	$ 439,440
Caltrain subsidy & capital expenses on behalf of, and contribution to other agencies	61,508	-	61,508
Altamont Commuter Express subsidy	3,166	-	3,166
Interest expense	11,330	-	11,330
Other non-operating expenses	4,177	-	4,177
Claims and change in future claim estimates	12,999	-	12,999
Contribution to agencies	-	210	210
Capital outlay on behalf of other agencies	-	11,189	11,189
Total expenses	524,392	19,627	544,019
PROGRAM REVENUES:			
Charges for services	42,316	2,529	44,845
Operating grants	126,988	16,585	143,573
Capital grants	271,057	-	271,057
Total program revenues	440,361	19,114	459,475
Net program revenues (expenses)	(84,031)	(513)	(84,544)
GENERAL REVENUES:			
Sales tax revenue	460,316	-	460,316
Investment income	19,102	16	19,118
Other income	3,335	155	3,490
Total general revenues	482,753	171	482,924
Change in Net Position	398,722	(342)	398,380
NET POSITION, BEGINNING OF YEAR	3,970,867	1,499	3,972,366
NET POSITION, END OF YEAR	$ 4,369,589	$ 1,157	$ 4,370,746

See Accompanying Notes to Basic Financial Statements

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Statement of Fund Net Position
Proprietary Funds
June 30, 2016
(In thousands)

	Enterprise Funds							
	VTA Transit	Measure B Transit	Express Lanes	2000 Measure A	BART Operating	Joint Development	Total Enterprise	Internal Service Fund
ASSETS								
Current assets:								
Cash and cash equivalents	$ 57,603	$ -	$ 132	$ -	$ -	$ 231	$ 57,966	$ 457
Investments	228,299	-	2,397	-	-	28,683	259,379	45,973
Receivables, net	4,035	-	36	-	-	-	4,071	-
Due from other agencies	50,070	-	-	-	-	-	50,070	-
Inventories	32,040	-	-	-	-	-	32,040	-
Other current assets	1,575	-	-	-	-	-	1,575	-
Restricted assets:								
Cash and cash equivalents	-	1,574	-	472	5,519	-	7,565	-
Cash and cash equivalents with fiscal agent	1,893	-	-	70,782	-	-	72,675	-
Investments	67,543	-	-	499,583	173,183	-	740,309	-
Receivables, net	-	-	-	4	-	-	4	-
Due from other funds	77	-	-	197	-	-	274	-
Due from other agencies	-	-	-	140,834	8,851	-	149,685	-
Other current assets	-	-	-	248	-	-	248	-
TOTAL CURRENT ASSETS	443,135	1,574	2,565	712,120	187,553	28,914	1,375,861	46,430
Noncurrent assets:								
Net OPEB Asset	15,865	-	-	-	-	-	15,865	-
Intangible Assets	-	-	-	3,085	-	-	3,085	-
Capital assets - Non-depreciable:								
Land and right of way	1,126,359	-	-	-	-	-	1,126,359	-
Construction in progress	82,727	2	-	2,528,598	-	496	2,611,823	-
Capital assets - Depreciable:								
Caltrain - Gilroy extension	43,072	-	-	-	-	-	43,072	-
Buildings, improvements, furniture, and fixtures	569,079	-	-	-	-	-	569,079	-
Vehicles	553,886	-	-	-	-	-	553,886	-
Light-rail tracks and electrification	418,195	-	-	-	-	-	418,195	-
Leasehold Improvements	9,686	-	-	-	-	-	9,686	-
Others	47,289	-	-	-	-	-	47,289	-
Less accumulated depreciation	(881,683)	-	-	-	-	-	(881,683)	-
Net capital assets	1,968,610	2	-	2,528,598	-	496	4,497,706	-
TOTAL NONCURRENT ASSETS	1,984,475	2	-	2,531,683	-	496	4,516,656	-
TOTAL ASSETS	2,427,610	1,576	2,565	3,243,803	187,553	29,410	5,892,517	46,430
DEFERRED OUTFLOW OF RESOURCES								
Accumulated decrease in fair value of hedging derivative	18,374	-	-	100,702	-	-	119,076	-
Deferred amount on refunding	9,670	-	-	4,246	-	-	13,916	-
Deferred outflow of resources-pension related	75,214	-	-	-	-	-	75,214	-
TOTAL DEFERRED OUTFLOW OF RESOURCES	103,258	-	-	104,948	-	-	208,206	-
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	2,530,868	1,576	2,565	3,348,751	187,553	29,410	6,100,723	46,430

(continued on next page)

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Statement of Fund Net Position (*continued*)
Proprietary Funds
June 30, 2016
(In thousands)

	Enterprise Funds							
	VTA Transit	Measure B Transit	Express Lanes	2000 Measure A	BART Operating	Joint Development	Total Enterprise	Internal Service Fund
LIABILITIES								
Current liabilities:								
Current portion of long-term debt	14,820	-	-	-	-	-	14,820	-
Accounts payable and accrued expenses	18,954	-	201	-	-	97	19,252	112
Deposits	286	-	-	-	-	47	333	-
Accrued payroll and related liabilities	9,805	-	-	-	-	-	9,805	-
Bond interest and other fees payable	515	-	-	-	-	-	515	-
Unearned revenues	2,503	-	-	-	-	57	2,560	-
Other accrued expenses	271	-	-	-	-	-	271	-
Claims liability	-	-	-	-	-	-	-	2,673
Compensated absences	-	-	-	-	-	-	-	8,107
Liabilities payable from restricted assets:								
Current portion of long-term debt	-	-	-	28,160	-	-	28,160	-
Accounts payable and accrued expenses	-	2	-	72,143	38	-	72,183	-
Bond interest and other fees payable	-	-	-	11,368	-	-	11,368	-
Unearned revenues	-	-	-	7	-	-	7	-
Due to other funds	-	5	-	-	-	-	5	-
Due to other agencies	47,481	593	-	50,046	-	-	98,120	-
TOTAL CURRENT LIABILITIES	94,635	600	201	161,724	38	201	257,399	10,892
Non-current liabilities:								
Long-term debt, excluding current portion	169,296	-	-	903,889	-	-	1,073,185	-
Derivative instruments	18,374	-	-	100,702	-	-	119,076	-
Claims liability	-	-	-	-	-	-	-	21,642
Compensated absences	-	-	-	-	-	-	-	20,589
Net Pension Liability	263,822	-	-	-	-	-	263,822	-
TOTAL NON-CURRENT LIABILITIES	451,492	-	-	1,004,591	-	-	1,456,083	42,231
TOTAL LIABILITIES	546,127	600	201	1,166,315	38	201	1,713,482	53,123
DEFERRED INFLOW OF RESOURCES								
Deferred Inflow-Pension Related	6,957	-	-	-	-	-	6,957	-
Deferred Amount on Refunding	-	-	-	4,002	-	-	4,002	-
Total Deferred Inflow of Resources	6,957	-	-	4,002	-	-	10,959	-
TOTAL LIABILITIES AND DEFERRED INFLOW OF RESOURCES	553,084	600	201	1,170,317	38	201	1,724,441	53,123
NET POSITION								
Net Investment in Capital Assets	1,794,164	2	-	1,599,878	-	496	3,394,540	-
Restricted:								
BART Operating	-	-	-	-	187,515	-	187,515	-
Swap/lease collateral	20,062	-	-	100,702	-	-	120,764	-
Debt service	1,893	-	-	47,947	-	-	49,840	-
2000 Measure A projects	-	-	-	429,907	-	-	429,907	-
1996 Measure B projects	-	974	-	-	-	-	974	-
Unrestricted (Note 2j)	161,665	-	2,364	-	-	28,713	192,742	(6,693)
TOTAL NET POSITION	$ 1,977,784	$ 976	$ 2,364	$ 2,178,434	$ 187,515	$ 29,209	$ 4,376,282	$ (6,693)

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

Net Position of Enterprise Funds	$ 4,376,282
Net Position of Internal Service Funds, which benefits Business-type Activities	(6,693)
Net Position (Page 2-22)	$ 4,369,589

SANTA CLARA VALLEY TRANSP0ORTATION AUTHORITY

Statementof Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year ended June 30, 2016
(In thousands)

	Enterprise Funds							
	VTA Transit	Measure B Transit	Express Lanes	2000 Measure A	BART Operating	Joint Development	Total	Internal Service Fund
OPERATING REVENUES:								
Passenger fares	$ 37,663	$ -	$ -	$ -	$ -	$ -	$ 37,663	$ -
Toll revenues collected	-	-	1,274	-	-	-	1,274	-
Advertising and other	3,379	-	-	-	-	-	3,379	-
Charges for services	-	-	-	-	-	-	-	14,648
Total Operating Revenues	41,042	-	1,274	-	-	-	42,316	14,648
OPERATING EXPENSES:								
Labor cost	309,510	-	-	-	-	-	309,510	-
Materials and supplies	32,005	-	-	-	-	-	32,005	-
Services	32,208	-	940	-	144	155	33,447	-
Utilities	8,919	-	2	-	-	-	8,921	-
Casualty and liability	4,923	-	-	-	-	-	4,923	-
Purchased transportation	21,477	-	-	-	-	-	21,477	-
Leases and rentals	919	-	-	-	-	-	919	-
Miscellaneous	2,093	-	2	-	-	16	2,111	2,200
Depreciation expense	62,386	-	-	-	-	-	62,386	-
Costs allocated to capital and other programs	(32,039)	-	-	-	-	-	(32,039)	-
Claims and change in future claims estimates	-	-	-	-	-	-	-	12,999
Total Operating Expense	442,401	-	944	-	144	171	443,660	15,199
Operating Income/(Loss)	(401,359)	-	330	-	(144)	(171)	(401,344)	(551)
NON-OPERATING REVENUES (EXPENSES):								
Sales tax revenue	205,418	-	-	205,636	49,262	-	460,316	-
Measure A operating assistance	37,954	-	-	(37,954)	-	-	-	-
Federal operating assistance and other grants	4,105	-	-	-	-	-	4,105	-
Federal subsidy for Build America Bonds	-	-	-	8,748	-	-	8,748	-
State and local operating assistance grants	114,135	-	-	-	-	-	114,135	-
Caltrain subsidy	(8,414)	-	-	-	-	-	(8,414)	-
Capital expense on behalf of, and contribution to other agencies	(7,462)	(4,776)	-	(40,856)	-	-	(53,094)	-
Altamont Commuter Express subsidy	(3,166)	-	-	-	-	-	(3,166)	-
Investment earnings	5,287	(1)	43	9,644	2,981	539	18,493	609
Interest expense	(7,485)	-	-	(3,845)	-	-	(11,330)	-
Measure A repayment obligations	15,007	-	-	(15,007)	-	-	-	-
Other income	2,072	-	-	366	-	475	2,913	422
Other expense	(1,817)	-	-	(2,360)	-	-	(4,177)	-
Total Non-operating Revenues (Expenses)	355,634	(4,777)	43	124,372	52,243	1,014	528,529	1,031
Income (loss) before capital contributions	(45,725)	(4,777)	373	124,372	52,099	843	127,185	480
Capital grants and contributions	11,175	4,082	-	255,800	-	-	271,057	-
Transfer in/(out)	813	(813)	-	-	-	-	-	-
Change in net position	(33,737)	(1,508)	373	380,172	52,099	843	398,242	480
Net Position, beginning of year	2,011,521	2,484	1,991	1,798,262	135,416	28,366	3,978,040	(7,173)
Net Position, end of year	$ 1,977,784	$ 976	$ 2,364	$ 2,178,434	$ 187,515	$ 29,209	$ 4,376,282	$ (6,693)

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	$ 398,242
Change in net position of the Internal Service Fund, which benefits Business-type Activities	480
Change in net position of Business-type Activities (Page 2-23)	$ 398,722

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2016
(In thousands)

	VTA Transit	Measure B Transit	Express Lanes	2000 Measure A	BART Operating	Joint Development	Total Enterprise Funds	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES								
Cash received from passenger fares	$ 36,939	$ -	$ -	$ -	$ -	$ -	$ 36,939	$ -
Cash received from Tolls	-	-	1,238	-	-	-	1,238	-
Cash received from advertising	2,896	-	-	-	-	-	2,896	-
Cash paid to employees	(260,259)	-	-	-	-	-	(260,259)	-
Cash paid to suppliers	(87,091)	-	(944)	-	(144)	(171)	(88,350)	-
Cash paid for purchased transportation	(21,477)	-	-	-	-	-	(21,477)	-
Cash received from contributions	-	-	-	-	-	-	-	14,648
Payments made to beneficiaries	-	-	-	-	-	-	-	(19,299)
Payments made to third party contractors	-	-	-	-	-	-	-	(738)
Other receipts/(payments)	-	-	89	-	16	-	105	-
Net cash provided by/(used in) operating activities	(328,992)	-	383	-	(128)	(171)	(328,908)	(5,389)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES								
Operating grants received	137,641	-	-	8,748	-	-	146,389	-
Sales tax received	206,280	-	-	206,471	49,503	-	462,254	-
Measure A operating assistance	38,108	-	-	(38,108)	-	-	-	-
Measure A repayment obligations	15,007	-	-	(15,007)	-	-	-	-
Caltrain subsidy	(8,414)	-	-	-	-	-	(8,414)	-
Altamont Corridor Express subsidy	(3,166)	-	-	-	-	-	(3,166)	-
Capital contributions to other agencies	(7,461)	-	-	(41,210)	-	-	(48,671)	-
Net cash provided by/(used in) non-capital financing activities	377,995	-	-	120,894	49,503	-	548,392	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES								
Payment of long-term debt	(14,310)	-	-	(26,965)	-	-	(41,275)	-
Advance (to)/from other governments	34,760	(80)	-	(15,451)	-	-	19,229	-
Interest and other fees paid on long-term debt	(8,150)	-	-	(6,917)	-	-	(15,067)	-
Acquisition and construction of capital assets	(26,424)	(672)	-	(462,014)	-	(256)	(489,366)	-
Capital contribution from other entities	11,988	-	-	242,665	-	591	255,244	441
Net cash provided by/(used in) capital and related financing activities	(2,136)	(752)	-	(268,682)	-	335	(271,235)	441
CASH FLOWS FROM INVESTING ACTIVITIES								
Proceeds from sale of investments	742,751	-	5,398	1,454,281	362,409	67,768	2,632,607	133,315
Purchase of investments	(737,918)	-	(5,975)	(1,338,024)	(417,607)	(68,459)	(2,567,983)	(129,022)
Interest income received	3,229	-	29	7,088	1,966	385	12,697	429
Net cash provided by/(used in) investment activities	8,062	-	(548)	123,345	(53,232)	(306)	77,321	4,722
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	54,929	(752)	(165)	(24,443)	(3,857)	(142)	25,570	(226)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	4,567	2,326	297	95,697	9,376	373	112,636	683
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 59,496	$ 1,574	$ 132	$ 71,254	$ 5,519	$ 231	$ 138,206	$ 457

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Statement of Cash Flows (*Continued)*
Proprietary Funds
For the Year Ended June 30, 2016
(In thousands)

	VTA Transit	Measure B Transit	Express Lanes	2000 Measure A	BART Operating	Joint Development	Total Enterprise Funds	Internal Service Fund
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY/(USED IN) OPERATING ACTIVITIES:								
Operating income/(loss)	$ (401,359)	$ -	$ 330	$ -	$ (144)	$ (171)	$ (401,344)	$ (551)
Adjustments to reconcile operating income (loss) to net cash used in operating activities:								
Depreciation	62,386	-	-	-	-	-	62,386	-
Changes in operating assets and liabilities:								
Other current assets	910	-	-	-	-	-	910	-
Receivables	(552)	-	(36)	-	-	-	(588)	-
Due from other agencies	-	-	-	-	-	-	-	-
Inventories	(9,970)	-	-	-	-	-	(9,970)	-
Accounts payable	2,712	-	89	-	16	-	2,817	-
Other accrued liabilities	17,455	-	-	-	-	-	17,455	(4,838)
Deposits from others	82	-	-	-	-	-	82	-
Unearned revenue	(656)	-	-	-	-	-	(656)	-
Net cash provided by/(used in) operating activities	$ (328,992)	$ -	$ 383	$ -	$ (128)	$ (171)	$ (328,908)	$ (5,389)
Reconciliation of cash and cash equivalents to the Statement of Fund Net Position:								
Unrestricted:								
Cash and cash equivalents	$ 57,603	$ -	$ 132	$ -	$ -	$ 231	$ 57,966	$ 457
Restricted:								
Cash and cash equivalents	-	1,574	-	472	5,519	-	7,565	-
Cash and cash equivalents with fiscal agent	1,893	-	-	70,782	-	-	72,675	-
	$ 59,496	$ 1,574	$ 132	$ 71,254	$ 5,519	$ 231	$ 138,206	$ 457
NONCASH ACTIVITIES:								
Increase/(Decrease) in fair value of investments	$ 2,341	$ -	$ 18	$ 3,719	$ 1,308	$ 212	$ 7,598	$ 179
Noncash capital contributions	(653)	-	-	2,818	-	-	2,165	-
Amortization expense of Caltrain Access Fee	-	-	-	(881)	-	-	(881)	-
Total non-cash activities	$ 1,688	$ -	$ 18	$ 5,656	$ 1,308	$ 212	$ 8,882	$ 179

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Balance Sheet
Governmental Funds
June 30, 2016
(In thousands)

	Special Revenue Fund	Capital Projects Funds		
	Congestion Management Program	Congestion Management & Highway Program	Measure B Highway Program	Total Governmental Funds
ASSETS				
Restricted assets:				
Cash and cash equivalents	$ 211	$ 13,230	$ 946	$ 14,387
Cash with fiscal agent	-	50	-	50
Investments	722	-	-	722
Due from other agencies	635	3,532	-	4,167
TOTAL ASSETS	$ 1,568	$ 16,812	$ 946	$ 19,326
LIABILITIES				
Liabilities payable from restricted assets:				
Accounts payable	$ 285	$ 1,425	$ 25	$ 1,735
Due to other funds	17	248	4	269
Due to other agencies	109	15,139	917	16,165
TOTAL LIABILITIES	411	16,812	946	18,169
FUND BALANCES				
Restricted for congestion management program	1,157	-	-	1,157
TOTAL LIABILITIES AND FUND BALANCES	$ 1,568	$ 16,812	$ 946	$ 19,326

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year ended June 30, 2016
(In thousands)

	Special Revenue Fund	Capital Projects Funds		
	Congestion Management Program	Congestion Management & Highway Program	Measure B Highway Program	Total Governmental Funds
REVENUES:				
Assessment to member agencies	$ 2,407	$ -	$ -	$ 2,407
Federal grant revenues	1,887	1,721	-	3,608
Administrative fees	122	-	-	122
State and local operating grants	699	12,095	183	12,977
Other revenues	155	-	-	155
Investment earnings	16	-	-	16
TOTAL REVENUES	5,286	13,816	183	19,285
EXPENDITURES:				
Congestion Management:				
VTA labor and overhead costs	4,221	2,810	-	7,031
Professional services	1,176	-	-	1,176
Material and services	21	-	-	21
Contribution to agencies	210	-	-	210
Capital expenditures on behalf of other agencies	-	11,006	183	11,189
TOTAL EXPENDITURES	5,628	13,816	183	19,627
NET CHANGE IN FUND BALANCES	(342)	-	-	(342)
FUND BALANCES, BEGINNING OF YEAR	1,499	-	-	1,499
FUND BALANCES, END OF YEAR	$ 1,157	$ -	$ -	$ 1,157

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2016
(In thousands)

	ATU Pension, ATU Medical & OPEB Trust Funds	Agency Funds
ASSETS		
Restricted assets:		
Cash and Cash Equivalents	$ 2,260	$ 2,742
Corporate Bond	99,715	-
U.S. Government Securities	18,988	-
U.S. Agency notes	62,751	-
Equity Based	118,374	-
Mutual Funds	470,638	-
Money Market Funds	4,297	-
Investment Pool	543	28,168
Receivables	4,127	-
Prepaid Expenses	18	-
Due from other agencies	11	-
TOTAL ASSETS	$ 781,722	$ 30,910
LIABILITIES		
Liabilities payable from restricted assets:		
Deferred pension contribution	$ 35	$ -
Accounts payable	1,123	341
Program payable	-	30,569
TOTAL LIABILITIES	1,158	$ 30,910
NET POSITION		
Restricted for:		
ATU Pension benefits	481,318	
Retiree medical benefits	275,600	
ATU Retiree spousal medical benefits	13,904	
ATU Retiree dental and vision benefits	9,742	
TOTAL NET POSITION	$ 780,564	

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Statement of Changes in Fiduciary Net Position

For the Year ended June 30, 2016

(In thousands)

		ATU Pension, ATU Medical, & OPEB Trust Funds
ADDITIONS		
Employer Contributions	$	27,729
Investment earnings:		
Investment income		56,759
Net depreciation in the fair value of investments		(40,968)
Investment expense		(2,768)
Net investment income		13,023
TOTAL ADDITIONS		40,752
DEDUCTIONS		
Benefit payments		46,981
Administrative expenses		318
TOTAL DEDUCTIONS		47,299
CHANGE IN NET POSITION		(6,547)
Net Position, Beginning of year		787,111
Net Position, End of year	$	780,564

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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 also 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 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) and 1996 Measure B Transportation Improvement Program's (MBTIP) Ancillary Program. Annual contributions from 17 member agencies are based on a formula adopted by the VTA Board of Directors. The contribution formula considers each member agency's share of Proposition 111, state gas tax monies, as well as employment within the County. The CMP is included as a major governmental fund in the accompanying basic financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation

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

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

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

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

- The *VTA Transit Fund* is used 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 *Measure B Transit Fund* is used to account for sales tax collected from all the 1996 Measure B Transit Improvement Program.
- The *Measure A Fund* is used to account for the 2000 Measure A Transit Improvement Program funded through one-half cent sales tax as approved in an election by voters of County of Santa Clara requiring that sales tax revenues be expended on projects included in the scope of 2000 Measure A.
- 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 *Joint Development Fund* is used to set aside the proceeds generated from VTA's Joint Development Program, whose mission is to maximize the

economic value of the agency’s real estate assets through site-appropriate development. The aggregated funds may be appropriated for the continued operation and development of VTA through formal action by the VTA Board of Directors.

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

The *Governmental Funds* are used to account for VTA’s general 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).

- 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* is used to account for the acquisition of capital assets and construction of highway projects administered on behalf of State and other local governments (other than those accounted for in the Measure B Highway Program Capital Projects Fund).
- The *Measure B Highway Program Capital Projects Fund* is used to account for acquisition of capital assets or construction of Measure B Highway projects.

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

- VTA *Trust Funds* include retiree funds namely VTA/ATU Pension Plan, Other Post-Employment Benefits Trust (OPEB), ATU Spousal Medical, and Retiree Dental/Vision Plan.
- VTA *Agency Funds* 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.
- *Measure B Ancillary Program* was established to administer the 1996 Measure B funds.

(b) Basis of Accounting and Measurement Focus

The government-wide, business-type activities, 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. Therefore, recorded sales taxes include an accrual for amounts collected by the State Board of Equalization but not remitted to VTA at the end of the fiscal year. Revenues from grants are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements for the purchase of right-of-way are considered met once the acquisition has settled. Fiduciary trust funds are also reported using accrual basis of accounting and the economic resources measurement focus. Agency funds have no measurement focus.

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

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Interest earnings, certain state and federal grants, and charges for services are accrued if their receipts occur within 180 days after the end of the accounting period so as to be both measurable and available. Expenditures are generally recorded when a liability is incurred, as under accrual accounting.

(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. Investment income is recognized as earned.

The remaining cash balances in certain VTA funds are invested in the Local Agency Investment Fund (LAIF). Unless there are specific legal or contractual requirements for specific allocations, income earned or losses arising from investments are allocated on a monthly basis to the appropriate fund(s) based on their average daily balances.

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

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

The fair value of VTA's investments commingled in LAIF state pool is based on VTA's cash positions in the commingled accounts as of the end of the fiscal year.

(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 and operating, as well as debt service and funds swap/lease collateral.

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

Bond refunding gains/losses for the government-wide statement of net position and the enterprise funds are reported as deferred inflow/outflow 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. Government-wide and enterprise fund bond discounts and premiums 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, and included in the capital asset accounting system 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. Improvements are capitalized and depreciated over the remaining useful lives of the related assets.

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

Asset being Depreciated	Useful Life
Buildings, improvements, furniture, and fixtures	5 to 50 years
Vehicles (excluding light-rail vehicles)	5 to 12 years
Light-rail tracks, electrification, and light-rail vehicles	25 to 45 years
Leasehold improvements	10 to 35 years
Other operating equipment	5 to 10 years

Depreciation on such assets is included in the accompanying statement of activities and enterprise statement of revenues, expenses, and changes in fund net position.

Interest is capitalized on construction in progress. Accordingly, interest that is capitalized is the total interest cost from the date of the borrowing until the specified asset is ready for its intended use. In the current year, VTA capitalized total interest expense and other bond charges of $44 million relating to the Measure A Transit Improvement Projects.

(h) Vacation and Sick Leave Benefits

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

(i) Self-Insurance

VTA retains $3 million in self-insurance for general liability and completely self-insures workers' compensation claims. Estimated losses on claims other than workers' compensation claims are charged to expense in the period the loss is determinable. Estimated losses for workers' compensation claims are charged to expense as a percentage of labor in each accounting period. The costs incurred for workers' compensation and general liability (including estimates for claims incurred but not yet reported) are reported in the Internal Service Fund based on an actuarial determination of the present value of estimated future cash payments (see Notes 14 and 16).

(j) Net Position

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

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

  The Statement of Fund Net Position as of June 30, 2016, on pages 2-24 and 2-25 reports that enterprise fund net position invested in capital assets (net of related debt) is $3.4 billion.

- *Restricted Net Position* - This category consists of debt service collateral, Swap/lease collateral, amounts restricted for Measure B Transit, 2000 Measure A capital programs, BART Operating, and Congestion Management Program.

  The Statement of Fund Net Position on pages 2-24 and 2-25 reports that enterprise funds restricted net position amount to $789 million as of June 30, 2016, of which $578.6 million and $187.5 million are restricted by enabling legislation for the 2000 Measure A Sales Tax and BART Operating Sales Tax programs, respectively. The 2000 Measure A half-cent sales tax was approved by Santa Clara County voters to fund certain transportation-related projects. The BART Operating 1/8-cent sales tax is dedicated to the operation, maintenance, improvement, and future capital needs of the BART Silicon Valley Extension. 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, have been earmarked for future capital and operating needs, as well as for other purposes in accordance with Board directives. Unrestricted Net Position earmarks within proprietary funds consist of the following (in thousands):

	Proprietary Funds				
	VTA Transit Fund	Express Lanes Fund	Joint Development Fund	Total Enterprise Funds	Internal Service Fund
Local share of capital projects	$ 132,225	$ -	$ 1,804	$ 134,029	$ -
Debt reduction	76,378	-	-	76,378	-
Express Lane	-	2,364	-	2,364	-
Joint Development	-	-	26,909	26,909	-
Irrevocable transfer made to OPEB trust fund	15,865	-	-	15,865	-
Sales Tax stabilization	35,000	-	-	35,000	-
Operating reserve	64,147	-	-	64,147	-
Inventory and prepaid expenses	33,615	-	-	33,615	-
Workers' Compensation, General Liability & Compensated Absences	-	-	-	-	(6,693)
Net Pension Liability (GASB 68)*	(195,565)	-	-	(195,565)	-
Total	$ 161,665	$ 2,364	$ 28,713	$192,742	$(6,693)

*Represents amount owed by VTA for benefits provided through a defined benefit pension plan (net of related deferred inflows/outflows). This consists of $80.6 million for CalPERS and $115 million for ATU.

(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 $32 million as costs allocated to capital and other programs. This amount represents a credit for direct and indirect labor and associated fringe benefits, reproduction and mileage costs, and other costs that were capitalized as construction in progress.

(l) Estimates

VTA's management has made a number of estimates and assumptions relating to the reporting of assets and liabilities, revenues, expenses, and the disclosure of contingent liabilities to prepare the basic financial statements in conformity with GAAP. Actual results could differ from those estimates.

(m) Fund Balance - Governmental Funds

The Congestion Management Program Fund balance is 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) Spending Order Policy

When expenses are incurred for purposes for which both restricted and unassigned fund balances are available, VTA considers restricted funds to have been spent first.

(o) Intangible Assets

These refer to the $10 million payment made to Union Pacific Rail Road in January 2005 for Caltrain right-of-way access right. This asset is amortized for 15 years.

(p) Transfers In/(Out)

The Transfers represent the interfund transactions between funds. During FY 2016, there was a transfer of assets from Measure B Transit Fund to VTA Transit Fund in the amount of $813 thousand for land infrastructure relating to Vasona Project.

(q) New Accounting Pronouncements

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. VTA has implemented the provisions of this Statement as of June 30, 2016.

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. VTA has implemented the provisions of this Statement as of June 30, 2016.

GASB Statement No. 73 – In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions* *of GASB Statements No. 67 and No. 68*. The objective of this statement establishes requirements for those pensions and pension plans that are not administered through a trust meeting specified criteria. The requirements of the Statement that address accounting and financial reporting by employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68 are effective for financial statements for fiscal years beginning after June 15, 2016, or the FY 2017. VTA has not determined the effect of the statement.

GASB Statement No. 74 – In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of the Statement is to address the financial reports of defined benefit OPEB plans that are administered through trusts that meet specified criteria. The Statement requires more extensive note disclosures and RSI related to the measurement of the OPEB liabilities for which assets have been accumulated. The Statement is effective for periods beginning after June 15, 2016, or the FY 2017. The pronouncement is applicable to OPEB plans. VTA has not determined the effect of the statement.

GASB Statement No. 75 – In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. The objective of the Statement is to replace the requirements of GASB Statement No. 45. In addition, the Statement requires governments to report a liability on the face of the financial statements for the OPEB provided and requires governments to present more extensive note disclosures and required supplementary information about their OPEB liabilities. The Statement is effective for the periods beginning June 15, 2017, or the FY 2018. VTA has not determined the effect of the statement.

GASB Statement No. 77 – In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures.* The objective of this Statement is to provide financial statement users with essential information about the nature and magnitude of the reduction in tax revenues through tax abatement programs. This GASB statement is effective with Fiscal Year Ending June 30, 2017. VTA has not determined the effect of this Statement.

GASB Statement No. 79 – In December 2015, GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. The Statement addresses accounting and financial reporting for certain external investment pools and pool participants. The Statement establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The Statement establishes additional note disclosure requirements for qualifying external investment pools that require measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Both the qualifying external investment pools and their participants are required to disclose information about any limitations or restrictions on participant withdrawals. The Statement is effective for the periods beginning after June 15, 2015, or the FY 2017, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. VTA has not determined the effect of the statement.

GASB Statement No. 80 – In January 2016, GASB issued Statement No. 80, Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14. The objective of the Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, The Financial Reporting Entity, as amended. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The Statement is effective for the reporting periods beginning after June 15, 2016, or the FY 2017. VTA has not determined the effect of the statement.

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

GASB Statement No. 82 – In March 2016, GASB issued Statement No. 82, Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73. The objective of the Statement is to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, the Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The Statement is effective for the reporting periods beginning after June 15, 2016, or the FY 2017. VTA has not determined the effect of the statement.

NOTE 3 - CASH AND INVESTMENTS

Total cash and investments as of June 30, 2016, are reported in the accompanying basic financial statements as follows (in thousands):

	Enterprise Funds	Internal Service Fund	Governmental Funds	Retiree Trust Funds	Agency Funds	Total
Unrestricted:						
Cash and Cash Equivalents	$ 57,966	$ 457	$ -	$ -	$ -	$ 58,423
Investment	259,379	45,973	-	-	-	305,352
Total unrestricted	317,345	46,430	-	-	-	363,775
Restricted:						
Cash and Cash Equivalents	7,565	-	14,387	2,260	2,742	26,954
Cash and Cash Equivalents with Fiscal Agents	72,675	-	50	-	-	72,725
Investments	740,309	-	722	775,306	28,168	1,544,505
Total restricted	820,549	-	15,159	777,566	30,910	1,644,184
Total Cash and Investments	$1,137,894	$ 46,430	$ 15,159	$777,566	$ 30,910	$2,007,959

As of June 30, 2016 total cash and investments among all funds consisted of the following (in thousands):

Cash & Cash Equivalents	$ 85,377
Cash & Cash Equivalents with Fiscal Agents	72,725
Investments	1,849,857
Total	$2,007,959

Cash and Cash Equivalents

VTA maintains several checking accounts related to its operations. These checking accounts earn interest based on the bank's sweep rate. At June 30, 2016, the carrying amounts of these cash balances are shown below (in thousands):

Operation Account	$ 69,627
CM&HP Account	13,230
Measure B Account	2,520
Total Deposits	$ 85,377

Investments

VTA's investments fall into two categories, i.e. investments related to: (1) government-wide and agency funds, and (2) trust funds. The first includes investments of operating and other funds which may be restricted or unrestricted depending on the source of the funds. The second includes trust funds investments that are held in trust to pay retirement benefits of ATU, Local 265 Pension Plan, ATU Medical/Dental, and the VTA Retirees' Other Post-Employment Benefits trust.

Investment within the government-wide

Government code requires that the primary objective of the trustee is to safeguard the principal, secondarily meet the liquidity needs of the depositors, and then achieve a reasonable return on the funds under the trustee's control. 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 non-trust funds 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, bonds issued by VTA except BABs, bankers' acceptances, commercial paper, repurchase and reverse repurchase agreements, medium-term corporate notes, insured savings/money market accounts, negotiable certificates of deposit, mortgage and asset-back obligations, State of California's local agency agreements, qualified structured investments, and shares of beneficial interest i.e., mutual funds) investing in these permissible investments.

VTA's non-trust portfolio includes asset-backed securities that are invested and managed by money managers, and includes structured notes that are invested indirectly through the State Treasurer's Office Local Agency Investment Fund (LAIF). At June 30, 2016, the investment in LAIF is $25 million. LAIF is voluntarily commingled within the state of California Pooled Money Investment Account (PMIA), whose balance at June 30, 2016, was approximately $75.4 billion. If cash reserves of the state of California are exhausted, then participation by the State's General Fund in the PMIA is zero. There is no correlation between the state's general fund cash reserves and VTA's funds on deposit in the LAIF. None of this amount was invested in derivative instruments. PMIA is not a Securities and Exchange Commission (SEC) registered pool, 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 PMIA on June 30, 2016, was 167 days. The value of the pool shares investment earnings are paid quarterly based on the average daily balance. Withdrawals from LAIF are completed on a dollar for dollar basis.

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. Of VTA's $1.075 billion in operating funds investments, 16.83% of the investments are fixed income investments with a maturity of less than 1 year and 5.78% are fixed income investments with a maturity greater than 5 years. VTA's Investment Policy allows up to 40% of the operating funds portfolio to be invested in maturities longer than five years.

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 operating funds 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. The table on page 2-47 shows the credit quality of VTA's investments as of June 30, 2016.

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

Ratings	Fair Value (In Thousands)	Percentages of Portfolios
AAA	116,281	5.79%
AA+	700,398	34.88%
AA-	39,027	1.94%
AA	31,032	1.55%
A+	34,831	1.73%
A-	70,909	3.53%
A	77,613	3.87%
A-1+	72,727	3.62%
A-1	4,003	0.20%
BBB+	86,226	4.29%
BBB-	14,595	0.73%
BBB	30,476	1.52%
BB+	6,216	0.31%
BB-	1,840	0.09%
BB	2,792	0.14%
B+	9,853	0.49%
B	704	0.04%
Unrated*	$ 708,436	35.28%
TOTAL	**$ 2,007,959**	**100.00%**

*Unrated consists of money market, LAIF pooled investments, and equity securities.

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.

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, 2016, 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. To mitigate this risk, both the State Government Code and VTA's Investment Policy places percentage portfolio concentration limits on many instruments as well as limits on holding individual issuer names. Under the Investment Policy certain investments are exempt from these concentration limits, including investments issued by or explicitly guaranteed by the U.S. Government, investments in mutual funds, external investment pools, and other pooled investments.

Certain investments, such as obligations that are backed by the full faith and credit of the United States Treasury are not subject to credit ratings. The following schedule indicates the maturity of investments at June 30, 2016 (in thousands):

	Maturity				
Investment Type	**Less than 1 Year**	**2-5 Years**	**6-10 Years**	**Over 10 Years**	**Fair Value**
Corporate Bonds - Commingled[1]	$ 93,693	$ 345,571	$ 6,120	$ 510	$ 445,894
Corporate Bonds - Pension Plan	3,613	14,133	20,386	25,980	64,112
Corporate Bonds - OPEB Trust	436	6,857	14,222	14,088	35,603
US Government Agency Bonds					
Commingled	30,404	193,999	17,664	-	242,067
Pension Plan	17	342	1,893	38,780	41,032
OPEB Trust	1	79	3,311	18,328	21,719
US Treasury					
Commingled	31,895	287,649	37,837	-	357,381
Pension Plan	5,992	7,526	-	-	13,518
OPEB Trust	2,370	3,100	-	-	5,470
Subtotal	**168,421**	**859,256**	**101,433**	**97,686**	**1,226,796**
Money Market Funds - Commingled	4,753	-	-	-	4,753
Money Market Funds - Pension	3,551	-	-	-	3,551
Money Market Funds - OPEB Trust	746	-	-	-	746
Cash with Fiscal Agents - Commercial Paper/CD	69,539	-	-	-	69,539
TOTAL INVESTMENTS with Money Managers	**247,010**	**859,256**	**101,433**	**97,686**	**1,305,385**
LAIF	25,000	-	-	-	25,000
Subtotal	**$ 272,010**	**$ 859,256**	**$ 101,433**	**$ 97,686**	**1,330,385**
Equity-Based Investments					589,012
Retention Fund at Escrow Agents (Deposits)					3,185
Cash Deposits [1]					85,377
TOTAL					**$ 2,007,959**

[1]$2.8 million in Retirees, ATU, ATU Spousal Medical Plan are included in these line items.

Major holdings and their portfolio percentage are presented in the table below.

Major Portfolio Holdings

	Operating		Trusts	
Investment Type	Fair Value (In Thousands)	Percentages of Portfolios	Fair Value (In Thousands)	Percentages of Portfolios
Treasury Notes	$ 357,381	28.98%	$ 18,988	2.45%
Federal Home Loan Mortgage Corp. (FHLM)	108,804	8.82%	25,521	3.29%
Federal National Mortgage Association (FNMA)	68,840	5.58%	36,129	4.66%
Federal Home Loan Bank (FNMA)	27,964	2.27%	-	0.00%
Other Investments*	507,353	41.14%	689,828	89.04%
Cash/funds with fiscal agents	162,853	13.21%	4,298	0.56%
Total portforlio holdings	$ 1,233,195	100.00%	$ 774,764	100.00%

*Includes

$37.6 million of US Government Agency Bonds

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, 2016:

	Fair Value Hierarchy			
Investment Type	**Level 1**	**Level 2**	**Level 3**	**Fair Value**
Corporate Bonds - Commingled[1]	$ -	$ 445,894	$ -	$ 445,894
Corporate Bonds - Pension Plan	1,139	62,109	864	64,112
Corporate Bonds - OPEB Trust	-	35,357	246	35,603
US Government Agency Bonds				
Commingled	-	242,067	-	242,067
Pension Plan	-	41,032	-	41,032
OPEB Trust	-	21,719	-	21,719
US Treasury				
Commingled	357,381	-	-	357,381
Pension Plan	13,518	-	-	13,518
OPEB Trust	5,470	-	-	5,470
Subtotal	377,508	848,178	1,110	1,226,796
TOTAL INVESTMENTS with Money Managers	377,508	848,178	1,110	1,226,796
Equity-Based Investments	118,374	426,792	43,846	589,012
Leveled Investment Total	$ 966,520	$ 926,767	$ 4,295	$ 1,815,808
Money Market Funds - Commingled				4,753
Money Market Funds - Pension				3,551
Money Market Funds - OPEB Trust				746
Cash with Fiscal Agents - Commercial Paper/CD				69,539
Retention Fund at Escrow Agents (Deposits)				3,185
LAIF				25,000
Cash Deposits [1]				85,377
TOTAL				$ 2,007,959

[1]$2.8 million in Retirees, ATU, ATU Spousal Medical Plan are included in these line items

Fair Value Measurements

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.

Trust Funds Investments

The ATU, Local 265 Pension Plan (Pension Plan), ATU Medical/Dental, and VTA Retiree Health are administered in accordance with Article XVI, Section 17 of the Constitution of the State of California. Funds are invested in diversified investment portfolios structured to minimize risk and maximize return. Each trust has an investment policy adopted by its respective board.

NOTE 4 – INTERFUND TRANSACTIONS

During FY 2016, there was a transfer of assets from 4000 Measure B Transit Fund to VTA Transit Fund in the amount of $813 thousand for land infrastructure relating to Vasona Project.

The composition of interfund balances as of June 30, 2016, is as follows (in thousands):

Due from other funds	Due to other funds	Amount
VTA Transit Fund	Congestion Management & Highway Program Fund	$ 77 [1]
2000 Measure A	VTA Transit	197 [2]
		$ 274

[1] Represents mainly labor cost transfer

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

NOTE 5 – DUE FROM AND DUE TO OTHER AGENCIES

Due from other agencies as of June 30, 2016, consisted of the following (in thousands):

	Business-Type Activities	Fiduciary-Type Activities	Governmental Activities		
DUE FROM OTHER AGENCIES	Enterprise Funds	Fiduciary Funds	Congestion Management Program	Congestion Management & Highway Program	Total
Federal Government	$ 40,607	$ -	$ -	$ 929	$ 41,536
State Government	139,386	-	635	699	140,720
Cities and other local agencies	19,762	11	-	1,904	21,677
	$ 199,755	$ 11	$ 635	$ 3,532	$ 203,933

Due from other agencies as of June 30, 2016, is reported in the accompanying basic financial statements as follows (in thousands):

ASSETS	Business-Type Activities Enterprise Funds	Fiduciary-Type Activities Fiduciary Funds	Governmental Activities Congestion Management Program	Governmental Activities Congestion Management & Highway Program	Total
Current Assets (Unrestricted)	$ 50,070	$ -	$ -	$ -	$ 50,070
Current Assets (Restricted)	149,685	11	635	3,532	153,863
	$ 199,755	$ 11	$ 635	$ 3,532	$ 203,933

Due to other agencies as of June 30, 2016, consisted of the following (in thousands):

DUE TO OTHER AGENCIES	Business-Type Activities Enterprise Funds	Governmental Activities Congestion Management Program	Governmental Activities Congestion Management & Highway Program	Governmental Activities Measure B Highway Program	Total
Federal	$ 1,006	$ -	$ -	$ -	$ 1,006
State	68,078	-	-	-	68,078
Caltrain	50	-	-	-	50
County of Santa Clara	10,420	109	7,645	917	19,091
City of Milpitas	2,678	-	421	-	3,099
City of San Jose	5,972	-	5,306	-	11,278
City of Sunnyvale	-	-	469	-	469
City of Fremont	50	-	-	-	50
City of Cupertino	-	-	1,165	-	1,165
Outreach	541	-	-	-	541
Santa Clara Valley Water District	9,325	-	-	-	9,325
Various	-	-	133	-	133
Total	$ 98,120	$ 109	$ 15,139	$ 917	$ 114,285

Due to other agencies as of June 30, 2016, is reported in the accompanying basic financial statements as follows (in thousands):

LIABILITIES	Business-Type Activities Enterprise Funds	Governmental Activities Congestion Management Program	Governmental Activities Congestion Management & Highway Program	Governmental Activities Measure B Highway Program	Total
Liabilities payable from restricted assets	$ 98,120	$ 109	$ 15,139	$ 917	$ 114,285

NOTE 6 – CAPITAL ASSETS

Capital asset changes for VTA's business-type activities for the year ended June 30, 2016, were as follows (in thousands):

	July 1, 2015	Additions	Retirements	Transfers	June 30, 2016
Capital assets, not being depreciated					
Land and right-of-way	$ 1,124,646	$ -	$ -	$ 1,713	$ 1,126,359
Construction in progress	2,177,750	460,873	-	(26,800)	2,611,823
Total capital assets, not being depreciated	3,302,396	460,873	-	(25,087)	3,738,182
Capital assets, being depreciated					
Caltrain - Gilroy extension	43,072	-	-	-	43,072
Buildings improvements, furniture and fixtures	548,139	288	(51)	20,703	569,079
Vehicles	566,821	20	(14,966)	2,011	553,886
Light rail tracks and electrification	415,905	-	-	2,290	418,195
Leasehold improvement	9,686	-	-	-	9,686
Other operating equipment	47,156	50	-	83	47,289
Total capital assets, being depreciated	1,630,779	358	(15,017)	25,087	1,641,207
Accumulated Depreciation					
Caltrain - Gilroy extension	(13,992)	(1,310)	-	-	(15,302)
Buildings, improvements, furniture and fixtures	(282,948)	(19,192)	51	-	(302,089)
Vehicles	(233,638)	(22,147)	13,747	-	(242,038)
Light rail tracks and electrification	(259,711)	(17,167)	-	-	(276,878)
Leasehold improvement	(3,355)	(442)	-	-	(3,797)
Other operating equipment	(39,451)	(2,128)	-	-	(41,579)
Total accumulated depreciation	(833,095)	(62,386)	13,798	-	(881,683)
Total capital assets, being depreciated, net	797,684	(62,028)	(1,219)	25,087	759,524
Total capital assets, net	$ 4,100,080	$ 398,845	$ (1,219)	$ -	$ 4,497,706

Construction in Progress (CIP) includes capitalized costs and right-of-way acquisitions associated with the following projects as of June 30, 2016, (in thousands):

Bus Program	$ 113,239
Commuter Rail Program	3,033
Information Systems Technology	10,468
Light Rail - Way, Power & Signal	20,681
Light Rail Program	203,121
Operating Facilities & Equipment	26,117
Passenger Facilities	1,205
Revenue Vehicles & Equipment	22,975
Silicon Valley Rapid Transit	2,210,482
Vasona Corridor Projects	2
Joint Development	488
Others	12
Total	$2,611,823

Additional information regarding projects in progress as of June 30, 2016, is as follows (in thousands):

Information Regarding Capital Expenditures:	Costs
Total Board approved capital budget	$4,845,137
Capital expenditures settling to CIP	(2,611,823)
Capital expenditures settling to capital assets	(25,087)
Capital expenditures settling to expense	(710,979)
Remaining capital budget available	$1,497,248
Anticipated funding sources are as follows:	
Federal, state, and other local assistance	$ 591,413
Local contributions	905,835
Total funding sources	$1,497,248

VTA has outstanding commitments of about $462.8 million as of June 30, 2016, related to the above capital projects.

NOTE 7 - LONG-TERM DEBT & LIABILITIES

Long-term debt as of June 30, 2016, consisted of the following (in thousands):

Secured by VTA's 1976 Measure A 1/2 Cent Sales Tax:	
2007 Series A Refunding ($12,045 plus unamortized premium of $74)	$ 12,119
2008 Series A-C Refunding	136,160
2011 Series A ($33,670 plus unamortized premium of $2,167)	35,837
Sales tax revenue bonds secured by VTA'S 2000 Measure A 1/2-cent sales tax:	
2007 Series A ($3,170 plus unamortized premium of $52)	3,222
2008 Series A-D Measure A Refunding	235,875
2010 Series A-B Refunding ($577,250 plus unamortized premium of $5,448)	582,698
2015 Series A-B Refunding ($89,980 plus unamortized premium of $20,274)	110,254
Total Long Term Debt	1,116,165
Less: Current portion of long-term debt	(42,980)
Long term debt, excluding current portion	$ 1,073,185

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

- $26.3 million of 2007 Series A Sales Tax Revenue Refunding Bonds (2007 Bonds) were issued, at a true interest cost of 3.97%, to refund and completely pay off a portion of the 1997 Series A Sales Tax Revenue Bonds, maturing in series on each June 1st from 2010 – 2021. Proceeds of the 2007 Bonds were deposited into an escrow account held by a Trustee, and were used to pay the principal and accrued interest on the refunded bonds on the redemption date of June 1, 2007; therefore, there are no refunded bonds outstanding and no funds remaining in escrow. The 2007 Bonds have a final maturity of June 1, 2021. 2007 Bonds maturing on or before June 1, 2017, are not subject to redemption prior to their respective stated maturities. The 2007 Bonds maturing on or after June 1, 2018, are subject to redemption prior to their stated maturities any time on or after June 1, 2017.

- $168.6 million of 2008 Series A-C Sales Tax Revenue Refunding Bonds (2008 VTA Bonds) were issued to implement a current refunding and completely pay off the 2005 Sales Tax Revenue Refunding Bonds originally issued to finance the retirement of a portion of 2001 Bonds. There is no escrow fund nor are there 2005 Sales Tax Revenue Refunding Bonds outstanding. The 2008 VTA Bonds were issued as variable rate demand bonds and bear interest at a weekly rate, which is determined by the Remarketing Agent to be the rate necessary to remarket the 2008 VTA Bonds at par value. The maturities of the 2008 VTA Bonds extend to June 1, 2026, and are subject to optional and mandatory redemption and optional and mandatory tender for purchase before maturity.

- Concurrent with the issuance and sale of the 2008 VTA Bonds, VTA transferred interest rate swap agreements (originally entered into concurrent with the issuance of the retired 2005 Sales Tax Revenue Refunding Bonds). Pursuant to the terms of the swap agreements, VTA pays interest at a fixed rate of 3.145% to the counterparties to the swaps. In return, the counterparties pay VTA interest based on a formula (lower of 1 Month LIBOR[1] or a rate equal to the greater of 63.5% of 1 Month LIBOR, or 55.5% of 1 Month LIBOR plus 0.44%). The outstanding principal on the 2008 VTA Bonds is used as the basis on which the interest payments are calculated. Under certain circumstances, the agreements are subject to termination before maturity of the 2008 VTA Bonds.

- $47.5 million of 2011 Series A Sales Tax Revenue Refunding Bonds (2011 Bonds) were issued, at a true interest cost of 2.73%, to refund the 1998 Series A Sales Tax Revenue Bonds and the 2000 Series A Sales Tax Revenue Bonds (collectively, the "Refunded Bonds"), maturing in series on each June 1st from 2012 – 2028. The Refunded Bonds were variable rate bonds, which were issued through the California Transit Finance Authority. The bonds were refunded in order to reduce bank and interest rate risk associated with variable rate demand bonds. Proceeds of the 2011 Bonds were deposited into an escrow account held by a Trustee, and were used to pay the principal and accrued interest on the refunded bonds on the redemption date of October 5, 2011. There are no 1998 Series A Sales Tax Revenue Bonds or 2000 Series A Sales Tax Revenue Bonds outstanding, and no funds remaining in escrow. 2011 Series A Bonds maturing on or before June 1, 2021, are not subject to redemption prior to their respective stated maturities. The 2011 Bonds maturing on or after June 1, 2022, are subject to redemption prior to their stated maturities any time on or after June 1, 2021.

[1] London Inter Bank Offering Rate (LIBOR) is a daily reference rate based on the interest rate at which banks offer to lend unsecured funds to other banks in the London wholesale (interbank) money market.

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

- $120.1 million of 2007 Measure A Series A Sales Tax Revenue Refunding Bonds (2007 Measure A Bonds) were issued, at a true interest cost of 4.60%, to current refund Series F and G of the 2006 Measure A Sales Tax Revenue Bonds, none of which remain outstanding. Proceeds of the 2007 Measure A Bonds were deposited into an escrow account held by a Trustee, and were used to fully pay the principal and accrued interest on the refunded bonds on the redemption date of November 6, 2007. There is no open escrow or refunded bonds outstanding. Maturities for the 2007 Measure A Bonds originally extended to April 1, 2036. 2007 Measure A Bonds maturing on or before April 1, 2017, are not subject to redemption prior to their respective stated maturities. 2007 Measure A Bonds maturing on or after April 1, 2018 are subject to redemption any time on or after April 1, 2017. In February 2015, VTA refunded the Measure A 2007 Series A bonds that mature on and after April 1, 2018, by issuing the 2015 Measure A Series A and Series B bonds (see below). Following the refunding and subsequent payment of the bonds maturing on April 1, 2015 and 2016, the only 2007 Measure A bonds outstanding are those maturing on April 1, 2017.

- $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, none of which remain outstanding) were reassigned to the 2008 Measure A Bonds. Pursuant to the terms of the swap agreements, VTA pays interest at a fixed rate of 3.765% to the counterparties to the swaps. In return, the counterparties pay VTA a variable rate of interest equal to 65% of three-month LIBOR. The outstanding principal is used as the basis on which the interest payments are calculated. Under certain circumstances, the agreements are subject to termination before maturity of the 2008 Measure A Bonds.

- $645.9 million of 2010 Measure A Bonds were issued, at a true interest cost of 3.54%, to fund certain Measure A transit capital improvement projects, most notably the BART Extension to Berryessa. The bonds were issued as a combination of taxable, Build America Bonds (Series A), and traditional tax-exempt bonds (Series B). Related to the Series A Build America Bonds, VTA is entitled to receive a federal subsidy of 35% on its interest cost for the Build America Bonds. However, as a result of the Federal budget impasse and resulting sequestration of funding, the subsidy has been reduced by various amounts beginning in 2013 and has most recently provided a subsidy of about 32.6%. Both bond series are fixed interest bonds. The bonds have a final maturity date of April 2, 2032. 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-B were issued to current refund the 2007 Measure A Series A bonds maturing on April 1, 2018, 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 2.92%.

(c) Interest Rate Swaps

VTA has seven interest rate swap agreements outstanding as of year-end. Three require that VTA pay fixed interest rates and receive variable interest at the lower of: 1)1 month LIBOR or, 2) a rate equal to 63.5% of 1 month LIBOR or 55.5% of 1 month LIBOR plus 0.44%, whichever is greater. Four agreements require that VTA pay fixed interest rates and receive interest at 65% of three-month LIBOR.

<u>*Summary*</u>

The terms, fair values, and credit ratings of the outstanding swaps as of June 30, 2016 were as follows (dollars in thousands):

Associated Bonds	Current Notional	Effective Date	Fixed Rate Paid	Variable Received	Fair Value*	Termination Date	Counterparty Credit Rating[CR]	Fair Value Measurement Level
2008A	$ 54,520	7/7/2005[ED]	3.145%	Cal-E[VR]	$ (7,356)	6/1/2026	Aa2/AA-/NR[†]	2
2008B	40,820	7/7/2005[ED]	3.145%	Cal-E[VR]	(5,509)	6/1/2026	A1/A/A+	2
2008C	40,820	7/7/2005[ED]	3.145%	Cal-E[VR]	(5,509)	6/1/2026	A3/BBB+/A	2
MA 2008A	85,875	8/10/2006	3.765%	65% 3Mo LIBOR	(36,437)	4/1/2036	A1/A/A+	2
MA 2008B	50,000	8/10/2006	3.765%	65% 3Mo LIBOR	(21,216)	4/1/2036	A1/A/A+	2
MA 2008C	50,000	8/10/2006	3.765%	65% 3Mo LIBOR	(21,833)	4/1/2036	Aa2/AA-/NR[†]	2
MA 2008D	50,000	8/10/2006	3.765%	65% 3Mo LIBOR	(21,216)	4/1/2036	A3/BBB+/A	2
Total	$ 372,035				$ (119,076)			

[CR]Moody's, Standard and Poor's and Fitch, respectively.
[ED]Amended June 26, 2008 to reflect on-market fixed rate to be paid of 3.145%.
[VR]Lower of 1 month LIBOR; or a rate equal to 63.5% of 1 month LIBOR or 55.5% of 1 month LIBOR plus 0.44%, whichever is greater.
[†]NR - No rating for Fitch
*This represents the fair value of the base amount without the accrued interest of $2.4 million.

Objective of the Swaps: The objective of the swaps is to hedge VTA's exposure to variable interest rate risk by synthetically fixing its fixed rate interest costs at rates anticipated to be less than what VTA otherwise would have paid in 2005 and 2006 respectively, to issue fixed rate debt in the tax-exempt municipal bond market.

Hedge Effectiveness and Fair Value Hierarchy

In accordance with GASB 53, 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 outflow 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, 2016, the swaps had a negative fair value of $119 million.

GASB 72, which requires disclosure of fair values for investments and certain other assets, became effective in June 2015 and has been implemented beginning with these financial statements. For this purpose, investments are assets that a government holds primarily for the purpose of income or profit. This includes derivative products such as the interest rate swaps that VTA is party to and that are the subject of this footnote. GASB 72 requires disclosure of fair values in investments, description of the valuation method used, and indication of the level in the fair value hierarchy. The level of hierarchy is representative of the type of inputs used to value the assets.

There are three levels in the hierarchy.

- Level 1 denotes directly observable prices for the identical investment.
- Level 2 denotes indirectly observable pricing based on comparable investments or calculated using observable rates or indices.
- Level 3 denotes unobservable pricing inputs.

All of VTA's interest rate swaps are Level 2 because their fair value is not directly observable and was calculated using a discounted cash flow methodology based on observable interest rates or indices.

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 a perceived 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 requires collateral posting by the counterparty based on its credit ratings and market value of the swap. Currently the values of the swaps are negative, no counterparties are posting collateral, and VTA is posting collateral on several swaps.

Although VTA's counterparties have experienced declines in their ratings since inception of the swaps, their S&P and Moody's ratings remain at investment grade levels. All payments due from counterparties continue to be made on time and are current as of June 30, 2016. 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:

Swap	Counterparty Credit Rating as of 6/30/16[CR]	Collateral Threshold	Credit Rating for Threshold of Zero
VTA 2008A	Aa2/AA-	$ 15,000,000	Baa1/BBB+
VTA 2008B	A1/A	7,000,000	A3/A-
VTA 2008C	A3/BBB+	2,000,000	Baa3/BBB-
MA 2008A	A1/A	7,000,000	A3/A-
MA 2008B	A1/A	7,000,000	A3/A-
MA 2008C	Aa2/AA-	15,000,000	Baa1/BBB+
MA 2008D	A3/BBB+	-	Baa1/BBB+

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

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

Basis Risk: Is the risk that the variable rate payment received by VTA under the swaps does not closely match the variable interest rate paid by VTA to bondholders. The variable rate debt hedged by VTA's interest rate swaps are variable rate demand obligation (VRDO) bonds that are remarketed weekly. VTA is exposed to basis risk because the variable rate receipts from the swaps are based on a rate or index other than the interest rates VTA pays on the VRDO bonds. VTA is exposed to basis risk to the extent that variable interest rate payments paid to bondholders on the bonds are not precisely offset by the variable rate amounts received from the swap. On June 30, 2016, there was a slightly favorable basis variance of 0.05%.

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, 2016, 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 VTA bonds secured by the 1976 sales tax. Based on the "AA/Aa2" 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, 2016, VTA had $19.7 million of cash collateral posted with four counterparties, related to the swaps associated with the long-term variable rate bonds secured by 2000 Measure A Sales Tax Revenues.

Swap Payments and Associated Debt

Using rates as of June 30, 2016, debt service requirements on VTA's swap-related variable rate debt and net swap payments are as follows. As rates vary, variable rate bond interest payments and net swap payments will vary (dollars in thousands).

Year Ending June 30,	Principal Total	Remarketing Interest Total	Interest Rate Swap-Net Total	Debt Service Total
2017	$ 10,465	$ 1,505	$ 11,511	$ 23,481
2018	10,775	1,464	11,229	23,468
2019	11,095	1,421	10,939	23,455
2020	11,425	1,376	10,639	23,440
2021	11,760	1,331	10,331	23,422
2022 - 2026	80,640	5,792	45,823	132,255
2027 - 2031	-	4,835	39,355	44,190
2032 - 2036	235,875	3,188	25,944	265,007
	$ 372,035	$ 20,912	$ 165,771	$ 558,718

(d) *Long-Term Debt Obligation Summary*

Interest Rates on all outstanding fixed-rate obligations range from 3.00% - 5.00%. Interest on the variable rate debt is reset weekly based upon market conditions. Projected principal and interest obligations as of June 30, 2016, are as follows (in thousands):

	Principal	**Interest**	**Total**
Year ending June 30:			
2017	$ 42,980	$ 51,458	$ 94,438
2018	44,875	49,599	94,474
2019	46,485	47,646	94,131
2020	48,580	45,529	94,109
2021	50,765	43,340	94,105
2022-2026	286,225	179,264	465,489
2027-2031	250,265	107,484	357,749
2032-2036	317,975	36,045	354,020
	1,088,150	$ 560,365	$1,648,515
Unamortized bond premium	28,015		
Total debt	1,116,165		
Less current portion	(42,980)		
Long-term portion of debt	$1,073,185		

(e) 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.

(f) Long Term Liabilities

(Dollars in thousands)	July 1, 2015	Additions	Reductions	June 30, 2016	Amounts Due Within One Year
Sales Tax Revenue Bonds Secured by 1976 ½ Cent Sales Tax					
2007 Series A	$ 14,060	$ -	$ 2,015	$ 12,045	$ 2,130
2008 Series A-C	146,325	-	10,165	136,160	10,465
2011 Series A	35,800	-	2,130	33,670	2,225
Sales Tax Revenue Bonds Secured by 2000 Measure A ½ Cent Sales Tax					
2007 Series A	6,210	-	3,040	3,170	3,170
2008 Series A-D	235,875	-	-	235,875	-
2010 Series A-B	601,175	-	23,925	577,250	24,990
2015 Series A-B	89,980	-	-	89,980	-
Total Outstanding Debt	1,129,425	-	41,275	1,088,150	42,980
Plus (less) premiums/discounts	31,340	239	3,564	28,015	-
Outstanding Debt, Net	1,160,765	239	44,839	1,116,165	42,980
Derivative Instruments Liability	83,451	35,625	-	119,076	-
Claims Liability:					
General Liability	11,879	2,891	7,745	7,025	1,251
Worker's Compensation	18,433	4,235	5,378	17,290	1,422
Compensated Absences	27,538	4,810	3,652	28,696	8,107
Total Long-Term Liabilities	$1,302,066	$ 47,800	$ 61,614	$ 1,288,252	$ 53,760

VTA's Transit Fund reports a deferred amount on refunding in the amount of $9.7 million related to the 2007 and 2008 bonds as a deferred outflow of resources. The Measure A Fund reflects deferred amounts on bond refunding related to the 2015 bond of $4.2 million as deferred outflow of resources, and 2007/2008 bonds of $4.0 million as deferred inflow of resources.

NOTE 8 – SALES TAX REVENUES

Sales tax revenue represents sales tax receipts from the California State Board of Equalization, which, under voter-approved 1976 and 2000 Sales Tax Measures, collects a half-cent for each taxable sales dollar spent in the County. These amounts are available to fund both operations and capital expenses except that portion which is to be used to repay long-term debt as described in Note 7. In November 2008, county residents passed a 1/8-cent sales tax to fund the operating and maintenance costs of the BART Extension. The amount of the 1976 Sales Tax, 2000 Measure A Sales Tax, and BART Operating Sales Tax recognized during FY 2016 was $205.4 million, $205.6 million, $49.3 million, respectively, totaling $460.3 million.

NOTE 9 – VTA PROGRAMS FUNDED THROUGH LOCAL SALES TAX MEASURES

Measure B Transportation Improvement Program (MBTIP)

In November 1996, the voters of Santa Clara County approved Measure A - an advisory measure listing an ambitious program of transportation improvements for the County. Also approved on the same ballot, Measure B authorized the County Board of Supervisors to collect a nine-year half-cent sales tax for general County purposes. The tax was identified as a funding source for Measure A projects. Collection of the tax began in April 1997; however, use of the revenue was delayed pending the outcome of litigation challenging the legality of the sales tax. In August 1998, the California courts upheld the tax allowing the Measure A transportation program to move forward.

Amendment 20 to the Master Agreement was executed in June 2007 to formalize the process for winding down the Measure B Program. That amendment included the following significant terms:

- VTA was paid the value of all approved 1996 Measure B project budgets, less the funds already paid by County to VTA, and the net remaining Measure B funding for Fund Swap Projects and Ancillary Programs administered by VTA.
- A lump sum amount of approximately $4.0 million was also paid to VTA by the County to cover the closeout effort associated with incomplete projects.

In March 2010, $10.23 million was transferred to Congestion Management and Highway Program (CMHP) from the Measure B Highway and the Measure B Ancillary programs for $7.23 million and $3 million, respectively. The purpose is for CMHP to administer the landscaping phase of Measure B highway projects as well as the availment of various Measure B swap funds.

During the current fiscal year, VTA paid approximately $5.2 million for current year costs for the program. This amount was contributed by the Santa Clara County as follows: $4.8 million of Measure B fund for transit projects in the Enterprise Fund; $183 thousand of Measure B fund for highway projects in the Measure B Highway Capital Projects Fund; and $252 thousand for the Ancillary Program (Measure B & Fund Swap Projects, Pavement and Bikeways). Measure B Ancillary Fund was closed in FY 2016.

2000 Measure A Program

The Santa Clara Valley Transportation Authority 2000 Measure A Program (the Measure A Program) was created in response to the Measure A ballot approved by the voters of Santa Clara County on November 7, 2000. The Measure A Program is responsible for a number of key capital transit projects, including the connection of rapid transit to San Jose, increased bus and light rail service, and providing for related operating expenses. The Measure A Program is funded by the half-cent sales tax to be imposed for a period of 30 years and took effect upon expiration of the current County of Santa Clara 1996 Measure B half-cent sales tax on March 31, 2006.

The Measure A Program consists of those projects and increased operations included in the 2000 Measure A ballot, as noted below:

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

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

- Completed the purchase of low floor light rail vehicles;
- Completed the Zero Emission Bus demonstration project;
- Began construction on the Alum Rock Santa Clara Bus Rapid Transit (BRT) in March 2014. In September 2015, VTA entered into a Closeout Agreement with the prompt and orderly closeout and demobilization of the contractor from the Project. The work scope not started by the original contractor was repackaged into two new contracts. All construction work will be completed early 2017. The El Camino Real Rapid Transit Policy Advisory Board is exploring new project alternatives to identify a project design that will attract independent support for the corridor cities. Design for new shelters, seating, lighting, and other associated bus stop improvements for Stevens Creek Rapid 523 is ongoing. Construction contract will be advertised in late 2016. Conceptual engineering for an interim transit facility at De Anza College has been completed. Modifications at Chaboya/ North Division Phase I were completed in March 2015. Construction for the Phase II involving modification to the Chaboya Yard is expected to start in late 2017. Articulated buses (29 units) have been accepted by VTA and are starting to be used for special event service. An option for 20 additional buses to operate on the Stevens Creek corridor is available and being considered.
- Received $900 million grant commitment from the FTA for the Silicon Valley Berryessa Extension (SVBX) Project in March 2012. In December 2012, the project received $50 million in State Transportation Improvement Program (STIP) funding to help expand and improve BART’s Hayward Maintenance complex to accommodate the operation of the Berryessa Extension. Work is progressing on station parking garages. At the Berryessa Station, wall and mechanical/electrical/plumbing construction continue at the Police Zone Facility.
- Received Traffic Congestion Relief Program (TCRP) fund as reimbursement for the preliminary engineering and construction phase on the VTA’s BART Silicon Valley Extension. This fund is designated for construction of a 10-mile segment of the project. As of June 2016, remaining available balance of TCRP grant final installment is $8.7 million.
- Relocated and constructed utilities in the freight rail corridor in Fremont and Milpitas. The Berryessa Creek crossing, Abel Street Seismic Retrofit, and Railroad Relocation contracts are complete. On the Mission Boulevard/Warren Avenue Pacific Railroad Relocation Construction contract, construction of the Union Pacific Rail Road (UPRR) Bridge on Mission Blvd. is complete. The Agua Fria, Toroges and Agua Caliente Creek Improvement contract is complete. The Kato Road Grade Separation contractor fully re-opened Kato Road in April 2013. Following the completion of the Joint Powers

Agreement between Santa Clara County, Santa Clara Valley Water District (SCVWD), and VTA, the Montague Expressway Reconstruction Project is underway. The Montague pedestrian overcrossing design contract is in the procurement stage;

- The construction of the pedestrian improvements (sidewalk and landscaping) along Capitol Expressway was completed in the spring 2013. Construction of the transit center was completed in May 2015. In June 2016, the funding of Phase II of the Capitol Expressway Light Rail Extension to Eastridge was approved by the Board. Construction phase is dependent on securing funding.
- Completed the Light Rail Systems Analysis, which was adopted by the VTA Board in May 2010. The Systems Analysis provides an evaluation of infrastructure and operational shortcomings of the existing light rail system as well as improvement plan for immediate action. The initial projects recommended from the Systems Analysis began planning, design and construction in fall 2011. Vasona LRT Extension project was re-evaluated and in June 2016, the Board approved funding to complete design, acquire right-of way, and relocate utilities. Construction phase is dependent on securing funding. Similar status applies to Winchester LR Double Track and Platform Extension.
- Santa Clara Caltrain Station Pedestrian Underpass Extension project will provide an extended pedestrian tunnel under the UPRR tracks to Brokaw Road at the Santa Clara Station. Construction contract was awarded and construction is planned for completion by mid-2017;
- Completed safety improvements to 15 crossings along the Joint Powers Board (JPB) segment. Design for next phase is complete, construction is pending High Speed Rail Project;
- Completed construction for the Blossom Hill Pedestrian Grade Separation in September 2012;
- Completed Caltrain Service upgrades project for improvements to the Santa Clara Station in 2013. This allowed ACE trains to stop at the station;
- The Bike Share Pilot Program opened in August 2013 at Caltrain stations and downtown areas in San Jose, Mountain View, and Palo Alto. Post-pilot expansion will occur in select cities;
- The environmental process for electrification and new electric trains was completed in January 2015. In July 2016, Caltrain Board approved contract awards for design and construction of the corridor’s electrification infrastructure, as well as the contract for the manufacture of high performance electric trains. Caltrain expects to begin roll out of electrified passenger device in winter 2020. VTA continues to reimburse Caltrain for project related cost.

BART Operating Fund Sales Tax Ordinance

At the election held on November 4, 2008, the voters passed VTA Measure B supporting the tax that would be dedicated to the operation, maintenance, improvement, and future capital needs of the 16.1 mile Santa Clara Bay Area Rapid Transit (BART) extension. The BART extension includes stations in Milpitas, San Jose, and Santa Clara, connecting with Caltrain from Gilroy to San Francisco and an Airport People Mover. In November 2011, the Board of Directors approved a retail transaction and use tax ordinance which imposes a tax for the privilege of selling tangible personal property upon a retailer in Santa Clara County, at the rate of one-eighth of one percent on the gross receipts of the retailer. Collection of the tax took effect on July 1, 2012, for a period not to exceed 30 years. This ordinance is also known as the Santa Clara Valley Transportation Authority BART Operating and Maintenance Transactions and Use Tax Ordinance.

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, 2016, are summarized as follows (in thousands):

	Enterprise Funds	Special Revenue Fund	Capital Projects Funds
Operating Assistance Grants:			
FTA Section 9 (49 USC 5307)	$ 3,696	$ -	$ -
Job Access Reverse Commute Fed Grant	244	-	-
Section 5311	80	-	-
Mobility Options Travel Training Program	40	-	-
Security Plan Revision	45	-	-
Federal Technical Studies	-	1,887	-
Pass-through Operating Grants	-	-	1,721
Total Operating Assistance Grants	4,105	1,887	1,721
Capital Grants:			
FTA Section 3 (49 USC 5309)	163,199	-	-
FTA Section 9 (49 USC 5307)	1,762	-	-
Transit Security Grant Program	680	-	-
Pass-through Capital Grants	77	-	-
Total Capital Grants	165,718	-	-
Total operating assistance & capital grants	$ 169,823	$ 1,887	$ 1,721

FTA Section 9 operating grants represent ADA Operating Set Aside funds that will be used for Paratransit activities. Paratransit service is a specialized form of transportation operated for persons with disabilities who cannot use fixed route public transit service. As an operator of bus and light rail service, VTA is required under the Americans with Disabilities Act to ensure that paratransit service is provided to eligible individuals with disabilities within Santa Clara County.

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

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

The Mobility Options Travel Training Program is being funded in whole or in part by a New Freedom grant from the FTA. The program is being administered by the Metropolitan Transportation Commission providing training and transit route information to persons with disabilities, including seniors.

The Security Plan Revision is under the Transit Security Grant Program for costs related to addressing security and preparedness enhancements for transit systems.

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

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

FTA Section 3 capital grants represent the transit capital investment program (49 U.S.C. 5309), which provides capital assistance for three primary activities:

- New and replacement of buses and facilities
- Modernization of existing rail systems, and
- New fixed guideway systems

In March 2012, FTA awarded VTA a full funding grant agreement (FFGA) for the SVBX project with a maximum federal New Starts financial contribution of $900 million. The FFGA is being amended through yearly increment of New Starts fund up to 2018. SVBX project scope includes 40 BART revenue vehicles, 10.15 miles of double-track grade separated electrified third-rail guideway, traction power substations, high voltage substations, communication system, passenger drop-off facilities, parking spaces real estate acquisition, utility relocation, drainage improvements, environmental mitigation, financing, startup and revenue testing, and other elements necessary for project delivery. The project includes facility additions to the existing BART Hayward Yard located in the city of Hayward approximately 14 miles north of Santa Clara County for maintenance of BART vehicles.

FTA Section 9 capital grants represent the federal program (49 U.S.C. 5307), which makes federal resources available to urbanized areas and to Governors for transit capital and operating assistance in urbanized areas and for transportation-related planning. This includes funds for transit enhancements and Congestion Mitigation and Air Quality (CMAQ) award for transportation projects or programs that will contribute to the attainment or maintenance of the National Ambient Air Quality Standards (NAAQS) for ozone and carbon monoxide.

The Transit Security Grant Program (TSGP) award comes from the Federal Emergency Management Agency for costs related to addressing security and preparedness enhancements for transit systems.

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

(b) State and Local Grants and Assistance

State and local grants for the year ended June 30, 2016, are summarized as follows (in thousands):

	Business-type Activities	Governmental Activities	
	Enterprise Funds	Congestion Management Program	Capital Projects Funds
Operating assistance grants:			
Transportation Development Act	$ 98,519	$ -	$ -
State Transit Assistance	13,632	-	-
Transit Assitance Program	502		
State Operating Assistance Grants	109		
AB 434	1,373	-	-
State Operating Assistance Grants	-	699	-
Congestion Management & Highway Program-State Grants	-	-	3,205
Congestion Management & Highway Program-Measure A Swap Program	-	-	4,984
Other Local Grants:			
Measure B Highway	-	-	183
Santa Clara County (Fund Swap Program) (Note 9)	-	-	251
Various cities, counties and others	-	-	3,660
Total operating assistance grants	114,135	699	12,283
Capital grants:			
Traffic Congestion Relief Program	13,099	-	-
PTMISEA	29,616	-	-
Highway-Railroad Crossing Safety Account	569	-	-
Proposition 1B Fund	4,142	-	-
AB 1462	35,000	-	-
Other Local Grants:			
Santa Clara County (Measure B Program) (Note 9)	4,082	-	-
Various cities, counties and others	18,831	-	-
Total Capital Grants	105,339	-	-
Total State and Local Grants	$ 219,474	$ 699	$ 12,283

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 revenues.

The Transit Assistance Program (TAP) provides transit passes to low income and disadvantaged communities through the social services agencies within Santa Clara County. The program will provide free or low cost local transit services passes for qualifying low income residents of Santa Clara County not currently receiving other forms of transportation assistance. VTA will provide the passes to Santa Clara County, who will in turn provide the passes to eligible residents.

State Operating Assistance Grants under the Enterprise funds represent reimbursement, in partnership with local community college, for Transit Apprenticeship for Professional Career Advancement (TAPCA). The purpose is to respond to two challenges: the explosive growth of Silicon Valley jobs that drives demand for expanded public transit infrastructure; and an aging workforce, coupled with the need to fill increasingly technical job classifications requiring specialized training. State Operating Assistance Grants under the Congestion Management Program represent grant receipts from the California Department of Transportation for project planning, programming and monitoring activities related to development of the Regional Transportation Improvement Program.

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

Capital Projects revenues consist of state and local grant revenues pertaining to Congestion Management and Highway Program (CMHP) of $12.1 million and Measure B Highway Program of $0.2 million. The CMHP state grants consist primarily of corridor Mobility Improvement Account (CMIA) grant. The scope of this grant includes performance improvements on the state highway system and major access routes to the state highway system.

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 Measure A Swap program was established to fund a number of highway projects.

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

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

	June 30, 2016	From Inception To 6/30/2016 Cumulative Balance
Proceeds received	$ 29,269	$ 209,537
Total expenditures paid and accrued	(29,616)	(160,148)
Current year unused proceeds	(347)	49,389
Prior year unused proceeds	54,375	-
Total proceeds available	54,028	49,389
Interest earned	620	5,259
Total proceeds available plus interest earned	$ 54,648	$ 54,648

Highway-Railroad Crossing Safety Account or HRCSA was created by Proposition 1B, the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond of 2006 to provide funding for the completion of high-priority grade separation and railroad crossing safety improvements. The account is being administered by the California Transportation Commission (CTC).

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

AB 1462 is state funding derived from the sale of State-owned land in the Historic Parkway Corridor for the Mission/I-880 Completion Project as part of the development of the list of priority projects on state highways. This funding is used for the Mission Boulevard (Route 262)/Warren Avenue/Freight Railroad Relocation Program.

Santa Clara County Measure B Program includes both transit and highway projects. Santa Clara County Fund Swap is Measure B revenue received by VTA for local projects in exchange for federal and/or State grant funds. These funds are programmed for certain 1996 Measure B Transportation Improvement Program (MBTIP) Projects. Additional information on the 1996 MBTIP can be found in Note 9.

Various cities, counties, and other agencies contribute 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.

Employees with 10 or more years of service are entitled to full annual pension benefits beginning at normal retirement age of 65. Employees with less than 10 years of service are entitled to an annual benefit at age 65 provided the Pension Board approves of such benefit. Employees with 15 or more years of 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 service, and deferred vested retirement upon employee termination after 10 or more years of service, with benefits payable at age 65. Employees may elect to receive their benefits in the form of a joint or survivor annuity. These benefit provisions and all other requirements are established by California statute and the labor agreement with the ATU. Benefit terms do not provide for annual cost-of-living adjustment subsequent to retirement date.

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, 2016, is as follows:

Membership Status	No. of Members
Retirees and beneficiaries currently receiving benefits	1,337
Terminated vested members not yet receiving benefits	147
Active Members	1,568
Total	3,052

(b) Basis of Accounting

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

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

(c) Contribution Requirements

For FY 2016, the actuarially-determined contribution was $25.7 million. As the Plan elected to use June 30, 2016 as its measurement date, employer contributions for FY 2016 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 established by the Board based on actuarially determined rate recommended by an independent actuary. The rate is the estimated amount necessary to finance the cost of the benefits earned by employees during the year with an additional amount to finance the unfunded accrued liability.

(d) Changes in Net Pension Liability

The Plan's net pension liability was $177.0 million as of June 30, 2016. The following table shows the changes in net pension liability recognized over the measurement period.

	Increase/(Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (c) = (a) - (b)
	(Amounts in thousands)		
Balance at June 30, 2015	$ 611,678	$ 489,191	$ 122,487
Changes Recognized for the Measurement Period:			
Service cost	14,788	-	14,788
Interest (includes interest on service cost)	45,110	-	45,110
Differences between expected and actual experience	7,748	-	7,748
Changes of assumptions	14,577	-	14,577
Contributions from the Employer	-	25,751	(25,751)
Net investment income	-	2,245	(2,245)
Benefit Payments, including Refunds of Employee Contributions	(35,588)	(35,588)	-
Administrative expense	-	(281)	281
Net changes during FY 2016	46,635	(7,873)	54,508
Balance at June 30, 2016	$ 658,313	$ 481,318	$ 176,995

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 Total Pension Liability by approximately 11% and increases the Net Pension Liability by approximately

40%. A one percent increase in the discount rate decreases the Total Pension Liability and Net Pension Liability by approximately 9% and 34%, respectively.

	Discount rate -1% 6.13%	Discount rate 7.13%	Discount rate + 1% 8.13%
	(Amounts in thousands)		
Total Pension Liability	$ 729,600	$ 658,313	$ 597,480
Plan Fiduciary Net Position	481,318	481,318	481,318
Net Pension Liability	$ 248,282	$ 176,995	$ 116,162
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66%	73.1%	80.6%

(e) Actuarial Assumptions

The Total Pension Liability (TPL) at the beginning of the measurement year is measured as of a valuation date of January 1, 2015, and projected forward to the beginning of the measurement year of June 30, 2015. The TPL at the end of the measurement year, June 30, 2016, is measured as of a valuation date of January 1, 2016, and projected forward to June 30, 2016. There were no significant events during the projection period.

A summary of key assumptions is as follows:

Actuarial cost method:	Entry Age to Final Decrement Cost Method
Inflation:	3% (reduced from 3.25% in the 2015 valuation)
Salary increases:	3.00% plus merit component based on years of service
COLA increases:	0.00%
Investment rate of return:	7.25%, net of investment expense (reduced from 7.5% in the FY 2015 valuation)
Post-retirement Mortality:	Sex distinct RP-2000 Combined Healthy Blue Collar Mortality, projected to 2025 using 50% of Scale BB, with ages set back one year for female members.

The assumptions used reflect the results of an Experience Study covering the period January 1, 2007 through December 31, 2011.

(f) Discount Rate

The discount rate used to measure the Total Pension Liability was 7.13%. 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 Actuarial Liability as a level dollar amount over an open (rolling) 20-year period.

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 cashflows were taken into account. Such cashflows were developed assuming that both members and employers will make this required contribution 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 ten years) and the long-term (11-60 years) using a building-block approach.

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 until at least 2074 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 7.25% to the extent the Fiduciary Net Position is available to make the payments and the municipal bond rate of 2.85% to the extent they are not available. The single equivalent rate used to determine the Total Pension Liability as of June 30, 2016 is 7.13%

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Standard Deviation
Domestic Equity-Large Cap	15%	5.00%	17.95%
Domestic Equity-Large Cap Index	10%	5.00%	17.95%
Domestic Equity-Small Cap	10%	5.30%	22.75%
International Equity	13%	5.30%	21.30%
Emerging Markets Equity	5%	5.35%	27.85%
Domestic Fixed Income	27%	0.75%	3.75%
Absolute Return	9%	3.00%	9.30%
Real-Estate	10%	3.75%	16.45%
Cash	1%	0.00%	0.90%

(g) Plan's Fiduciary Net Position

This refers to the fair or market value of assets. As of June 30, 2016, the Plan's Fiduciary Net Position amounts to $481.3 million. Detailed information about the pension plans, fiduciary position is available in a separate financial report.

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

For the measurement period ending June 30, 2016, VTA incurred pension expense of $38.5 million. This is the change in the Net Pension Liability plus the changes in deferred amounts plus employer contributions.

	Amount (In thousands)
Service cost	$ 14,789
Administrative expenses	281
Interest cost	45,110
Expected return on assets	(37,300)
Recognized differences between projected and actual experience	2,430
Recognized differences due to change in assumptions	2,044
Recognized differences between projected and actual earnings	11,146
Pension expense	$ 38,500

As of June 30, 2016, VTA's deferred outflows related to the ATU pensions are as follows:

	Deferred Outflows of Resources (In thousands)
Differences between expected and actual experience	$ 9,468
Changes in assumptions	12,148
Net difference between projected and actual earnings on pension plan investments	40,449
Total	$ 62,065

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

Fiscal Year	Measurement Period and Fiscal Years Ended June 30:	Deferred Outflows of Resources
2017	2017	$ 15,620
2018	2018	15,620
2019	2019	15,620
2020	2020	11,485
2021	2021	3,720
Thereafter	Thereafter	-

NOTE 12 – PUBLIC EMPLOYEES' RETIREMENT PLAN

(a) Plan Description and Benefits Provided

All eligible non-ATU employees of VTA participate in the California Public Employees' Retirement System (CalPERS). Prior to separation from the County on January 1, 1995, all eligible VTA employees participated in CalPERS through the County. As a result of the separation from the County, certain administrative employees were transferred from the County to VTA. All of those administrative employees' service credits earned during the period they worked for the County's transportation agency were transferred to VTA's CalPERS account. The transfer of related assets at a market value totaling approximately $52.3 million was completed by CalPERS in FY 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. Members with five years of total service are eligible to retire at age 50 or age 52 for New Members with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 5 years of service credit. The death benefit is one of the following: the Basic Death Benefit or the 1957 Survivor Benefit. These benefit provisions and all other requirements are established by state statute and VTA resolutions. VTA contracts with CalPERS to administer these benefits. The normal retirement benefit is equal to 2% of final compensation for each year of credited services.

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

Based on census data, VTA membership in the Plan as of June 30, 2014 (date of the most recent actuarial valuation), is as follows:

Retirees and beneficiaries receiving benefits	528
Terminated and vested members not yet receiving benefits	384
Active members	629
Total	1,541

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

(b) Summary of Significant Accounting Policies

For purposes of measuring the net pension liability, the following have been determined on the same basis as they are reported by the CalPERS Financial Office:

- Deferred outflows/inflows of resources related to pensions;
- Pension expense;

- Information about the fiduciary net position of the Plan, and
- Additions to/deductions from the Plan's fiduciary net position.

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. In FY2016, employees hired prior to January 2012 paid 6 percent (excluding SEIU-represented employees who paid 5% and would pay 5.5% effective August 15, 2016) toward the required employee share and VTA paid the remaining portion of the employee contribution. Employees hired in or after the first full pay period in January 2012 paid 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 in a liability account until the PEPRA issue is resolved.

Employer's contribution rate from July 1, 2015, through June 30, 2016, was 16.59%. 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 2015, VTA contributed $9 million, which is equal to the actuarially-determined contributions. The required contribution for FY 2016 was determined as part of the June 30, 2014, actuarial valuation using the entry age normal cost method with the contributions determined as a percent of pay. VTA's annual pension contribution of $11.35 million in FY 2016 was deferred as VTA opted for June 30, 2015, to be its measurement date to comply with GASB 68.

(d) Net Pension Liability

VTA's net pension liability to the CalPERS Plan was $86.8 million as of June 30, 2016. The net pension liability was measured using an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 measurement date using standard update procedures. Table on the next page shows the changes in net pension liability.

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	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (c) = (a) - (b)
	Increase (Decrease)		
	(Amounts in thousands)		
Balance at June 30, 2015	$ 352,487	$ 278,275	$ 74,212
Changes Recognized for the Measurement Period:			
Service cost	9,551	-	9,551
Interest on the Total Pension Liability	26,479	-	26,479
Changes of Assumptions	(6,447)	-	(6,447)
Differences between Expected and Acutal Experience	2,488	-	2,488
Plan to Plan Resource Movement	-	656	(656)
Contributions from the Employer	-	8,685	(8,685)
Contributions from Employees	-	4,074	(4,074)
Net investment income	-	6,360	(6,360)
Benefit Payments, including Refunds of Employee Contributions	(14,341)	(14,341)	-
Administrative Expense	-	(318)	318
Net changes during FY 2016	17,730	5,116	12,614
Balance at June 30, 2016	$ 370,217	$ 283,391	$ 86,826

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 7.65%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.65%) or 1 percentage-point higher (8.65%) than the current rate:

	Discount Rate -1% 6.65%	Current Discount Rate 7.65%	Discount Rate +1% 8.65%
	(Amounts in thousands)		
Plan's Net Pension Liability	$ 136,359	$ 86,826	$ 45,691

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

For the measurement period ended June 30, 2015, the total pension liability was determined by rolling forward the June 30, 2014 total pension liability. The June 30, 2014, and the June 30, 2015 total pension liabilities were based on the actuarial methods and assumptions shown on the next page.

Valuation date	June 30, 2014
Actuarial cost method	Entry Age - Normal
Actuarial Assumptions	
Discount rate	7.65%
Inflation	2.75%
Salary increases	Varies by entry age and service
Payroll growth	3.00%
Investment rate of return	7.65% Net of Pension Plan Investment and Administrative Expenses; includes Inflation
Mortality rate table[1]	Derived using CalPERS' Membership Data for all Funds
Post retirement benefit increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

[1]The mortality table used was developed based on CALPER's specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. Details of this table are included in the 2014 experience study report.

(f) Discount Rate

The discount rate used to measure the total pension liability was 7.65%. CalPERS concluded, based on the results of the stress test, that the current 7.65% discount rate is adequate and the use of the municipal bond rate calculation is not necessary.

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

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

The table on the next page 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. These geometric rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1-10[1]	Real Return Years 11-20[2]
Global Equity	47.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	12.00%	6.83%	6.95%
Real Estate	11.00%	4.50%	5.13%
Infrastructure & Forestland	3.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%

[1] An expected inflation of 2.5% used for this period
[2] An expected inflation of 3% used for this period

(g) Pension Plan's Fiduciary Net Position

The Plan Fiduciary Net Position includes receivables for employee service buybacks, deficiency reserves, fiduciary self-insurance, and OPEB expense. The Plan's Fiduciary Net Position as of June 30, 2015 is $283.4 million.

(h) Pension Expense and Deferred Inflows/Outflows of Resources Related to Pensions

For the year ended June 30, 2016, VTA incurred a pension expense of $7.6 million for the Plan.

	Amount (In thousands)
Service cost	$ 9,551
Interest on the Total Pension Liability	26,479
Recognized changes in assumptions	(1,791)
Recognized changes between expected and actual experience	691
Plan to Plan resource movement	(656)
Employee contributions	(4,074)
Projected earnings on Pension Plan investments[1]	(21,168)
Recognized differences between projected and actual earnings on Plan investments	(1,754)
Administrative Expense	318
Pension Expense	$ 7,596

[1] Net of administrative expenses

As of June 30, 2016, VTA's deferred inflows/outflows of resources related to the CalPERS pension plan are as follows, in thousands:

	Deferred Outflows/ (Inflows) of Resources
Net differences between Projected and Actual Earnings on Pension Plan investments	$ (2,301)
Changes of Assumptions	(4,656)
Differences between Expected and Actual	1,797
Pension Contributions subsequent to measurement date	11,352

Deferred outflow 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, 2017. Amounts reported as deferred inflows of resources related to differences in projected and actual investment savings will be recognized in future pension expense over the next four 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 retired) as of the beginning of the measurement period. Schedule is as follows, in thousands:

Fiscal Year	Measurement Period Fiscal Years June 30,	Deferred (Inflows)/Outflows of Resources
2017	2016	$ (2,854)
2018	2017	(2,854)
2019	2018	(2,414)
2020	2019	2,962
Thereafter	Thereafter	-

NOTE 13 – 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, 2016, VTA had net position of approximately $13.9 million for the ATU Spousal Medical Fund and $9.7 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, 2016, there were 346 participating spouses who were eligible for benefits from the Spousal Medical Fund. FY 2016 contributions were approximately $1.6 million while benefit payments made by the Fund were approximately $1.4 million and net investment earnings were $546 thousand.

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, 2016, there were 1,012 eligible participants. Contributions for the fiscal year were approximately $391 thousand while benefit payments were approximately $299 thousand.

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

NOTE 14 – INTERNAL SERVICE FUND

As of June 30, 2016, 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	$ 17,309	$ 7,118	$ 22,003	$ 46,430
Liabilities*	17,309	7,118	28,696	53,123
Net Position	$ -	$ -	$ (6,693)	$ (6,693)

*includes short-term liabilities

Workers' Compensation and General Liability

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

Actuarial Information

An actuarial analysis as of June 30, 2016 disclosed that the present values of estimated outstanding losses, at 4% average discount rate using a 60% confidence level, are $17.3 million and $7.0 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, 2015, and June 30, 2016, are as follows (in thousands):

	Workers' Compensation	General Liability
Unpaid claims at June 30, 2014	$ 18,506	$ 11,461
Provision for claims and claims adjustment expense	6,880	2,479
Changes in estimates for provision for future claims	(2,767)	334
Payment for claims and other adjustments	(4,185)	(2,302)
Unpaid claims at June 30, 2015	18,434	11,972
Provision for claims and claims adjustment expense	6,606	2,752
Changes in estimates for provision for future claims	(3,515)	35
Payment for claims and other adjustments	(4,235)	(7,734)
Unpaid claims at June 30, 2016	$ 17,290	$ 7,025

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, 2016, the outstanding balance of compensated absences liability is $28.7 million.

NOTE 15 – SANTA CLARA VALLEY TRANSPORTATION AUTHORITY OTHER POST EMPLOYMENT BENEFITS (OPEB) TRUST

(a) OPEB Trust Description

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

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

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.

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

As of June 30, 2016, 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	1,024	487	1,511
Active (Vested)	728	460	1,188

(b) Basis of Accounting

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

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

(c) Funding Policy

Benefit allowance provisions are established through agreements and memorandums of understanding (MOU) between VTA and unions representing its employees. VTA's contributions to the plans are based on Annual Required Contribution (ARC) as determined by an actuarial valuation study. In FY 2008, VTA established an irrevocable trust to fund the ARC in accordance with the provisions of GASB Statement 45.

As of June 30, 2016, VTA had assets of $275.6 million to cover costs of the ATU and Non-ATU Programs. The Plan is presented in these financial statements as the OPEB Trust Fund. Separate financial statements are also prepared for the Trust 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.

(d) Annual OPEB Cost and Net OPEB Obligations

VTA's Annual Plan Cost (Expense) is calculated based on the Annual Required Contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed twenty years, using a closed amortization methodology. OPEB activities during FY 2016 are as follows (in thousands):

Annual Required Contributions	$ (4,785)
Interest on Net Plan Asset[1]	-
Annual Plan Cost (Expense)	(4,785)
Contributions Made	-
Net OPEB Asset, Beginning of Year	20,650
Net OPEB Asset, End of Year	$ 15,865

[1]VTA's adjustment to the ARC was offset by interest requiring no adjustment to the current year's ARC.

In FY 2013, VTA Transit Fund made a one-time irrevocable transfer of $20.65 million to OPEB Trust Fund. This was included in VTA Transit unrestricted net position earmarked for future operational needs of OPEB Trust Fund. OPEB Trust Fund reflected this as a contribution during FY 2013. Plan cost, contribution made, the percentage of annual cost contributed to the Plan, and the net Plan assets for the years ended June 30, 2014, through 2016 are presented as follows (in thousands):

Net OPEB Obligation/Asset

Fiscal Year Ended	Annual OPEB Cost	VTA Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Asset
6/30/16	$ 4,785	$ 4,785 *	100%	$ 15,865
6/30/15	12,000	12,000	100%	20,650
6/30/14	14,100	14,100	100%	20,650

* This year's contribution was offset by the reduction of Net OPEB Asset

(e) Funding Status and Funding Progress

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

As of June 30, 2015, the most recent actuarial valuation date, the plan was 108.7% funded. The actuarial accrued liability was $253.3 million and the actuarial value of assets was $275.4 million, with $22.1 million in an overfunded actuarial accrued liability. The covered payroll was $167.1 million which resulted in 13.2% overfunded actuarial accrued liability as a percent of covered payroll.

The schedule of funding progress is presented on page 2-95, in the required supplementary information following the notes to the financial statements.

(f) 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	June 30, 2015
Actuarial Cost Method	Individual Entry Age
Amortization Method	Level dollar closed
Asset valuation method	Market value
Remaining Amortization Period	13 years
Actuarial assumptions:	
Discount rate	7.00%
Payroll growth rate	3.25%
Ultimate rate of medical inflation	4.50%

NOTE 16 – CLAIMS, COMMITMENTS, AND CONTINGENCIES

The VTA is exposed to liability for bodily injury and property damage; physical damage to and loss of its property; and liability for financial loss suffered by employees and others as a result of various risk exposures inherent to public transportation services and congestion management oversight.

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

(a) Third party personal injury, bodily 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 $3 million per occurrence.
(d) First party property damage with various deductible ranging from $100,000 to $250,000 for rail cars and equipment, buses, and real property.

Under General Liability, VTA is self-insured for $3 million. VTA purchases excess liability insurance with an aggregate of $90 million in addition to its primary layer of $7 million.

The VTA purchases Public Officials Liability & Employer's Liability Insurance with an annual aggregate of $2 million per occurrence excess of $3 million self-insured retention.

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

Type of Coverage	Self-Retention	Excess Coverage
Workers' Compensation	Self-Insured	None
General Liability	$ 3,000,000	$ 97,000,000
Property, Boiler & Machinery	100,000	80,000,000
Flood	5,000	500,000
Light Rail Vehicles	250,000	100,000,000
Light Rail Spare Parts	25,000	Stated Value
Buses	150,000 & lower	50,000,000
Bus Spare Parts	25,000	Stated Value
Non-Revenue Trucks & Equipment	Various	50,000,000
Public Officials Liability	3,000,000	2,000,000
Crime	2,500	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

NOTE 17 – LEASES

VTA leases various properties for use as transfer facilities, parking lots, information centers, office buildings, and warehouses under lease agreements that expire at various dates through 2023. VTA may renew the leases after their expiration. Some of these agreements were accounted for as operating leases in VTA Transit Fund for approximately $348 thousand in FY 2016. Other leases were charged to capital project expenditures and were capitalized in FY 2016 for approximately $1 million. The future lease payments under non-cancellable lease agreements are as follows (in thousands):

Years ending June 30,	Future Lease Payments
2017	$ 1,054
2018	1,079
2019	369
2020	178
2021	121
2022-2023	188
Total	$ 2,989

NOTE 18 – LITIGATION

On May 17, 2016, US Federal Magistrate Judge Grewal approved a $4.2M settlement in Baljinder Rai et. al. v. Santa Clara Valley Transportation Authority, U.S. District Court No. CV-04344-PSG, in which approximately 1,600 current and former bus and LR operators alleged various wage and hour violations against VTA under the Federal Labor Standards Act. Significantly, the Court also ruled that any unclaimed funds from the $4.2 million settlement should revert back to VTA. Court's approval was based on its determination that the settlement is fair, reasonable, and adequate. The settlement was accounted for as part of the claims expense in the internal service fund.

NOTE 19 – CONTRACTED SERVICES PROVIDED BY THE COUNTY OF SANTA CLARA

The County provides support services to VTA for protection (Office of the Sheriff), vehicle maintenance and fuel, and contributions for retiree medical for County public safety staff assigned to VTA. As of June 30, 2016, the support services totaled $6.9 million and are included in Operating Expenses.

NOTE 20 – JOINT VENTURES

(a) Peninsula Corridor Joint Powers Board

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

The net operating costs and administrative expenses of the PCJPB for services provided between San Francisco and San Jose are reimbursed by the member agencies. In FY 2016, VTA, SamTrans, and CCSF were responsible for 40.3%, 41.9%, and 17.8%, respectively, of the member agencies' total reimbursement for such expenses. During the year ended June 30, 2016, VTA paid $8.4 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.

Summary financial information (not included in VTA's financial statements) for the PCJPB for the years ended June 30, 2015 and 2014 (in thousands), appear on the next page. FY 2015 is the most recent audited financial information.

PCJPB Financial Information	2015	2014
Total assets	$1,452,213	$1,389,395
Total liabilities	(135,238)	(112,395)
Total net position	$1,316,975	$1,277,000
Operating revenues	$ 90,763	$ 82,145
Operating expenses	(195,410)	(189,212)
Non-operating revenues, net	29,397	34,380
Capital contributions	115,225	111,349
Change in net position	$ 39,975	$ 38,662

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, 2016, VTA contributed approximately $3.1 million for operating costs.

Summary financial information (not included in VTA’s financial statements) for the Altamont Corridor Express for the years ended June 30, 2015, and 2014 (in thousands), appear on the next page. FY 2015 is the most recent audited financial information.

ACE Financial Information	2015	2014
Total assets	$ 181,021	$ 173,945
Total liabilities	(58,983)	(63,076)
Total net position	$ 122,038	$ 110,869
Operating revenues	$ 7,991	$ 6,885
Operating expenses	(23,802)	(23,688)
Non-operating revenues, net	12,842	12,137
Capital contributions	14,050	12,566
Transfer in/(out)	88	-
Prior Year's restatement	-	(481)
Change in net position	$ 11,169	$ 7,419

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. VTA offers no funds to the operation of this service.

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

NOTE 21 – OTHER FINANCING TRANSACTIONS

(a) Lease/Leaseback

In 1998 and 2003 VTA entered into a total of six lease/leaseback transactions with five investors: KBC Bank N.V., Firth Third Leasing Company, Comerica Leasing Corporation, US Bancorp, and First Hawaiian Leasing Inc. The leases involved a total of 116 light rail vehicles. The light rail vehicles were leased using statutory trusts (the "Trusts") formed on behalf of the parties to the transactions. In each case, pursuant to a head-lease agreement, VTA leased rail vehicles to an investor and in turn received a prepayment of the future headlease rents that would be due through the purchase option date. Pursuant to a sublease, each investor then leased the rail vehicles to 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 and as a result of the 2008 financial crisis the credit ratings of the insurance providers were dramatically lowered below thresholds required in the lease documents, resulting in the possibility of a default.

Subsequent to these adverse developments KBC Bank N.V. and US Bancorp were each willing to terminate their transactions on favorable terms. The remaining three investors either entered into agreements with VTA to resolve the potential for default or otherwise provided forbearance for the ratings downgrades of the insurers. The remaining leases with First Hawaiian Leasing, Comerica Leasing Corporation, and with Firth Third Leasing Company provide purchase option dates of January 2, 2017, January 1, 2027 and January 1, 2034, respectively.

VTA has provided notice to First Hawaiian Leasing Corporation of VTA's intention to exercise its purchase option on the purchase option date, January 2, 2017. Subsequent to purchase option date three payments will be paid during calendar year 2017 from the maturing securities invested at the outset of the lease.

During August 2016, VTA and Comerica Leasing reached agreement on a favorable termination by early exercise of the purchase option and the lease was terminated on August 30, 2016.

(b) Sublease Agreement with Utah Transit Authority (UTA)

In May 2003, VTA entered into a further sub-lease agreement with the Utah Transit Authority (UTA) to lease 29 rail vehicles related to VTA's sublease with First Hawaiian Leasing Corporation. Pursuant to the agreement with UTA, UTA has provided notice to VTA of its desire to exercise UTA's purchase option, which is dependent on VTA's successful exercise of its purchase option. As stated above, VTA has provided notice to First Hawaiian Leasing Corporation of VTA's intention to exercise its purchase option on the purchase option date, January 2, 2017.

NOTE 22 – SUBSEQUENT EVENT

(a) Lease/Leaseback

Comerica terminated the lease on favorable terms on August 30, 2016. VTA recovered $1.5 million net of expenses that will be recorded as revenue.

(b) Federal Funding Grant Agreement

The 2015 Federal Section 5309 New Starts funding for the VTA's Silicon Valley Berryessa Extension Project of $150 million was awarded in September 2016. Of the $900 million grant commitment from the FTA for the project, $702.6 million has been awarded to date.

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
For the Years ended June 30, 2014 to 2016

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

	2016*	2015	2014
Total Pension Liability			
Service cost	$ 14,788	$ 13,468	$ 12,094
Interest (includes interest on service cost)	45,110	43,069	41,417
Difference between expected and actual experience	7,748	4,517	-
Changes in assumptions	14,577	-	-
Benefit payments, including refunds of member contributions	(35,588)	(33,418)	(30,967)
Net change in total pension liability	46,635	27,636	22,544
Total Pension Liability, beginning	611,678	584,042	561,498
Total Pension Liability, ending	658,313	611,678	584,042
Plan Fiduciary Net Position			
Contributions - employer	25,751	25,590	25,787
Net investment income	2,245	16,094	64,139
Benefit payments, including refunds of member contributions	(35,588)	(33,418)	(30,967)
Administrative expense	(281)	(301)	(313)
Net change in Plan Fiduciary Net Position	(7,873)	7,965	58,646
Plan Fiduciary Net Position, beginning	489,191	481,226	422,580
Plan Fiduciary Net Position, ending	481,318	489,191	481,226
Net Pension Liability, ending	$176,995	$ 122,487	$102,816
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	73.11%	79.98%	82.40%
Covered-employee Payroll	$126,796	$ 115,914	$107,880
Net Pension Liability as a percentage of covered-employee payroll	139.59%	105.67%	95.31%

Notes to schedule:
Change in assumptions:
1) Investment rate of return: Reduced from 7.5% in 2015 to 7.25% in 2016, net of investment expense
2) Inflation: reduced from 3.25% in 2015 to 3% in 2016.
Benefit changes: There were no changes in the benefit during the year.
Information not available prior to FY 2014.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Required Supplementary Information

Schedule of Employer Contributions

For the Years ending June 30, 2007 to 2016

Amalgamated Transit Union Pension Plan

(Unaudited)

(In Thousands)

	2016*	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually-required Contribution	$ 25,720	$ 25,549	$ 25,787	$ 24,413	$ 19,148	$17,807	$17,905	$14,843	$16,137	$14,859
Contributions in Relation to the Actuarially-determined Contribution	25,751	25,590	25,787	24,413	19,148	17,807	17,905	14,843	16,137	14,859
Contributions Deficiency/(Excess)	$ (31)	$ (41)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered-employee Payroll	$ 126,796	$115,914	$107,880	$104,136	$104,726	$98,741	$98,036	$99,775	$99,408	$94,847
Contributions as a Percentage of Covered-employee Payroll	20.31%	22.08%	23.90%	23.44%	18.28%	18.03%	18.26%	14.88%	16.23%	15.67%

Notes to schedule:

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

Key Methods and Assumptions Used to Determine Contribution Rate:

Actuarial cost method	Entry Age
Asset valuation method	5-year smoothed market, subject to 80%/120% corridor
Amortization method	All unfunded liability charges are amortized over a rolling 20-year period as a level dollar amount
Discount rate:	7.50%
Amortization growth rate:	0.00%
Price inflation:	3.25%
Salary increases:	3.25% plus merit component based on years of service
Mortality:	Sex distinct RP-2000 Combined Blue Collar Mortality, (setback one year for females) projected to 2025 using 50% of Scale BB

No benefit modification during the last ten years.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Required Supplementary Information

Schedule of Changes in Net Pension Liability and Related Ratios

For the Years ended June 30, 2015 and 2016

California Public Employees' Retirement System (CalPERS)

(Unaudited)

(In Thousands)

	2016*	2015
TOTAL PENSION LIABILITY		
Service cost	$ 9,551	$ 9,055
Interest	26,479	24,724
Changes in Assumptions	(6,447)	-
Difference between Expect and Actual Experience	2,488	-
Benefit payments, including refunds of employee contributions	(14,341)	(12,834)
Net Change in Total Pension Liability	17,730	20,945
Total Pension Liability - Beginning	352,487	331,542
Total Pension Liability - Ending (a)	370,217	352,487
PLAN FIDUCIARY NET POSITION		
Contributions - Employer	8,684	8,845
Contributions - Employee	4,075	4,482
Net Investment Income [1]	6,042	41,263
Benefit payments, including refunds of employee contributions	(14,341)	(12,834)
Plan to Plan Resource Movement	656	-
Net Change in Fiduciary Net Position	5,116	41,756
Plan Fiduciary Net Position - Beginning	278,275	236,519
Plan Fiduciary Net Position - Ending (b)	283,391	278,275
Plan Net Pension Liability/(Asset) - Ending (a) - (b)	$86,826	$ 74,212
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	76.55%	78.95%
Covered-Employee Payroll	$60,375	$ 54,294
Plan Net Pension Liability/(Asset) as a Percentage of Covered Employee Payroll	143.81%	136.69%

[1]Net of administrative expenses

* **Notes to Schedule:**

Benefit Changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2014 validation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit.

Change of assumption: The discount rate was changed from 7.5% in 2015 to 7.65% in 2016 (both rates were net of Pension Plan Investment Expenses).

Information not available prior to FY 2015.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Required Supplementary Information
Schedule of Employer Contributions
For the Years ending June 30, 2007 to 2016

California Public Employees' Retirement System (CalPERS)
(Unaudited)
(In Thousands)

	2016	2015[a]	2014	2013	2012	2011	2010	2009	2008	2007
Contractually Required Contribution	$10,567	$ 8,965	$ 8,845	$ 7,497	$ 7,159	$ 6,090	$ 6,167	$ 6,507	$ 6,728	$ 5,929
Contributions in Relation to the Contractually Required	10,567	8,965	8,845	7,497	7,159	6,090	6,167	6,507	6,728	5,929
Contributions Deficiency/(Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered-employee Payroll	$63,927	$60,375	$54,294	$52,712	$53,950	$51,626	$53,231	$54,589	$51,043	$49,682
Contributions as a Percentage of Covered-employee Payroll	16.53%	14.85%	16.29%	14.22%	13.27%	11.80%	11.59%	11.92%	13.18%	11.93%

Notes to Schedule:

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

Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of Payroll
Asset valuation method	Actuarial value of assets
Inflation	2.75%
Salary increases	Varies by entry age and service
Payroll growth	3.00%
Investment rate of return	7.65% Net of Pension Plan Investment expenses; includes inflation.
Retirement age	The probabilities of Retirement are based on the 2010 CalPERS Experience Study for the period 1997 to 2007.
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period 1997 to 2007. Pre-retirement and Post-retirement rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Required Supplementary Information

Schedule of Funding Progress [1]

As of June 30, 2016

Retirees' Other Post Employment Benefits (OPEB) Trust

(Unaudited)

(In thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Liability (UAL)	Funded Ratio	Covered Payroll	UAL as a Percentage of Covered Payroll
6/30/2015	$275,427	$253,331	$(22,096)	108.7%	$167,124	-13.2%
6/30/2014	260,310	296,970	36,660	87.7%	162,902	22.5%
6/30/2013	217,659	280,233	62,574	77.7%	152,218	41.1%

[1] The schedule of funding progress presents the most recent actuarial information regarding the OPEB funding progress of the Santa Clara Valley Transportation Authority.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Required Supplementary Information
Budgetary Comparison Schedule
Congestion Management Program Special Revenue Fund
For the Year ended June 30, 2016
(In thousands)

	Original Budget	Final Budget	Actual	Variance Final to Actual Positive/ (Negative)
Revenue:				
Assessments to member agencies	$ 2,407	$ 2,407	$ 2,407	$ -
Federal grant revenues	2,098	2,098	1,887	(211)
Administrative fees	115	115	122	7
State and local operating assistance grants	895	895	699	(196)
Other revenues	235	235	155	(80)
Investment earnings	12	12	8	(4)
Total Revenue	5,762	5,762	5,278	(484)
Expenditures:				
VTA labor and overhead costs	4,207	4,221	4,221	-
Services and other:				
Professional services	1,545	1,531	1,176	355
Other services	12	12	14	(2)
Data processing	13	13	7	6
Contribution to Other Agencies	214	214	210	4
Total Expenditures	5,991	5,991	5,628	363
Change in fund balance, on a budgetary basis	$ (229)	$ (229)	(350)	$ (121)
Revenues and Expenditures not budgeted:				
Unrealized gain/loss on investments			9	
Amortization of investment premium/discount			(1)	
Change in fund balance, on a GAAP basis			(342)	
Fund Balance, Beginning of Year			1,499	
Fund Balance, End of Year			$ 1,157	

Budgetary Basis of Accounting

State law requires the adoption of an annual budget, which must be approved by the VTA's Board of Directors. The VTA Board adopts a biennial budget for its Congestion Management Program Special Revenue Fund. The budget for the Special Revenue Fund is prepared on a modified accrual basis but excludes unrealized gains and losses on investments and amortization of premiums and discounts.

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 Statements)

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SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Comparative Schedule of Fund Net Position

Enterprise Funds

June 30,

(In thousands)

	2016	2015
ASSETS		
Current assets:		
Cash and cash equivalents	$ 57,966	$ 3,760
Investments	259,379	298,234
Receivables, net	4,071	3,221
Due from other agencies	50,070	-
Inventories	32,040	77,764
Due from other funds	-	22,070
Other current assets	1,575	2,399
Total current assets	405,101	407,448
Restricted assets:		
Cash and cash equivalents	7,565	40,045
Cash and investments with fiscal agent	72,675	68,831
Investments	740,309	760,545
Receivables, net	4	-
Due from other funds	274	8,373
Due from other agencies	149,685	143,046
Other current assets	248	235
Total restricted current assets	970,760	1,021,075
Non-current assets:		
Net OPEB Asset	15,865	20,650
Intangible Assets	3,085	3,966
Capital Assets		
Nondepreciable:		
Land and right-of-way	1,126,359	1,124,646
Construction in progress	2,611,823	2,177,750
Depreciable:		
Caltrain - Gilroy extension	43,072	43,072
Buildings, improvements, furniture, and fixtures	569,079	548,139
Vehicles	553,886	566,821
Light-rail tracks and electrification	418,195	415,905
Leasehold improvement	9,686	9,686
Other	47,289	47,156
Less: Accumulated depreciation	(881,683)	(833,095)
Net capital assets	4,497,706	4,100,080
Total Assets	5,892,517	5,553,219
DEFERRED OUTFLOW OF RESOURCES		
Accumulated decrease in fair value of hedging instruments, deferred amount on refunding, & deferred outflow of resources-pension related	208,206	127,922

(Continued)

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

	2016	2015
LIABILITIES		
Current liabilities:		
Current portion of long-term debt	14,820	14,310
Accounts payable and accrued expenses	19,252	16,357
Deposits	333	328
Accrued payroll and related liabilities	9,805	8,529
Bond interest and other fees payable	515	553
Unearned revenues	2,560	3,201
Other accrued liabilities	271	27
Total current liabilities	47,556	43,305
Liabilities payable from restricted assets:		
Current portion of long-term debt	28,160	26,965
Accounts payable and accrued expenses	72,183	104,543
Bond interest and other fees payable	11,368	11,683
Unearned revenues	7	8,010
Due to other funds	5	8,079
Due to other governmental agencies	98,120	77,677
Total current liabilities payable from restricted assets	209,843	236,957
Non-current liabilities		
Long-term debt, excluding current portion	1,073,185	1,119,490
Derivative instruments	119,076	83,451
Net pension liability*	263,822	196,699
Total non-current liabilities	1,456,083	1,399,640
TOTAL LIABILITIES	1,713,482	1,679,902
DEFERRED AMOUNT ON BOND REFUNDING & DEFERRED INFLOWS RELATED TO PENSION	10,959	23,199
NET POSITION	$ 4,376,282	$ 3,978,040

*Resulting from GASB 68 implementation. This consists of $86.8 million for CalPERS and $177 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)

	2016	2015
OPERATING REVENUES:		
Passenger fares	$ 37,663	$ 39,108
Toll revenues collected	1,274	1,157
Advertising and other	3,379	2,789
TOTAL OPERATING REVENUES	42,316	43,054
OPERATING EXPENSES:		
Labor cost	309,510	286,689
Materials and supplies	32,005	32,407
Services	33,447	28,883
Utilities	8,921	8,316
Casualty and Liability	4,923	5,238
Purchased transportation	21,477	19,241
Leases and rentals	919	714
Miscellaneous	2,111	1,735
Depreciation expense	62,386	65,677
Costs allocated to capital and other programs	(32,039)	(32,441)
TOTAL OPERATING EXPENSE	443,660	416,459
OPERATING LOSS	(401,344)	(373,405)
NON-OPERATING REVENUES (EXPENSES)		
Sales tax revenue	460,316	446,374
Federal operating assistance and other grants	4,105	24,553
Federal subsidy for Build America Bonds	8,748	8,715
State and local operating assistance grants	114,135	110,243
Caltrain subsidy	(8,414)	(8,390)
Capital expenses on behalf of, and contribution to, other agencies	(53,094)	(61,445)
Altamont Commuter Express subsidy	(3,166)	(3,097)
Investment earnings	18,493	9,118
Interest expense	(11,330)	(15,204)
Other income	2,913	20,371
Other expense	(4,177)	(5,734)
NON-OPERATING REVENUE, NET	528,529	525,504
INCOME (LOSS) BEFORE CONTRIBUTIONS	127,185	152,099
CAPITAL CONTRIBUTIONS	271,057	277,421
CHANGE IN NET POSITION	398,242	429,520
NET POSITION, BEGINNING OF YEAR	3,978,040	3,737,514
Adjustment to Net position due to GASB 68 Implementation	-	(188,994)
NET POSITION, BEGINNING OF YEAR	3,978,040	3,548,520
NET POSITION, END OF YEAR	$ 4,376,282	$ 3,978,040

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Comparative Schedule of Cash Flows
Enterprise Funds
For the Years Ended June 30,

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from passenger fares	$ 36,939	$ 40,212
Cash received from toll revenues collected	1,238	1,186
Cash received from advertising	2,896	2,973
Cash paid to employees	(260,259)	(256,849)
Cash paid to suppliers	(88,350)	(82,515)
Cash paid for purchased transportation	(21,477)	(19,241)
Other receipts/(payments)	105	-
Net cash provided by/(used in) operating activities	(328,908)	(314,234)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating grants received	146,389	205,749
Sales tax received	462,254	394,349
Caltrain subsidy	(8,414)	(8,390)
Altamont Commuter Express subsidy	(3,166)	(3,097)
Capital contribution to other agencies	(48,671)	(61,845)
Transfers in	-	30,122
Transfers out	-	(30,118)
Net cash provided by/(used in) non-capital financing activities	548,392	526,770
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payment of long-term debt	(41,275)	(137,130)
Proceeds from issuance of long-term debt	-	89,980
Premium on issuance of long-term bonds	-	20,035
Issuance and other cost	-	429
Proceeds from sale of properties	-	16,732
Advance (to)/from other governments	19,229	(23,102)
Interest and other fees paid on long-term debt	(15,067)	(29,159)
Acquisition and construction of capital assets	(489,366)	(561,405)
Capital contribution from other entities	255,244	390,772
Net cash provided by/(used in) capital and related financing activities	(271,235)	(232,848)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	2,632,607	3,433,451
Purchases of investments	(2,567,983)	(3,591,390)
Interest income received	12,697	8,905
Net cash provided by/(used in) investing activities	77,321	(149,034)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	25,570	(169,346)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	112,636	281,982
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 138,206	$ 112,636

(continued on next page)

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Comparative Schedule of Cash Flows *(Continued)*
Enterprise Funds
For the Years Ended June 30,

	2016	2015
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY/(USED IN) OPERATING ACTIVITIES:		
Operating income/(loss)	$ (401,344)	$ (373,405)
Adjustments to reconcile operating income (loss) to net cash used in operating activities:		
Depreciation	62,386	65,677
Changes in operating assets and liabilities:		
Other current assets	910	(1,213)
Receivables	(588)	59
Due from other governmental agencies	-	29
Inventories	(9,970)	(1,876)
Accounts payable	2,817	(2,982)
Other accrued liabilities	17,455	(1,804)
Deposits from others	82	52
Unearned revenue	(656)	1,229
Net cash provided by/(used in) operating activities	$ (328,908)	$ (314,234)
Reconciliation of cash and cash equivalents to the Statement of Fund Net Position:		
Cash and cash equivalents, end of year:		
Unrestricted	$ 57,966	$ 3,760
Restricted	80,240	108,876
	$ 138,206	$ 112,636
NONCASH ACTIVITIES:		
Increase/(Decrease) in fair value of investments	$ 7,598	$ (427)
Noncash capital contributions	2,165	95,354
Amortization expense of Caltrain Access Fee	(881)	(881)
Total non-cash activities	$ 8,882	$ 94,046

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Budgetary Comparison Schedule – Enterprise Fund
VTA Transit Fund
For the year ended June 30, 2016
(In thousands)

	FY 2016 Adopted Budget	Final Budget	Actual	Positive (Negative)
REVENUES				
Fares	$ 40,618	$ 40,618	$ 37,663	$ (2,955)
1976 1/2 Cent Sales Tax	207,439	207,439	205,418	(2,021)
Transportation Development Act funds	97,496	97,496	98,519	1,023
Measure A Sales Tax Operating Assistance	38,287	38,287	37,954	(333)
STA	14,765	14,765	13,632	(1,133)
Federal Operating Grants	11,704	11,704	4,105	(7,599)
State Operating Grants	2,223	2,223	1,984	(238)
Investment Earnings	1,425	1,425	2,580	1,155
Advertising Income	2,115	2,115	2,515	400
Debt Reduction Fund Contribution	19,965	19,965	19,965	-
Transfer for Capital	(33,600)	(33,600)	(33,600)	-
Other Income	17,752	17,752	17,944	191
Total revenues	**420,189**	**420,189**	**408,680**	**(11,509)**
OPERATING EXPENSES				
Labor Costs	308,673	310,073	300,238	9,835
Materials & Supplies	19,408	19,408	22,949	(3,541)
Security	12,473	12,183	11,420	763
Professional & Special Services	7,465	7,772	5,829	1,943
Other Services	7,693	7,893	7,748	145
Fuel	12,573	12,723	7,830	4,893
Traction Power	3,819	3,819	4,241	(422)
Tires	2,114	2,114	2,068	46
Utilities	2,895	3,010	3,105	(95)
Insurance	5,716	5,716	4,923	793
Data Processing	4,779	4,779	3,916	863
Office Expense	426	426	425	-
Communications	1,606	1,606	1,562	44
Employee Related Expense	1,027	1,045	1,048	(3)
Leases & Rents	776	776	919	(143)
Miscellaneous	709	952	911	41
Reimbursements	(38,838)	(38,838)	(36,374)	(2,465)
Total operating expenses	**353,313**	**355,456**	**342,758**	**12,698**
OTHER EXPENSES				
Paratransit	19,817	19,817	19,805	12
Caltrain	8,390	8,390	8,414	(24)
Altamont Corridor Express	5,023	5,023	4,838	185
Highway 17 Express	366	366	270	96
Monterey-San Jose Express Service	35	35	35	-
Contribution to Other Agencies	8,967	8,379	890	7,488
Debt Service	21,668	21,668	21,351	317
Contingencies	2,000	1,845	-	1,845
Total other expenses	**66,266**	**65,523**	**55,603**	**9,920**
Total operating and other expenses	**419,579**	**420,979**	**398,361**	**22,618**
Change in net position, on a budgetary basis	**$ 610**	**$ (790)**	**$ 10,319**	**$ 11,109**

(continued on next page)

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

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Budgetary Comparison Schedule – Enterprise Fund (*continued*)

VTA Transit Fund

For the year ended June 30, 2016

(In thousands)

	Adopted Budget	Final Budget	Actual	Positive (Negative)
Change in net position, on a budgetary basis	**$ 610**	**$ (790)**	**$ 10,319**	**$ 11,109**
Reconciliation of net income on a budgetary basis to net income on a GAAP Basis:				
Capital Contributions			11,175	
Project Expenditure			(4,335)	
Capital Contributions to Other Agencies			(6,571)	
Bond Principal Payment			14,310	
Unrealized Gain on investment			1,794	
Debt Reduction Fund interest earnings			912	
Other non-operating expense (loss on disposal)			(1,219)	
Other non-budgetary revenues/(expenses)			(2,912)	
Pension expense related to GASB 68			(9,272)	
Transfers for Capital			34,413	
Debt Reduction Fund Contribution			(19,965)	
Depreciation			(62,386)	
Net change in net position, on a GAAP Basis			**$ (33,737)**	

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Combining Statement of Fiduciary Net Position
Retiree Trust Funds
June 30, 2016
(In thousands)

	ATU Pension Trust	OPEB Trust	ATU Medical Trusts: Spousal Medical	ATU Medical Trusts: Vision/ Medical	ATU Medical Trusts: Total Medical Trusts	Total
ASSETS						
Restricted assets:						
Cash and cash equivalents	$ 92	$ 2,103	$ 38	$ 27	$ 65	$ 2,260
Investments	480,780	270,940	13,869	9,717	23,586	775,306
Receivables	1,056	3,071	-	-	-	4,127
Due from other agencies	1	10	-	-	-	11
Other asset	18	-	-	-	-	18
Total assets	481,947	276,124	13,907	9,744	23,651	781,722
LIABILITIES						
Restricted liabilities:						
Deferred pension contribution	35	-	-	-	-	35
Accounts payable	594	524	3	2	5	1,123
	629	524	3	2	5	1,158
NET POSITION						
Restricted for:						
Pension benefits	481,318	-	-	-	-	481,318
Other post-employment benefits	-	275,600	-	-	-	275,600
Spousal medical benefits	-	-	13,904	-	13,904	13,904
Retiree dental and vision benefits	-	-	-	9,742	9,742	9,742
TOTAL NET POSITION	$481,318	$ 275,600	$ 13,904	$9,742	$ 23,646	$780,564

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Combining Statement of Changes in Fiduciary Net Position
Retiree Trust Funds
For the Year ended June 30, 2016
(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						
Contributions	$ 25,751	$ 16	$ 1,571	$ 391	$ 1,962	$ 27,729
Investment earnings:						
Investment income	22,010	34,745	2	2	4	56,759
Net appreciation/(depreciation) in the fair value of investments	(17,424)	(24,468)	545	379	924	(40,968)
Investment expense	(2,344)	(420)	(2)	(2)	(4)	(2,768)
Net investment income	2,242	9,857	545	379	924	13,023
TOTAL ADDITIONS	27,993	9,873	2,116	770	2,886	40,752
DEDUCTIONS						
Benefit payments	35,588	9,663	1,431	299	1,730	46,981
Administrative expenses	281	37	-	-	-	318
TOTAL DEDUCTIONS	35,869	9,700	1,431	299	1,730	47,299
CHANGE IN NET POSITION	(7,876)	173	685	471	1,156	(6,547)
NET POSITION, BEGINNING OF YEAR	489,194	275,427	13,219	9,271	22,490	787,111
NET POSITION, END OF YEAR	$ 481,318	$ 275,600	$13,904	$ 9,742	$ 23,646	$ 780,564

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Combining Statement of Fiduciary Assets and Liabilities

Agency Funds

June 30, 2016

(In thousands)

	BAAQMD Program	SB83 VRF Agency	Total
Assets			
Restricted assets:			
Cash and cash equivalents	$ 1,103	$ 1,639	$ 2,742
Investments	4,240	23,928	28,168
Total Assets	5,343	25,567	30,910
Liabilities			
Liabilities payable from restricted assets:			
Accounts Payable	313	28	341
Program payable	5,030	25,539	30,569
Total Liabilities Payable from Restricted Assets	$ 5,343	$ 25,567	$ 30,910

Note: Measure B Ancillary Program closed in FY 2016.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Combining Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2016
(In thousands)

BAAQMD Program	Balance July 1, 2015	Increase	Decrease	Balance June 30, 2016
Restricted assets:				
Cash and cash equivalents	$ 1,141	$ -	$ 38	$ 1,103
Investments	3,601	639	-	4,240
Total restricted assets	$ 4,742	$ 639	$ 38	$ 5,343
Liabilities payable from restricted assets:				
Accounts Payable	$ -	$ 313	$ -	$ 313
Program payable	4,742	288	-	5,030
Total liabilities payable from restricted assets	$ 4,742	$ 601	$ -	$ 5,343
SB83 VRF Program				
Restricted assets:				
Cash and cash equivalents	$ 5,789	$ -	$ 4,150	$ 1,639
Investments	17,220	6,708	-	23,928
Total restricted assets	$ 23,009	$ 6,708	$ 4,150	$ 25,567
Liabilities payable from restricted assets:				
Accounts Payable	$ 188	$ -	$ 160	$ 28
Program payable	22,821	2,718	-	25,539
Total liabilities payable from restricted assets	$ 23,009	$ 2,718	$ 160	$ 25,567
Measure B Ancillary Program				
Restricted assets:				
Cash and cash equivalents	$ 143	$ -	$ 143	$ -
Total restricted assets	$ 143	$ -	$ 143	$ -
Liabilities payable from restricted assets:				
Program payable	$ 143	$ -	$ 143	$ -
Total liabilities payable from restricted assets	$ 143	$ -	$ 143	$ -
Total - All Agency Funds				
Restricted assets:				
Cash and cash equivalents	$ 7,073	$ -	$ 4,331	$ 2,742
Investments	20,821	7,347	-	28,168
Total restricted assets	$ 27,894	$ 7,347	$ 4,331	$ 30,910
Liabilities payable from restricted assets:				
Account Payable	$ 188	$ 313	$ 160	$ 341
Program payable	27,706	3,006	143	30,569
Total liabilities payable from restricted assets	$ 27,894	$ 3,319	$ 303	$ 30,910

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SECTION 3 – **STATISTICAL SECTION**

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

- Table 1 – Changes in Net Position
- Table 2 – Net Position by Components
- Table 3 – Fund Balances and Changes in Fund Balances, Governmental Funds
- Table 4 – Current Ratio
- Table 5 – Operating Revenues and Operating Expenses
- Table 6 – Non Operating Assistance and Interest Income
- Table 7 – Targeted Operating Reserves

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

- Table 8 – Revenue Base and Revenue Rates
- Table 9 – Overlapping Revenue
- Table 10 – Principal Sales Tax Payers 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
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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:

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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, 2016
(In thousands)

	Fiscal Years									
	2007	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
EXPENSES										
Business-type activities:										
Transit										
Operations and Operating Projects	$ 321,059	$ 344,469	$ 343,973	$ 338,771	$ 343,302	$ 364,723	$375,086	$392,042	$407,618	$ 431,212
Caltrain Subsidy	15,237	15,416	15,878	15,878	14,135	10,207	13,700	7,291	8,390	8,414
Capital Expenses on behalf of, and contribution to other agencies	7,272	19,331	42,626	81,714	66,782	80,083	138,794	93,952	61,445	53,094
Altamont Commuter Express Subsidy	2,542	2,621	2,707	2,707	2,706	2,707	2,939	3,019	3,097	3,166
Interest Expense	13,672	12,214	11,651	20,583	23,536	31,307	31,655	27,088	15,204	11,330
Other Expenses	4,636	3,280	5,446	7,268	15,434	8,059	5,865	11,096	5,734	4,177
Benefit Payments	14,285	10,513	9,826	7,693	8,410	11,419	10,689	17,947	8,881	12,999
Total Business-Type Activities Expenses	378,703	407,844	432,107	474,614	474,305	508,505	578,728	552,435	510,369	524,392
Governmental activities:										
Congestion Management										
Operations and operating projects	6,528	6,450	8,840	7,164	7,196	6,692	7,622	7,544	8,071	8,228
Contribution to agencies	-	-	-	-	867	37	25	68	168	210
Capital projects for the benefit of other agencies	45,806	43,798	26,398	19,402	21,091	19,052	34,245	36,184	20,127	11,189
Total governmental activities expenses	52,334	50,248	35,238	26,566	29,154	25,781	41,892	43,796	28,366	19,627
Total primary government expenses	$ 431,037	$ 458,092	$ 467,345	$ 501,180	$ 503,459	$ 534,286	$620,620	$596,231	$538,735	$ 544,019
PROGRAM REVENUES										
Business-type activities:										
Charges for services	$ 37,876	$ 38,053	$ 38,439	$ 38,830	$ 40,014	$ 40,070	$ 41,821	$ 42,420	$ 43,054	$ 42,316
Operating grants	140,431	126,505	114,937	126,934	137,804	140,419	142,577	148,669	134,796	126,988
Capital grants	199,999	153,443	82,175	92,594	148,303	115,584	272,950	193,899	277,421	271,057
Total business-type activities program revenues	378,306	318,001	235,551	258,358	326,121	296,073	457,348	384,988	455,271	440,361
Governmental activities:										
Charges for services	2,397	2,475	2,618	2,606	2,520	2,503	2,520	2,519	2,526	2,529
Operating grants	1,023	2,193	1,496	1,854	2,127	2,110	1,775	2,424	2,096	16,585
Capital grants	48,180	45,109	29,479	22,314	24,051	21,530	37,612	38,989	22,964	-
Total governmental activities program revenues	51,600	49,777	33,593	26,774	28,698	26,143	41,907	43,932	27,586	19,114
Total primary government revenues	$ 429,906	$ 367,778	$ 269,144	$ 285,132	$ 354,819	$ 322,216	$499,255	$428,920	$482,857	$ 459,475
NET PROGRAM (EXPENSES)/REVENUES										
Business-type activities	$ (397)	$ (89,843)	$(196,556)	$(216,256)	$(148,184)	$(212,432)	($121,380)	($167,447)	($55,098)	$ (84,031)
Governmental activities	(734)	(471)	(1,645)	208	(456)	362	15	136	(780)	(513)
Total primary government net program (expenses)/revenues	$ (1,131)	$ (90,314)	$(198,201)	$(216,048)	$(148,640)	$(212,070)	($121,365)	($167,311)	($55,878)	$ (84,544)

[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.

Table 1
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Financial Trend – Changes in Net Position (*continued*)
Ten Years Ended June 30, 2016
(In thousands)

	Fiscal Years									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION										
Business-type activities:										
Sales tax revenue	$ 325,037	$ 323,575	$ 274,903	$ 279,342	$ 306,456	$ 332,847	$ 395,163	$417,486	$ 446,374	$ 460,316
Investment income	27,288	22,511	16,862	7,352	11,039	19,289	316	9,861	9,420	19,102
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	1,347	3,523	3,385	3,241	6,865	6,007	3,254	7,325	4,261	3,335
Special items:										
Transfer to OPEB Trust	-	(101,738)	-	-	-	-	-	-	-	-
Change in provisions for workers' compensation claims	23,769	4,662	3,500	-	5,716	-	-	-	-	-
Total business-type activities	377,441	252,533	298,650	289,935	336,566	373,842	411,911	443,427	485,502	482,753
Governmental activities:										
Investment income	267	349	41	12	10	31	8	23	9	16
Other income	3	151	161	15	1,106	104	115	279	250	155
Total governmental activities	270	500	202	27	1,116	135	123	302	259	171
TOTAL PRIMARY GOVERNMENT	377,711	253,033	298,852	289,962	337,682	373,977	$ 412,034	443,729	485,761	482,924
CHANGE IN NET POSITION										
Business-type activities	377,044	162,690	102,094	73,679	188,382	161,410	290,531	275,980	430,404	398,722
Governmental activities	(464)	29	(1,443)	235	660	497	138	438	(521)	(342)
Total primary government	$ 376,580	$ 162,719	$ 100,651	$ 73,914	$ 189,042	$ 161,907	$ 290,669	$276,418	$ 429,883	$ 398,380

Table 2
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Financial Trends – Net Position by Component
Ten Years Ended June 30, 2016
(In thousands)

	Fiscal Years									
	2007	2008	2009[1]	2010	2011	2012	2013	2014	2015	2016
BUSINESS-TYPE ACTIVITIES										
Net Investment in Capital Assets	$ 1,888,879	$ 2,056,769	$ 2,180,768	$ 2,195,790	$ 2,220,118	$ 2,351,676	$ 2,481,805	$ 2,613,290	$2,950,181	$ 3,394,540
Restricted	353,186	141,764	362,079	449,096	572,054	548,367	649,724	759,608	822,834	789,000
Unrestricted	232,626	438,848	196,628	168,268	209,364	262,903	321,948	356,559	197,852	186,049
Total Business-Type Activities Net Position	2,474,691	2,637,381	2,739,475	2,813,154	3,001,536	3,162,946	3,453,477	3,729,457	3,970,867	4,369,589
GOVERNMENTAL ACTIVITIES										
Restricted Net Position	1,466	1,495	52	287	947	1,444	1,582	2,020	1,499	1,157
PRIMARY GOVERNMENT										
Net investment in Capital Assets	1,888,879	2,056,769	2,180,768	2,195,790	2,220,118	2,351,676	2,481,805	2,613,290	2,950,181	3,394,540
Restricted	354,652	143,259	362,131	449,383	573,001	549,811	651,306	761,628	824,333	790,157
Unrestricted	232,626	438,848	196,628	168,268	209,364	262,903	321,948	356,559	197,852	186,049
Total Primary Governmental Net Position	$ 2,476,157	$ 2,638,876	$ 2,739,527	$ 2,813,441	$ 3,002,483	$ 3,164,390	$ 3,455,059	$ 3,731,477	$3,972,366	$ 4,370,746

[1] Business-type amount reclassified to match 2010 presentation

Table 3

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Financial Trends – Fund Balances and Changes in Fund Balances, Governmental Funds
Ten Years Ended June 30, 2016
(Modified Accrual Basis of Accounting)
(In thousands)

	Fiscal Years									
	2007	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
REVENUES										
Member Agency Assessment Revenue	$2,329	$2,410	$ 2,495	$2,495	$2,407	$2,407	$2,407	$2,407	$2,407	$2,407
Federal Technical Studies Operating Assistance Grants	794	1,102	915	1,235	1,398	1,367	1,014	1,728	1,371	1,887
Administrative Fees	68	65	123	111	113	96	113	112	119	122
Federal, State and Local Grant Revenues	48,409	46,200	30,060	22,933	24,780	22,273	38,373	39,685	23,689	14,698 [1]
Other Revenues	3	151	161	15	1,106	104	115	279	250	155
Investment Earnings	267	349	41	12	10	31	8	23	9	16
Total Revenues	51,870	50,277	33,795	26,801	29,814	26,278	42,030	44,234	27,845	19,285
EXPENDITURES										
Current:										
Congestion Management:										
VTA Labor and Overhead Costs	5,640	5,680	8,006	6,606	6,814	6,245	7,044	7,160	6,826	7,031
Professional Services	888	770	793	541	374	436	563	359	1,225	1,176
Program Expenditures	-	-	41	17	8	11	15	25	19	21
Miscellaneous	-	-	-	-	-	-	-	-	1	-
Contribution to agencies	-	-	-	-	867	37	25	68	168	210
Capital Improvement Projects	45,806	43,798	26,398	19,402	21,091	19,052	34,245	36,184	20,127	11,189
Total Expenditures	52,334	50,248	35,238	26,566	29,154	25,781	41,892	43,796	28,366	19,627
Excess (Deficiency) of Revenues Over Expenditures	(464)	29	(1,443)	235	660	497	138	438	(521)	(342)
OTHER FINANCING SOURCES (USES):										
Net Change in Fund Balances	$ (464)	$ 29	$(1,443)	$ 235	$ 660	$ 497	$138	$ 438	$ (521)	$ (342)
TOTAL GOVERNMENTAL FUNDS										
Restricted – Special Revenue Funds	1,466	1,495	52	287	947	1,444	1582	2,020	1,499	1,157
Total Governmental Funds	$1,466	$1,495	$ 52	$ 287	$ 947	$1,444	$1,582	$2,020	$1,499	$1,157

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

Table 4

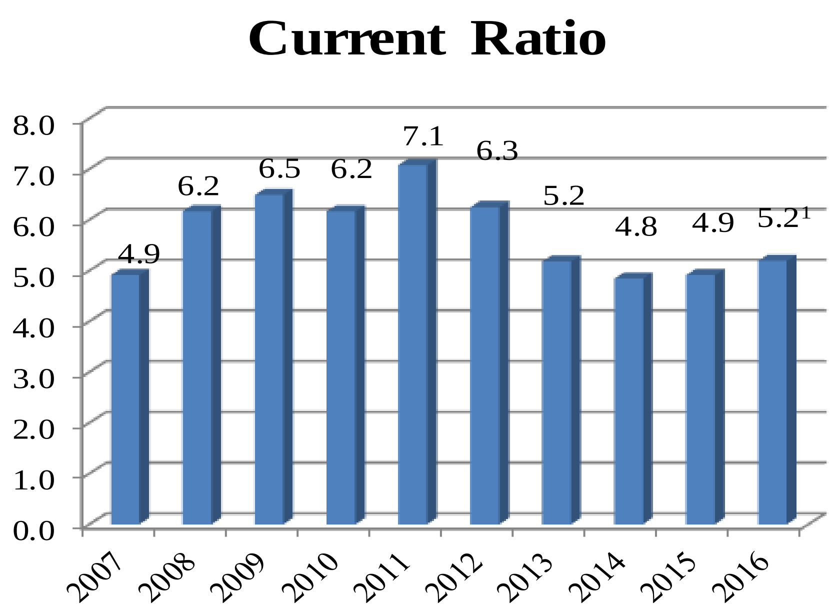
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Financial Trends – Current Ratio

Enterprise Funds

Ten Years Ended June 30, 2016

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.



[1]Current assets exclude 2010 Measure A bond proceeds of $42.9 million. Although bond proceeds are with fiscal agent and categorized as current, these are restricted for 2000 Measure A projects.

Table 5

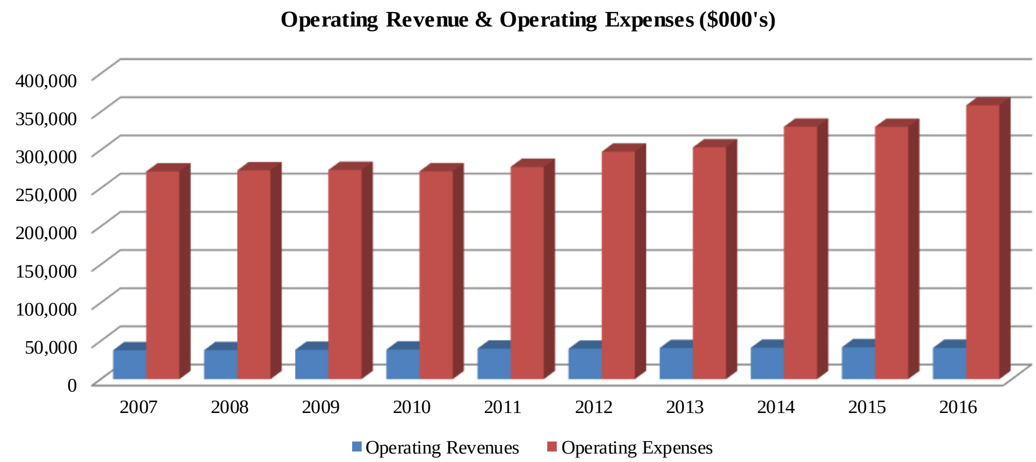
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Financial Trends – Operating Revenues & Operating Expenses

VTA Transit

Ten Years Ended June 30, 2016

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



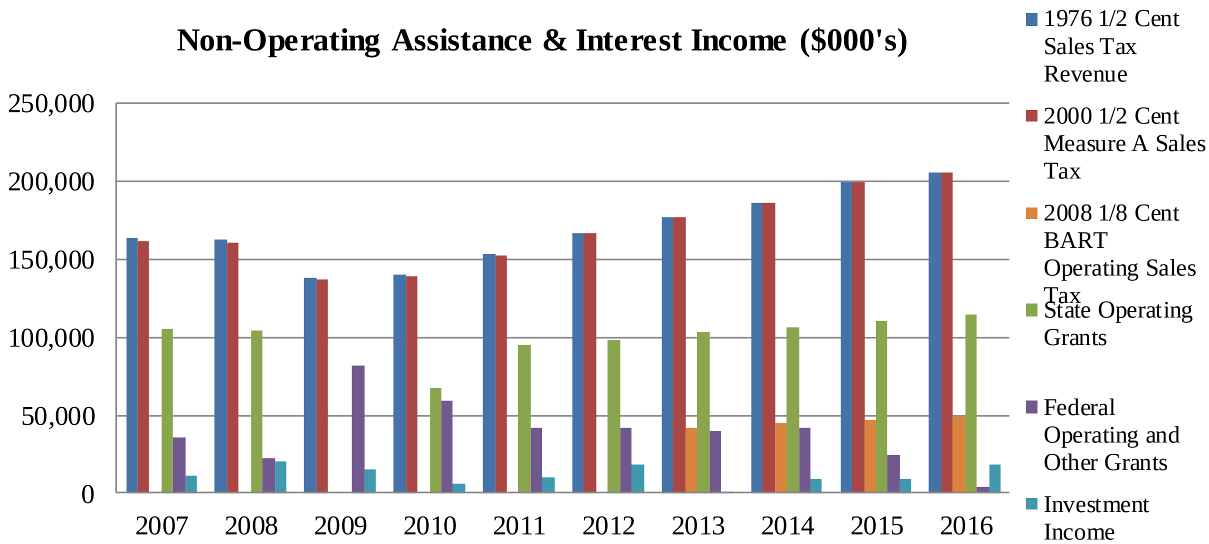
Operating Revenues and Operating Expenses

(In thousands)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Operating Revenues	$ 37,876	$ 38,053	$ 38,439	$ 38,830	$ 40,014	$ 39,852	$ 40,772	$ 41,198	$ 41,897	$ 41,042
Operating Expenses	271,975	273,495	273,979	272,196	277,984	297,988	303,622	330,614	330,466	358,538

Table 6
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Financial Trends – Non-Operating Assistance and Interest Income
Enterprise Funds
Ten Years Ended June 30, 2016
(In thousands)

The following chart illustrates trends in selected non-operating revenue sources. Sales tax revenue is the largest non-operating revenue source shown in the following graph. This is the fourth year of collection for 2008 Measure B Eighth-Cent BART Operating Sales Tax revenue and the eleventh year of collection for 2000 Measure A Half-Cent Sales Tax



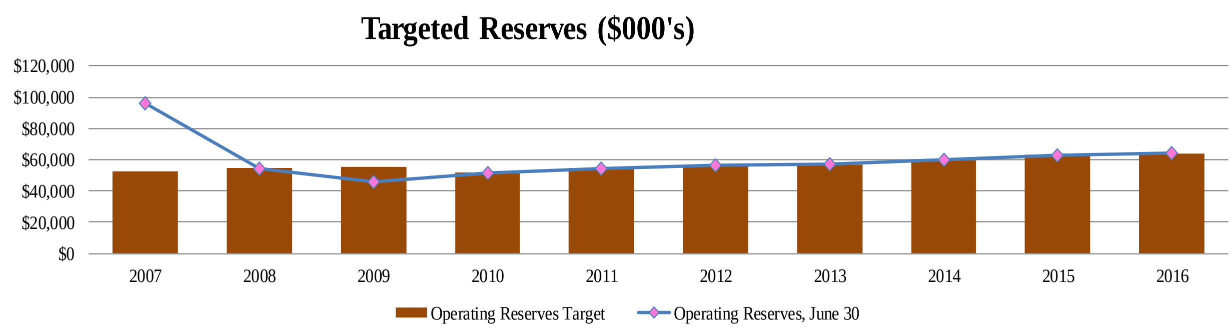
Non-Operating Assistance and Interest Income
(In thousands)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
1976 1/2 Cent Sales Tax Revenue	$ 163,676	$ 163,038	$ 137,642	$ 140,037	$ 153,601	$ 166,567	$ 176,716	$ 186,431	$ 199,221	$ 205,418
2000 1/2 Cent Measure A Sales Tax Revenue [1]	161,361	160,537	137,261	139,305	152,855	166,280	176,533	186,302	199,653	205,636
2008 1/8 Cent BART Operating Sales Tax Revenue [2]	-	-	-	-	-	-	41,914	44,753	47,500	49,262
State Operating Grants	104,917	104,080	-	67,834	95,579	98,133	103,213	106,439	110,243	114,135
Federal Operating and Other Grants	35,514	22,425	81,488	59,100	42,225	42,286	39,364	42,230	24,553	4,105
Investment Income	11,304	20,370	15,341	5,764	10,067	18,594	292	9,555	9,118	18,493

[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.

Table 7
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Financial Trends – Targeted Operating Reserves
VTA Transit Fund
Ten Years Ended June 30, 2016

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.



	2007	2008	2009	2010 [1]	2011 [2]	2012 [3]	2013	2014	2015	2016
					(In thousands)					
Current Assets, excluding restricted asset [4]	$ 158,291	$ 120,374	$ 103,697	$ 104,933	$ 108,396	$ 106,085	$ 101,726	$ 110,906	$ 124,284	$ 130,019
Total Current Liabilities, excluding restricted liability	(41,602)	(44,953)	(33,716)	(30,950)	(33,484)	(29,547)	(24,329)	(29,790)	(36,878)	(32,334)
Current Net Position	$ 116,689	$ 75,421	$ 69,981	$ 73,983	$ 74,912	$ 76,538	$ 77,397	$ 81,116	$ 87,406	$ 97,685
Less: Inventory & Other Current Assets [5]	(20,234)	(20,791)	(23,936)	(22,126)	(20,317)	(20,270)	(20,373)	(21,289)	(24,469)	(33,615)
Operating Reserves, June 30	$ 96,455	$ 54,630	$ 46,045	$ 51,857	$ 54,595	$ 56,268	$ 57,024	$ 59,827	$ 62,937	$ 64,147
Operating Reserves Target (15% of Budgeted Expenses)	$ 52,599	$ 54,630	$ 55,760	$ 51,857	$ 54,595	$ 56,268	$ 57,024	$ 59,827	$ 62,937	$ 64,147

[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 includes a transfer to the following reserve accounts:
local share of capital projects, debt reduction, and sales tax stabilization.

[4] Includes transfer to debt reduction fund of $50 M.

[5] Starting FY2008, this includes inventory and other current assets; prior years included inventory only.

Table 8
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Revenue Capacity – Revenue Base and Revenue Rates
Ten Year Ended June 30, 2016

	Fiscal Years									
	2007	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
Passenger Fares [1] (In thousands)	$ 35,242	$ 35,830	$ 36,184	$ 36,857	$ 38,106	$ 37,744	$ 38,331	$ 38,372	$ 39,108	$ 37,663
Percentage Increase/(Decrease) from Prior Year	2.6 %	1.7 %	1.0 %	1.9 %	3.4 %	(0.9)%	1.6%	0.1%	1.9%	(3.7)%
Revenue Base										
Number of Passengers [2]	41,990,098	43,555,049	45,264,434	41,733,376	41,409,630	42,426,797	43,174,646	43,428,492	43,944,096	42,918,436
Percentage Increase/(Decrease) from Prior Year	7.1 %	3.7 %	3.9 %	(7.8)%	(0.8)%	2.5 %	1.8%	0.6 %	1.2 %	(2.3)%
Fare Structure										
Adult Local Fare	$ 1.75	$ 1.75	$ 1.75	$ 2.00	$ 2.00	$ 2.00	$ 2.00	$ 2.00	$ 2.00	$ 2.00
Youth Local Fare	1.50	1.50	1.50	1.75	1.75	1.75	1.75	1.75	1.75	1.75
Senior/Disabled Local Fare	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Sales Tax Revenues (In thousands)										
1976 1/2 Cent Sales Tax [3]	$ 163,676	$ 163,038	$ 137,642	$ 140,037	$ 153,601	$ 166,567	$ 176,716	$ 186,431	$ 199,221	$ 205,418
2000 Measure A 1/2 Cent Sales Tax [4]	161,361	160,537	137,261	139,305	152,855	166,280	176,533	186,302	199,653	205,636
2008 1/8 Cent BART Operating Sales Tax [5]	-	-	-	-	-	-	41,914	44,753	47,500	49,262
Total Sales Tax Revenue Receipts [6]	$ 325,037	$ 323,575	$ 274,903	$ 279,342	$ 306,456	$ 332,847	$ 395,163	$ 417,486	$ 446,374	$ 460,316
Percentage Increase/(Decrease) from Prior Year										
1976 1/2 Cent Sales Tax	4.1 %	(0.4)%	(15.6)%	1.7 %	9.7 %	8.4 %	6.1%	5.5 %	6.9 %	3.1 %
2000 Measure A 1/2 Cent Sales Tax	322.7 %	(0.5)%	(14.5)%	1.5 %	9.7 %	8.8 %	6.2%	5.5 %	7.2 %	3.0 %
2008 1/8 Cent BART Operating Sales Tax	N/A	N/A	N/A	N/A	N/A	N/A	N/A	6.8 %	6.1 %	3.7 %

[1] Includes fares for directly operated transit services such as bus, light rail, and shuttle services.
[2] Represents system ridership total boarding.
Source: VTA Operations Division
[3] The 1976 half-cent sales tax was approved by County voters in 1976 to fund VTA's transit operations and transportation improvement.
[4] The 2000 Measure A half-cent sales tax was approved by County voters in 2000 to fund specific transportation improvement projects.
The collection of this half-cent tax measure started in April 2006.
[5] The 2008 1/8 cent Sales Tax was approved by County voters in 2008 to fund BART operating activities.
The collection of this 1/8 cent tax measure started in July 2012.
[6] VTA receives the sales tax based on the total taxable sales activity in the County.

Table 9
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Revenue Capacity – Overlapping Revenue
Sales Tax Rates
Ten Years Ended June 30, 2016

Fiscal Year	State	City	VTA[1]	Total
2007	6.25%	1.00%	1.00%	8.25%
2008	6.25%	1.00%	1.00%	8.25%
2009[2]	7.25%	1.00%	1.00%	9.25%
2010	7.25%	1.00%	1.00%	9.25%
2011	7.25%	1.00%	1.00%	9.25%
2012[3]	6.25%	1.00%	1.00%	8.25%
2013[4]	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[5]	6.38%	1.25%	1.12%	8.75%

[1] VTA has three specific sales tax measures approved by the voters. The 1976 half-cent sales tax measure was approved by voters in 1976 and does not have a sunset clause. The 2000 Measure A half-cent sales tax was approved in the 2000 General Election and became effective on April 1, 2006. This 30-year sales tax measure will sunset on March 31, 2036. The 2008 1/8-cent sales tax was approved by County voters in 2008 to fund BART Operating and maintenance. The collection of this 1/8-cent tax measure started in July 2012.

[2] There was a partial year collection of 1996 Measure B Sales Tax which expired on March 31, 2006. The collection of VTA's 2000 Measure A Sales Tax started on April 1, 2006.

[3] California state legislature approved a 1% sales tax increase effective July 1, 2009.
Source: California Board of Equalization

[4] The 1% sales tax increase approved by the California state legislature in 2009 expired on July 1, 2011.
Source: California Board of Equalization.

[5] 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.

Source: California Board of Equalization

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

	Fiscal Year 2015 [1]			Fiscal Year 2006		
Principal Revenue Payers	**Rank**	**Percentage of Taxable Sales**	**Amount**	**Rank**	**Percentage of Taxable Sales**	**Amount**
Total all Other Outlets[2]	1	43.0%	$ 17,448	1	37.8%	$ 11,956
Food Services & Drinking Places	2	10.5%	4,258	5	8.1%	2,547
Motor Vehicle & Parts Dealers	3	10.1%	4,113	2	11.2%	3,540
General Merchandise Stores	4	6.7%	2,708	4	8.1%	2,560
Clothing & Clothing Accessories	5	5.8%	2,353	8	4.5%	1,434
Gasoline Stations	6	5.7%	2,300	6	6.5%	2,068
Bldg. Matrl. & Garden Equip. & Suppl.	7	4.7%	1,919	7	5.9%	1,824
Food & Beverage Stores	8	3.1%	1,266	9	3.1%	992
Electronics & Appliance Stores	9	3.0%	1,210	13	0.9%	291
Furniture & Home Furnishing Stores	10	1.5%	625	10	2.0%	634
Sport Goods, Hobby, Book & Music	11	1.5%	622	11	1.1%	350
Non-Store Retailers	12	1.5%	619	14	0.0%	-
Health & Personal Care Stores	13	1.5%	608	12	1.1%	349
Miscellaneous Store Retailers	14	1.4%	568	3	9.7%	3,079
Total		100.0%	$ 40,617		100.0%	$ 31,624

[1] 2016 data is not available at the time of printing
[2] This category is made up of diverse manufacturers and wholesalers, construction contractors, petroleum producer, and a multitude of professional services.

Source: State Board of Equalization, Taxable Sales in California (Sales and Use Tax)

Table 11

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Debt Capacity – Total Outstanding Debt by Type

Ten Years Ended June 30, 2016

(In thousands)

Fiscal Year	Series 1985 A Equipment Trust Certificates[1]	1976 Sales Tax Revenue Bonds	2000 Sales Tax Revenue Bonds	Total Outstanding Debt
2007	$ 29,200	$ 271,277	$ 445,651	$ 746,128
2008	26,500	279,600	356,825	662,925
2009	-	270,710	355,970	626,680
2010	-	246,298	369,775	616,073
2011	-	237,817	1,036,892	1,274,709
2012	-	219,399	1,029,105	1,248,504
2013	-	209,007	1,021,127	1,230,134
2014	-	210,536	983,255	1,193,791
2015	-	199,054	961,711	1,160,765
2016		184,116	932,049	1,116,165

[1]$26.5 million redeemed in FY2009.

Table 12
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Debt Capacity - Ratios of Outstanding Debt
Ten Years Ended June 30, 2016

Fiscal Year	Total Outstanding Debt (In thousands)	Total County Taxable Sales[1] (In thousands)	Total Debt as a % of Taxable Sales	Personal Income[2] (In thousands)	Total Debt as a % of Personal Income	Santa Clara County Population (In thousands)	Total Debt per Capita
2007	$ 746,128	$ 33,131,466	2.25%	$ 103,501,849	0.72%	1,808	$ 413
2008	662,925	33,476,000	1.98%	104,331,553	0.64%	1,837	361
2009	626,680	29,009,000	2.16%	96,315,176	0.63%	1,858	337
2010	616,073	28,720,000	2.15%	103,636,350	0.59%	1,880	328
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%	143,292,442	0.81%	1,903	610
2016	1,116,165	41,023,650	2.72%	144,725,366	0.77%	1,927	579

[1] Taxable sales information is available through FY 2015. FY 2016 assumes a 1% increase over the previous year's number.
[2] Actual personal income is available through FY 2014. FY 2015 and FY 2016 assume a 1% increase over the prior years' numbers.

The total outstanding debt is pledged by VTA's sales tax revenues which were approved by Santa Clara County voters as follows: The 1976 ½-cent Sales Tax Measure in 1976; the 2000 Measure A ½-cent Sales Tax in 2000. Collection of the 2000 Measure A ½-cent Sales Tax began in April 2006.

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

Santa Clara Valley Transportation Authority does not have overlapping debt with other governments.

Santa Clara Valley Transportation Authority does not have a legal debt limit.

Table 14
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Debt Capacity – Pledged Revenue Coverage – 1976 Half-Cent Sales Tax Revenue Bonds
Ten Years Ended June 30, 2016
(In thousands)

	Available Revenue	Annual Debt Service[1]			
Fiscal Year	Sales Tax Revenue	Principal	Interest[2]	Total	Coverage
2007	$ 163,676	$ 10,855	$ 13,672	$ 24,527	6.7
2008	163,038	11,315	12,214	23,529	6.9
2009	137,642	8,890	11,651	20,541	6.7
2010	140,037	9180[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

[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.

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, 2016
($ In thousands)

	Available Revenue	Annual Debt Service			
Fiscal Year	**Sales Tax Revenue**	**Principal**	**Interest[1]**	**Total**	**Coverage[2]**
2007	$ 161,361	$ -	$ 15,202	$ 15,202	10.6
2008	160,537	-	14,943	14,943	10.7
2009	137,261	855	12,321	13,176	10.4
2010	139,305	-	14,156	14,156	9.8
2011	151,518	2,430	33,490	35,920	4.2
2012	166,280	2,525	44,337	46,862	3.5
2013	176,533	2,625	44,262	46,887	3.8
2014	186,302	24,595	45,577	70,172	2.7
2015	199,653	25,775	45,086	70,861	2.8
2016	205,636	26,965	44,118	71,083	2.9

[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, 2017 through 2021.

1976 Sales Tax Revenues and Senior Lien Debt Service Coverage
Fiscal Years Ending June 30, 2017 – 2021 (Proforma and Unaudited)
($ In thousands)

Fiscal Year Ending June 30	Projected Sales Tax Revenue	Percent Increase[1*]	Aggregate Debt Service[2]	Projected Coverage[3]
2017	$ 214,385	3.80%	$ 21,082	10.17
2018	221,948	3.53%	21,079	10.53
2019	229,658	3.47%	21,075	10.90
2020	237,671	3.49%	21,075	11.28
2021	245,944	3.48%	21,068	11.67

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, 2017 through 2021.

2000 Measure A Sales Tax Revenues and Debt Service Coverage
Fiscal Years Ending June 30, 2017 – 2021 (Proforma and Unaudited)
($ In thousands)

Fiscal Year Ending June 30	Projected Sales Tax Revenue	Percent Increase[1*]	Aggregate Debt Service[4]	Projected Coverage[3]
2017	$ 214,385	3.80%	$ 73,356	2.92
2018	221,948	3.53%	73,395	3.02
2019	229,658	3.47%	73,057	3.14
2020	237,671	3.49%	73,034	3.25
2021	245,944	3.48%	73,036	3.37

[1] Source: Growth rates provided by outside economists.
[2] Includes actual debt service on the 2007 and 2011 Bonds. Debt Service on the 2008 Bonds is calculated based on the rate established pursuant to the 2008 Swap Agreement, 3.145%.
[3] Does not include any additional parity debt.
[4] Includes actual debt service on the 2007 and 2010 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 6.06% in 2016 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	2016
Campbell	11,863	24,731	26,843	36,048	38,138	39,349	42,584
Cupertino	3,664	18,216	34,297	40,263	50,546	58,302	58,185
Gilroy	7,348	12,665	21,641	31,487	41,464	48,821	55,170
Los Altos	19,696	24,872	25,769	26,303	27,693	28,976	31,353
Los Altos Hills	3,412	6,862	7,421	7,514	7,902	7,922	8,658
Los Gatos	9,036	23,466	26,906	27,357	28,592	29,413	31,376
Milpitas	6,572	27,149	37,820	50,686	62,698	66,790	75,521
Monte Sereno	1,506	3,074	3,434	3,287	3,483	3,341	3,475
Morgan Hill	3,151	6,485	17,060	23,928	33,556	37,882	43,645
Mountain View	30,889	54,206	58,655	67,460	70,708	74,066	77,925
Palo Alto	52,475	55,999	55,225	55,900	58,598	64,403	68,207
San Jose	204,196	445,779	629,400	782,248	894,943	945,942	1,042,094
Santa Clara	58,880	87,717	87,700	93,613	102,361	116,468	123,752
Saratoga	14,861	27,199	29,261	28,061	29,843	29,926	30,219
Sunnyvale	51,898	95,408	106,618	117,229	131,760	140,081	148,372
Unincorporated	162,056	152,181	127,021	106,193	100,300	89,960	87,352
County Total[1]	641,503	1,066,009	1,295,071	1,497,577	1,682,585	1,781,642	1,927,888
California	15,717,204	18,136,045	23,668,145	29,760,021	33,871,648	37,253,956	39,256,000

[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, 2016

Year	Santa Clara County Personal Income (In thousands)[1,2]	Santa Clara County Per Capita Personal Income [1,2]	Unemployment Rate[3]
2007	103,501,849	60,107	4.7%
2008	104,331,553	59,227	5.1%
2009	96,315,176	55,781	11.8%
2010	103,636,350	58,018	11.3%
2011	111,880,131	61,833	10.3%
2012	122,259,021	66,535	8.7%
2013	130,624,491	70,151	6.8%
2014	141,873,705	74,883	5.2%
2015	143,292,442	75,632	3.9%
2016	144,725,366	76,388	4.0%

[1] Bureau of Economic Analysis U.S. Department of Commerce.
[2] Actual data is available through 2014. Years 2015 and 2016 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 Ending June 30, 2015
(in thousands)

	2007	2008	2009	2010	2011	2012	2013	2014	2015
Civilian Labor Force [1](In thousands)	855.2	876.8	879.8	871.6	894.8	910.9	924.0	993.7	1,018.4
Civilian Employment	814.7	825.2	777.5	774.0	804.6	830.6	857.5	942.3	976.1
Civilian Unemployment	40.5	51.7	102.2	97.6	90.2	80.3	66.5	51.4	42.3
Civilian Unemployment Rate									
County	4.7%	5.9%	11.6%	11.2%	10.1%	8.8%	7.2%	5.2%	4.2%
State of California	5.4%	7.0%	11.6%	12.2%	12.0%	10.6%	8.5%	7.4%	6.2%
Wage and Salary Employment [2] (In thousands)									
Total Farm Agriculture	3.7	4.6	3.6	3.6	3.4	3.5	5.1	3.6	3.6
Construction and Mining	49.5	50.1	32.9	32.3	30.9	35.6	37.6	38.6	42.3
Manufacturing	163.7	166.3	153.5	150.7	154.6	155.1	156.3	156.6	159.4
Transportation & Public Utilities	13.1	13.8	11.7	11.9	11.8	12.7	13.9	14.7	15.0
Wholesale Trade	39.1	39.9	36.0	34.7	35.0	34.4	36.2	36.2	36.0
Retail Trade	86.2	88.2	77.4	75.6	77.5	80.3	84.2	82.3	84.9
Finance, Insurance & Real Estate	38.2	39.5	31.5	30.8	31.2	33.6	33.9	35.1	35.0
Services	416.7	424.1	404.4	418.5	432.8	455.4	450.0	469.1	491.4
Government	90.2	92.7	95.0	93.4	88.6	90.2	93.5	92.4	89.9
Information	N/A	N/A	N/A	N/A	N/A	N/A	N/A	66.2	74.7
Total [3]	900.4	919.2	846.0	851.5	865.8	900.8	910.7	994.8	1,032.2

[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 2015. FY 2015 is the most recent available data.
[2] Wage and salary employment is reported by place of work. Data are benchmarked to 2015
[3] Totals may not be precise due to independent rounding.

Sources: State of California, Employment Development Department
Department of Finance, Statistics & Demographic Research.
www.dice.com, April 2007 - Technology Job Market – Silicon Valley, CA Q1 2007

Table 20

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Dmographic and Economic Data – Silicon Valley Major Employers
Current Year and Nine Years Ago

Company Name	Nature of Operations	FY 2016 Number of Employees*	FY 2016 Rank	FY 2007 Number of Employees	FY 2007 Rank
Alphabet Inc./Google Inc.	Search, advertising and web software	20,000	1		
Apple Inc.	Computer electronics	19,000	2		
County of Santa Clara	County government	16,837	3	15,012	4
Stanford University	Research university	13,500	4	23,756	1
Kaiser Permanente Northern California	Integrated healthcare delivery plan	12,500	5		
Intel Corp.	Semiconductor	10,801	6	5,700	11
Stanford Health Care	Health System	10,034	7		
University of California Santa Cruz	Public University	8,182	8		
Facebook Inc.	Online Social Networking Service	6,799	9		
Oracle Corp.	Hardware and software,cloud	6,750	10		
Tesla Motors Inc.	Electric Vehicle Designer & Manufacturer	6,529	11		
eBay Inc.	E-commerce Company	6,200	12	2,200	21
Palo Alto Medical Foundation	Not-for-profit healthercare organization and multispecialty group practice	6,100	13		
City of San Jose	Government Agency	5,651	14	7,169	8
Lockheed Martin Space Systems Co.	Aerospace	5,550	15	7,951	5
San Mateo County	Government Agency	5,500	16		
Gilead Sciences Inc.	Biotechnology Company	5,230	17		
County of Monterey	County government	5,100	18		
San Jose State University	Public University	4,626	19	4,100	14
Hewlett-Packard Co.	Information Technology Company	4,570	20	7,000	9
Linkedin Corp.	Business-oriented social networking service	4,500	21		
Lucile Pakard Children's Hospital (Stanford Children's Health)	Children's hospital dedicated to pediatric and obstetric care	4,200	22		
Visa Inc.	Global payments technology company	4,118	23		
Department of Veterans Affairs, Palo Alto Health Care System	Government-run Military Veteran Benefit System	4,000	24		
Yahoo Inc.	Search, advertising and news web software	3,993	25		

Source: Silicon Valley/San Jose Business Journal. July 24, 2016
*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.

The concentration of Santa Clara County's productivity is derived primarily from numerous high-technology and bioscience companies. Public-sector employers continue to rank high among the largest employers in Silicon Valley. As depicted in the chart above, as an employer, Santa Clara County itself, continues to have the largest public-sector employee base with 16,837 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, 2016

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
2007	31,646,555	102,123	18,705,711	1,364,903	15,882,356	128,290	345	453	524
2008	33,103,495	106,673	18,784,524	1,389,344	16,013,930	143,102	343	456	535
2009	34,510,273	111,820	18,500,655	1,379,428	15,800,214	152,856	336	424	448
2010	31,983,494	103,575	17,739,605	1,322,661	15,130,519	142,754	333	412	424
2011	31,395,126	102,187	16,990,315	1,269,071	14,376,811	148,225	333	434	494
2012	32,053,755	104,583	17,099,227	1,191,992	14,374,343	169,321	345	426	445
2013	32,432,354	106,161	17,491,993	1,213,571	14,582,508	166,576	358	426	443
2014	32,475,527	105,969	17,835,921	1,367,433	14,817,700	173,539	371	432	443
2015	32,623,599	106,214	18,435,525	1,427,554	15,247,087	174,863	384	495	540
2016	32,195,504	104,009	18,990,093	1,492,641	15,697,021	190,319	388	499	500

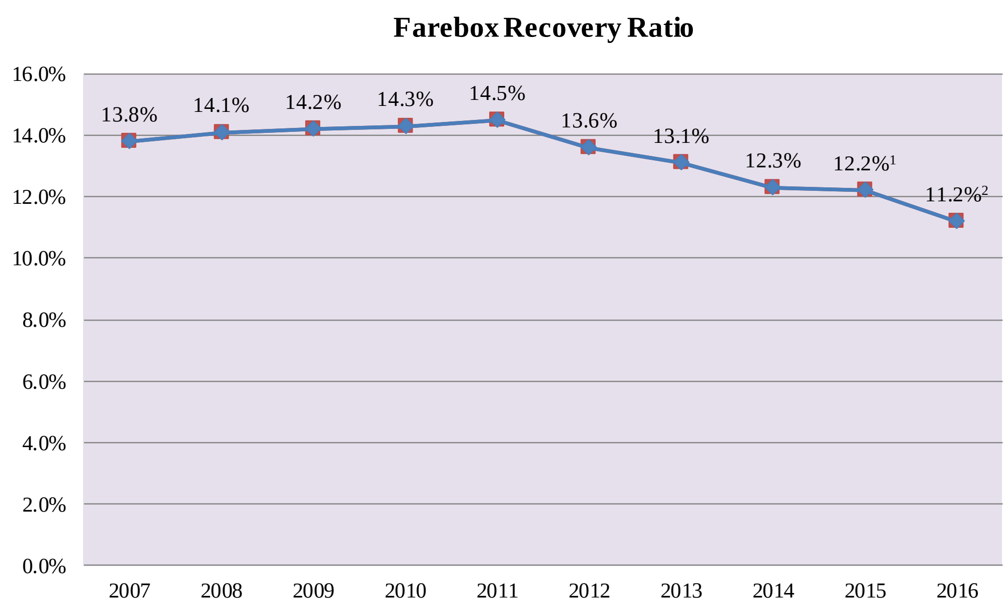
LIGHT RAIL

Fiscal Year	Total Ridership	Average Weekday Ridership	Scheduled Miles	Scheduled Hours	Train Revenue Miles	Passenger Miles (000's)	Peak Cars	Light Rail Fleet
2007	10,278,460	32,567	2,220,230	143,816	2,105,819	54,528	53	100
2008	10,451,136	33,043	2,223,823	143,576	2,112,080	54,475	53	100
2009	10,754,161	34,305	2,216,957	143,533	2,105,555	58,709	54	99
2010	9,749,882	31,555	2,182,849	141,095	2,062,832	50,000	46	99
2011	10,014,504	31,871	2,190,140	132,452	2,055,872	54,048	49	99
2012	10,373,042	32,716	2,209,233	137,495	2,065,099	55,337	55	99
2013	10,742,292	34,242	2,199,018	137,134	2,055,418	58,116	57	99
2014	10,952,965	35,102	2,205,492	139,021	2,057,106	61,631	57	99
2015	11,320,497	34,935	2,232,077	152,821	2,081,092	60,717	59	99
2016	10,722,932	33,301	2,235,167	140,000	2,077,964	54,578	59	99

Source: VTA Operations Division.

Table 22
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Operating Information – Farebox Recovery Ratio
Ten Years Ended June 30, 2016

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.



	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Farebox Recovery Ratio	13.8%	14.1%	14.2%	14.3%	14.5%	13.6%	13.1%	12.3%	12.2%	11.2%
Farebox Revenue (In thousands)	35,243	35,830	36,184	36,857	38,106	37,744	38,331	38,372	39,108	37,663
Operating Expenses (In thousands)	254,946	254,619	254,286	257,954	263,322	278,532	293,447	311,287	319,978	335,140

[1] Updated with 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, 2016

The following chart shows total vehicle miles in revenue service.

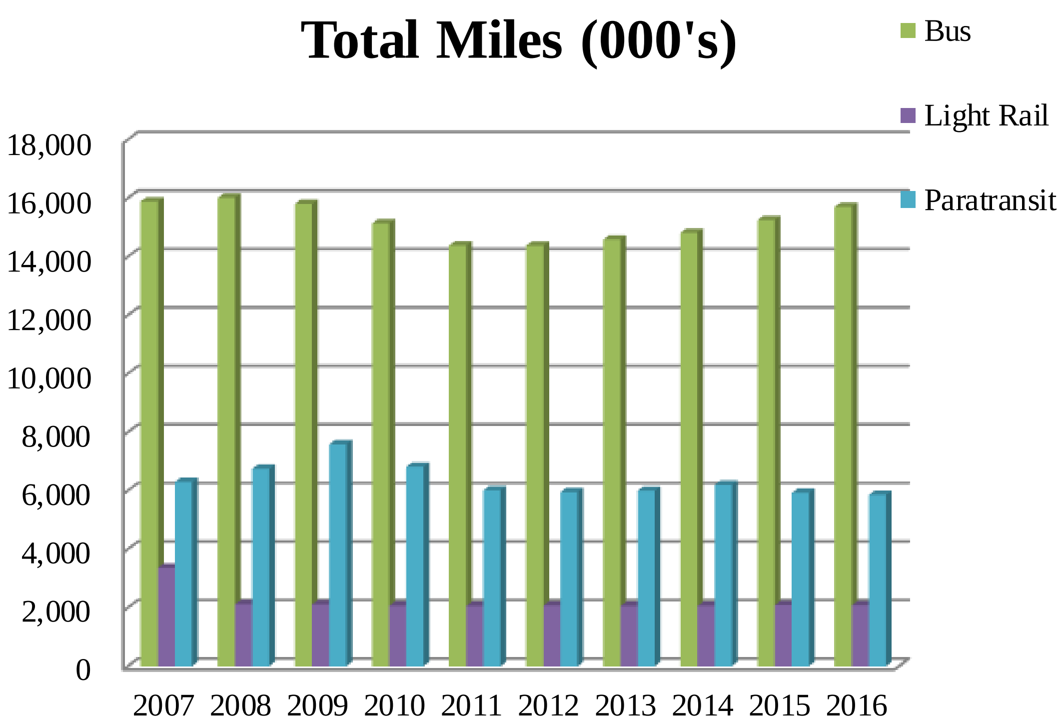


Table 24
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Operating Information – Passenger Miles
Ten Years Ended June 30, 2016

Passenger mile statistics are presented in the chart below. In FY 2016 the total passenger miles have increased slightly by 3.71% from FY 2015.

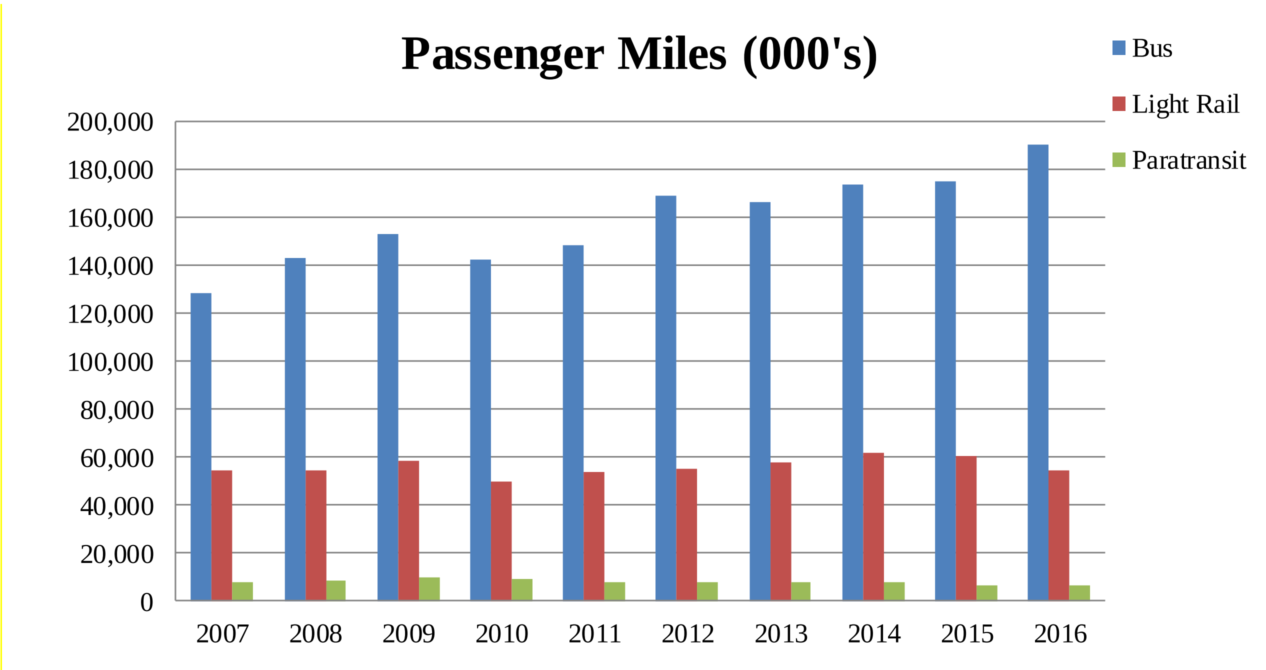


Table 25
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Operating Information – Selected Statistical Data
Ten Years Ended June 30, 2016

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
FAREBOX REVENUE ($000's)[1]	$35,242	$35,830	$36,184	$36,857	$38,106	$37,744	38,331	38,372	39,108	37,663
VEHICLE REVENUE MILES (000's)										
BUS	15,851	15,951	15,800	15,131	14,377	14,374	14,583	14,818	15,247	15,697
LIGHT RAIL	3,354	2,112	2,106	2,063	2,056	2,065	2,056	2,057	2,081	2,078
PARATRANSIT	6,296	6,746	7,582	6,816	6,011	5,948	5,995	6,196	5,922	5,851
PASSENGER MILES (000's)										
BUS	128,290	143,102	152,856	142,754	148,225	169,321	166,576	173,539	174,863	190,319
LIGHT RAIL	54,528	54,475	58,708	50,000	54,048	55,337	58,116	61,632	60,717	54,578
PARATRANSIT	7,835	8,486	9,908	9,005	8,017	8,133	8,205	8,097	6,827	6,493
FLEET SIZE										
BUS	539	480	448	424	494	445	443	443	540	500
LIGHT RAIL	100	100	99	99	99	99	99	99	99	99
CASH FARE SINGLE RIDE										
ADULT	$1.75	$1.75	$1.75	$2.00	$2.00	$2.00	$2.00	$2.00	$2.00	$2.00
YOUTH	$1.50	$1.50	$1.50	$1.75	$1.75	$1.75	$1.75	$1.75	$1.75	$1.75
SENIOR	$0.75	$0.75	$0.75	$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.

Table 26
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Operating Information - System Data
As of June 30, 2016

URBANIZED AREA (UZA):

346 Square Miles

ROUTES

Type of Route	Number of Routes
Local	53
Limited Stop	4
Express	17
Rapid	1
Light Rail	3
Total	78

HOURS OF OPERATION

Monday-Sunday	24 hours

PARK AND RIDE LOTS:

	Number of Lots	Number of Parking Spaces
Bus	7	573
Light Rail	20	6,389
Caltrain	15	4,667
Total	42	11,629

FACILITIES

Type of Facility	Number of Facilities
Bus Stops	3,853
Shelters	819
Benches	1,933
Trash Receptacles	824
Transit Centers	23

Table 27
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Operating Information – Full-time Equivalent Employees[1]
Ten Years Ended June 30, 2016

Fiscal Year	Operations	Planning & Program Development[2]	Finance & Budget[3]	Engineering & Transportaiton Infrastructure Development[4]	SVRT Program[4]	Government & Public Relations[5]	Business Services[6]	System Safety & Security[7]	Chief of Staff[9]	General Counsel	General Manager	Total
2007	1584	101	100	98	NA	NA	102	NA	NA	8	27	2020
2008	1628	48	103	98	4	70	92	NA	NA	10	4	2057
2009	1649	51	97	99	4	74	102	NA	NA	8	4	2088
2010	1588	50	95	97	4	57	100	NA	NA	8	18	2017
2011	1576	50	90	90	5	53	102	NA	NA	8	11	1985
2012	1599	52	93	86	6	51	103	NA	NA	9	13	2012
2013	1614	51	88	90	6	55	99	NA	NA	11	13	2027
2014[8]	1687	42	69	79	6	37	138	NA	25	12	5	2100
2015	1724	43	74	81	NA	4	135	30	55	13	5	2164
2016	1758	50	75	74	NA	26	192	33	NA	13	11	2232

[1] A full-time employee is scheduled to work 2,080 hours per year (including vacation and sick leave). Full-time equivalent employment is calculated by dividing total labor hours by 2,080. The table shows the total full-time equivalent by division.

[2] Previously referred to as Congestion Management Division, as a result of the reorganization in FY2014.

[3] Previously referred to as Fiscal Resources Division, as a result of the reorganization in FY 2014.

[4] In FY 2015, Engineering & Construction Program merged with SVRT Program to form Engineering & Transportation n Infrastructure Development.

[5] External Affairs Division was split into Public Affairs and Office of Chief of Staff, as a result of the reorganization in FY2014. In 2015, Public Affairs became Government & Public Relations.

[6] Previously referred to as Administrative Service Division, as a result of the reorganization in FY 2014. In September 2015 reorganization, some personnel from the Chief of Staff Division and Operation Division were transferred to Business Services.

[7] System Safety & Security became a division in FY 2015.

[8] A reorganization took effect in April 2014 which created new divisions.

[9] In September 2015 reorganization, all employees previously in the Chief of Staff Division were transferred to other divisions.

Table 28
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Operating Information - Capital Assets
Ten Years Ended June 30, 2016
(In thousands)

	Fiscal Years									
	2007	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
Capital assets, not being depreciated:										
Land and right of way	$ 1,118,577	$ 1,118,212	$ 1,119,217	$ 1,123,321	$ 1,122,805	$ 1,122,495	$ 1,122,368	$ 1,126,373	$ 1,124,646	$ 1,126,359
Construction in Progress	488,192	639,708	781,381	814,241	902,026	1,107,386	1,347,410	1,728,066	2,177,750	2,611,823
Total capital assets, not being depreciated	1,606,769	1,757,920	1,900,598	1,937,562	2,024,831	2,229,881	2,469,778	2,854,439	3,302,396	3,738,182
Capital assets, being depreciated:										
Buildings, improvements, furniture and	460,900	487,116	488,156	495,436	504,531	511,853	508,345	516,184	548,139	569,079
Vehicles	458,001	462,027	442,771	435,652	485,590	481,014	486,460	488,229	566,821	553,886
Light-rail tracks and electrification	399,563	399,824	399,824	402,622	403,831	403,394	413,674	415,905	415,905	418,195
Caltrain – Gilroy extension	53,155	53,155	53,155	53,307	53,307	53,307	43,072	43,072	43,072	43,072
Other operating equipment	29,416	39,770	32,044	42,610	46,065	46,152	45,876	46,062	47,156	47,289
Leasehold Improvement	2,169	9,686	9,686	9,686	9,686	9,686	9,686	9,686	9,686	9,686
Total capital assets, being depreciated	1,403,204	1,451,578	1,425,636	1,439,313	1,503,010	1,505,406	1,507,113	1,519,138	1,630,779	1,641,207
Less accumulated depreciation										
Total accumulated depreciation	(446,408)	(493,895)	(519,886)	(565,012)	(618,061)	(657,113)	(706,428)	(768,364)	(833,095)	(881,683)
Total capital assets, being depreciated, net	956,796	957,683	905,750	874,301	884,949	848,293	800,685	750,774	797,684	759,524
Total capital assets, net	$ 2,563,565	$ 2,715,603	$ 2,806,348	$ 2,811,863	$ 2,909,780	$ 3,078,174	3,270,463	$ 3,605,213	$ 4,100,080	$ 4,497,706

Source: Comprehensive Annual Financial Report

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