

Comprehensive Annual Financial Report

For Fiscal Year Ended
June 30, 2000

Santa Clara County, California

Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2000

Prepared by the Fiscal Resources Division

Scott Buhrer, Chief Financial Officer

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY(VTA)

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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, 1999

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Anne Spray Kinney
President

Jeffrey L. Esler
Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Santa Clara Valley Transportation Authority for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2000. This was the 4th consecutive year that the government has achieved this prestigious award.

In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

SECTION 1 — INTRODUCTION

LETTER OF TRANSMITTAL

BOARD OF DIRECTORS

PRINCIPAL OFFICIALS

ORGANIZATION CHART

SERVICE AREA MAP



November 7, 2000

Board of Directors
Santa Clara Valley Transportation Authority

Subject: Comprehensive Annual Financial Report

The Santa Clara Valley Transportation Authority (VTA) Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2000 was prepared in accordance with the guidelines recommended by the Government Finance Officers Association of the United States and Canada (GFOA). Responsibility for the accuracy, completeness, and fairness of the data and the clarity of the presentation, including all disclosures, rests with VTA. To the best of our knowledge, the enclosed data is reported in a manner designed to present fairly, in all material respects, VTA's results of operations, financial position, and cash flows in accordance with the requirements of generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB).

We are, once again, pleased that the FY99 CAFR earned the recognition of the GFOA with a Certificate of Achievement for Excellence in Financial Reporting. This award reflects the fact that the CAFR complied with stringent GFOA standards for professional financial reporting.

THIS REPORT IS ORGANIZED INTO THREE SECTIONS:

1. Introduction Section, including a table of contents, this letter of transmittal, a list of principal officials and organization chart.
2. Financial Section, including the financial statements with accompanying notes, supplemental schedules, and the independent auditors' report.
3. Statistical Section, including additional data about VTA over the last 10 years.

THE REPORTING ENTITY

The Santa Clara Valley Transportation Authority, also known as "VTA," is the result of a 1995 merger between two previously separate entities: the Santa Clara County Transit District and the Congestion Management Agency for Santa Clara County. VTA is also the successor organization to the Santa Clara County Traffic Authority, which terminated at the end of March 1997.

VTA is an independent special district responsible for bus and light rail operations, congestion management, specific highway improvement projects, and countywide transportation planning. As such, it is both an accessible transit provider and a multi-modal transportation planning organization involved with transit, highways, roadways, bikeways, and pedestrian facilities.

Bus Transit Service

VTA operates a bus fleet of 522 diesel-powered coaches on 77 bus routes within a service area of approximately 326 square miles. The system includes 4,750 bus stops, 615 bus shelters and 35 Park-and-Ride lots (five Park and Ride lots are owned by VTA and ten are provided under a lease, permit, or joint use agreement with other agencies).

Light Rail Transit (LRT) Service

As of June 30, 2000, VTA operated a 28-mile LRT system on three routes connecting the Silicon Valley predominantly industrial areas of Mountain View, Sunnyvale, Santa Clara and North San Jose to the predominantly residential areas in Mipitas, East and South San Jose. The LRT system has a total of 47 stations and 13 Park & Ride lots. A fleet of 50 light rail vehicles is operated. During the months of April through October, weather permitting, VTA also operates five historic trolleys through downtown San Jose. Construction of a 7.6 mile, 12-station extension to this rail line, (Tasman West) was completed and opened for service December 17, 1999.

Paratransit Services

In 1992, VTA implemented a paratransit system that operates throughout Santa Clara County. VTA has contracted with Outreach and Escort, Inc. to provide the service. Eligible riders call Outreach & Escort directly to schedule their trips, which are then assigned based on the most efficient mode of transportation meeting the rider's needs: taxi, accessible van or transfer to or from fixed-route. In January 1999, VTA began providing same-day paratransit service.

The paratransit requirements of the ADA have had and will continue to have significant operational and financial impacts on VTA.

Contracted, Interagency and Other Transit Services

Caltrain Peninsula Corridor Joint Powers Board (PCJPB)

Caltrain is a commuter rail service provided by the Peninsula Corridor Joint Powers Board (PCJPB), which is governed by representatives from VTA, the City and County of San Francisco, and the San Mateo County Transit District (SamTrans), who also serves as the managing agency of the PCJPB. The service operates between Gilroy and San Francisco and has 33 stations along the line. Using an A.M. peak ridership formula, member agencies underwrite the net operating costs and administrative expenses of the PCJPB for service between San Francisco and San Jose. VTA provided capital cost funding to extend Caltrain from San Jose to Gilroy, and is also responsible for the Gilroy segment operating costs. Approximately \$49 million dollars was spent from a combination of State rail bond grants and local funds to purchase trackage rights and construct stations and park-and-ride lot facilities.

Altamont Commuter Express Rail Service

The Altamont Commuter Express service (ACE) provides peak hour, weekday commuter rail service from the Central Valley to Santa Clara County. The corridor serves the counties of San Joaquin, Stanislaus, Contra Costa, Alameda and Santa Clara. The 85-mile rail line includes nine stations in Stockton, Lathrop, Tracy, Livermore (2), Pleasanton, Fremont, Santa Clara and San Jose. Shuttle and feeder bus service is provided at all station locations. ACE is funded by the member agencies of VTA, the Alameda County Congestion Management Agency and the San Joaquin Regional Rail Commission, which serves as the ACE managing agency. The funding share of the operating costs is based upon the proportional share of total daily boardings and alightings that occur in each county (currently, approximately 46% for Santa Clara County).

Capitol Corridor Intercity Rail

The Capitol Corridor Intercity Rail Service is provided by the Capitol Corridor Joint Powers Board (CCJPB), which is governed by representatives from VTA, the Sacramento Regional Transit District, Placer County Transportation Planning Agency, Congestion Management Agencies of Solano and Yolo Counties, and Bay Area Rapid Transit District (BART). Service is provided along the 185-mile corridor connecting Placer, Sacramento, Yolo, Solano, Contra-Costa, Alameda, and Santa Clara counties and offers seven daily round-trips. Four round trips provide service between Sacramento and San Jose, one between Sacramento and Oakland, and one beyond Sacramento to Auburn. Under contract with the CCJPB, BART manages and Amtrak operates the service on tracks owned by Union Pacific Railroad.

Inter County Bus Service

The Dumbarton Express is a transbay express bus route operation between the Union City BART station and Stanford Research Park in Palo Alto. It provides regularly scheduled public transit service over the Dumbarton Bridge. AC Transit, BART, Union City, SamTrans and VTA underwrite the net operating costs of the service. This service is operated through a contract with a private transit provider.

The Highway 17 Express provides intercounty bus service between Santa Cruz and downtown San Jose, through a cooperative agreement between VTA and the Santa Cruz Metropolitan Transit District, which also operates the service.

1996 Measure B Transportation Improvement Program

In November 1996, the voters in Santa Clara County approved Measure A – an advisory measure listing an ambitious program of transportation improvements for Santa Clara County. Also approved on the same ballot, Measure B authorized the Santa Clara County Board of Supervisors to collect a nine-year half-cent sales tax for general county purposes. This revenue has subsequently been dedicated by the Board of Supervisors as a funding source for Measure A projects.

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VTA operates a bus fleet of 522 diesel-powered coaches on 77 bus routes within a service area of approximately 326 square miles. The system includes 4,750 bus stops, 615 bus shelters and 35 Park-and-Ride lots (five Park and Ride lots are owned by VTA and ten are provided under a lease, permit, or joint use agreement with other agencies).

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1996 Measure B Transportation Improvement Program

In November 1996, the voters in Santa Clara County approved Measure A – an advisory measure listing an ambitious program of transportation improvements for Santa Clara County. Also approved on the same ballot, Measure B authorized the Santa Clara County Board of Supervisors to collect a nine-year half-cent sales tax for general county purposes. This revenue has subsequently been dedicated by the Board of Supervisors as a funding source for Measure A projects.

Collection of the tax began in April 1997; however, use of the tax revenue was delayed by litigation challenging the sales tax legality. In August 1998, the California courts upheld the tax allowing the Measure B Transportation Improvement Program to move forward.

In February 2000, the VTA Board of Directors approved a Master Agreement formalizing VTA's partnership with the County of Santa Clara to implement the Measure B Transportation Improvement Program. With this partnership in place, the County and VTA are in a position to complete a transportation program valued at over \$1.7 billion. VTA is responsible for project management of the transit and highway projects and administration of the pavement management and bicycle elements of the program.

Shuttle Program

Light Rail Shuttle

Through the Light Rail Shuttle Program, VTA offers financial assistance to employers that wish to operate shuttle bus service between light rail stations and nearby employment centers. The service is operated by private contractors and administered by VTA or the employer. Shuttles, usually vans, operate trips carrying employees from light rail to work and back. Funding to operate this program is provided by the employer (minimum of 25%), VTA (typically 30%), and grants (45%) under the Transportation Fund for Clean Air Act (AB434).

Downtown & Arena Shuttles

VTA operates a free shuttle (DASH) on weekdays between the downtown San Jose Transit Mall, San Jose State University, and San Jose Diridion Train Station. VTA, the Transportation Fund for Clean Air Act, City of San Jose, and San Jose Downtown Association provide funding for the service.

VTA operates a free shuttle service from the downtown San Jose Transit Mall to all public San Jose Arena events. The number of buses operating and frequency of service depends on the event. This program is also funded by the Transportation Fund for Clean Air Act.

San Jose Airport Flyer

VTA, in partnership with the City of San Jose, provides free Airport Flyer bus service connecting San Jose International Airport terminals and airport employee parking lots with VTA's Metro/Airport Light Rail Station and the Santa Clara Caltrain Station. The City of San Jose and VTA equally share the operating costs for this service.

ECONOMIC CONDITION AND OUTLOOK

Sales Tax

Sales tax is the primary source of funds for VTA's operations and capital needs. Local sales tax is derived from a one-half cent sales tax restricted for transit purposes, levied within Santa Clara County. VTA also receives State of California Transportation Development Act (TDA) funds, which are derived from a one-quarter cent sales tax levied by the State of California and allocated on a "return to source" basis for transportation use. These two sales taxes account for approximately 80% of the total revenues.

Due to its heavy dependence on the high-tech industry, Santa Clara County's economy has been volatile, with our sales tax revenue reflecting the same pattern. Receipts for FY96 had a 22% increase over FY95, while FY99 receipts increased only 3.8% from the previous year. For FY00, VTA experienced an increase of 17.4% over FY99, primarily due to strong consumer spending as a result of a healthy economy, a strong labor demand, and gains in the stock and housing markets. However, we believe the economy will grow at a slower pace in FY01 as consumers will likely retrench from their recent heavy spending for two major reasons:

- The economy is heading to a soft landing orchestrated by the Federal Reserve. As a result, corporate profits will be less spectacular, the unemployment rate will edge up higher from their record lows, and stock gains will be curtailed. These factors translate into lower consumer confidence and smaller disposable income, discouraging consumers' appetite for goods and services.
- The continuing high housing costs in Santa Clara County will absorb a higher percentage of the disposable income, thus further reducing consumer spending.

Therefore, we forecast a conservative increase of 1.9% to a total of \$170 million in half-cent sales tax revenue for the upcoming year.

Ridership & Farebox Revenue *Denise Uriarte*

Total system ridership for FY00 was the highest ever recorded in VTA history. 54.9 million riders boarded VTA's directly operated bus and light rail system during the fiscal year, representing an increase of 1.1% over FY99. For FY01, VTA forecasts a ridership increase of 3.8%. The Tasman West Light Rail Extension will complete its first full year of service in FY01, and will undoubtedly contribute significantly to the projected ridership growth.

VTA operating revenues exceeded prior year levels by 17.1%. Fare revenue exceeded prior year levels by 19.4%, with over \$32 million in fares collected during the fiscal year. VTA's operating cost recovery ratio for FY00 dropped slightly to 16.3%. The Board's goal of achieving a 25% operating cost recovery ratio is difficult but attainable. VTA's practice is to review fares and adjust, if necessary, every two years.

Contributing to increased ridership and passenger fares is VTA's Eco Pass Program. Eco Pass is an annual transit pass that allows employees and residents unlimited rides on VTA Buses, Light Rail and Paratransit Service. Employers and residential communities purchase Eco Passes for all full-time employees or residents paying one low price. Eco Pass is a photo ID validated with an annual sticker. Eco Pass revenues were up 43% over last fiscal year with approximately \$960,000 collected.

Federal Section 5307 (formerly FTA Section 9) Urbanized Formula Program

Federal Section 5307 allows eligible recipients (such as VTA) to claim capital grant funds to fund maintenance costs and other projects such as routine bus replacement. Grant applicants may apply for FTA grants in an amount up to 80 percent of annual vehicle maintenance costs. VTA has incorporated this policy in its grant application strategies. The funds are reflected in the financial statements as Federal Operating Assistance.

1996 Measure B Transportation Improvement Program

The VTA Board of Directors and the Santa Clara County Board of Supervisors approved a Memorandum of Understanding (MOU) formalizing the partnership to implement the transportation projects referred to in this document as the Measure B Transportation Improvement Program. VTA is responsible for project management of the Transit and Highway Projects and the administration of the pavement management and bicycle elements of the program. The ultimate scope of the projects, delivery schedules and estimated costs for completion will be revised collaboratively by the Cities, Santa Clara County and VTA.

The Transit Projects, estimated at a cost of \$925 million, include:

1. Tasman East Light Rail Project - extending the current Light Rail system to Milpitas and Northeast San Jose
2. Vasona Light Rail Extension Project - constructing the Vasona Light Rail line from downtown San Jose to the San Jose Arena/Caltrain Diridon station and on to downtown Campbell, with eventual extension to Los Gatos
3. Capitol Light Rail Extension Project - building the Capitol Light Rail line from northeast San Jose - connecting to the Tasman line - down Capitol Avenue through east San Jose to the Alum Rock area, with eventual service to Eastridge
4. New LightRail Vehicles
5. Fremont/South Bay Corridor Service - interim improvements service connecting BART in Alameda County with San Jose, bus and possible ACE and Capitol corridor improvements
6. Caltrain Service Improvements - improving Caltrain commuter rail service by adding trains and improvements between Gilroy and Palo Alto.

The Highway Projects, estimated at a cost of \$538 million include:

1. Route 880 widening from four to six lanes from Montague Expressway to 101, and an auxiliary lane on Southbound Route 880 from 101 to the North First Street Exit Ramp
2. Routes 85/87 direct connector ramps for the southbound 85 to northbound 87 and southbound 87 to northbound 85, plus addition of a HOV lane in each direction of Route 87
3. Route 101 widening from four to six lanes, plus potentially two HOV lanes between Metcalf Road in San Jose and Burnett Road in Morgan Hill
4. Routes 85/101 interchange in Mountain View, including HOV Direct Connector
5. Routes 237/880 direct connector ramps for southbound I-880 to westbound 237 and eastbound 237 to northbound I-880, and HOV lane direct connector ramps for southbound I-880 to westbound 237 and eastbound 237 to Northbound I-880
6. Route 87 HOV lane projects between Route 85 and Julian Street
7. Route 17 improvements between Route 9 in the Town of Los Gatos and I-280 in San Jose
8. Routes 85/101 interchange in South San Jose – complete the existing interchange by adding two direct connectors
9. Route 152 safety Improvements – safety and operation improvements between Routes 101 and 156
10. Route 85 Noise Mitigation.

The Ancillary Measure B Projects, estimated at a cost of \$202 million include:

1. Pavement Management Program – provides \$90 million to local jurisdictions for street maintenance and repairs
2. Bicycle Program – provides \$12 million for the development of a Countywide Bicycle Plan and the implementation of a series of bicycle projects
3. Fund Exchange Projects – Through a series of actions taken by VTA's Board of Directors, \$67.9M in state and federal funds were programmed to the Tasman East Light Rail Extension in order to release local Measure B funds to other transportation projects, including: 1) I-680 HOV Lanes, 2) US101/Bailey Road Interchange, 3) Gateway studies, and 4) Montague Expressway Project.

FUTURE TRANSPORTATION PROJECTS (BUDGET BOOK)

2000 Measure A Transportation Improvement Program

On August 29, 2000, the VTA Board of Directors adopted the VTA's Valley Transportation Expenditure Plan. The Expenditure Plan is an \$8.9 billion funding program over a 36-year period that provides for Roadways, Transit, Intelligent Transportation Systems (ITS), and Bicycle and Pedestrian Facilities. Implementation will include a 30-year extension of the ½ cent sales tax (\$6 billion) for transportation, which was approved by the Santa Clara County voters on November 7, 2000.

The Roadway Projects, estimated at a cost of \$1.092 billion, include freeway and expressway improvements such as widenings, ramp modifications, HOV lanes, interchange and other improvements. The Expenditure Plan includes other program projects, estimated at a cost of \$1.055 billion, include such projects as Local Streets and County Roads, Transportation System Operations and Management, Soundwalls, Pavement Management, Bicycle Projects, Livable Community and Pedestrian Projects, Landscape Restoration and Graffiti Removal.

The Transit Projects, estimated at a cost of \$6.8 billion, include such projects that will connect BART to Milpitas, San Jose, Santa Clara; build rail connection from San Jose International Airport to BART, Caltrain, lightrail; purchase vehicles for disabled access, senior safety, zero-emission buses; provide additional lightrail throughout Santa Clara County; expand, electrify Caltrain; increase rail, bus service; and, fund related operating expenses.

ACCOUNTING SYSTEM AND BUDGETARY CONTROL

The financial affairs of VTA are organized on the basis of funds, each of which is accounted for with a separate set of self-balancing accounts for its assets, liabilities, equity, revenues and expenses/expenditures. Resources are allocated to, and accounted for in, individual funds based upon the purpose of the expenditures. The funds are grouped into broad fund categories.

Proprietary Fund Type – Enterprise Fund

VTA operations and certain capital activities are accounted for in various enterprise funds that are consolidated for reporting purposes. These funds use the accrual method of recognizing revenues and expenses. Of all the governmental accounting structures, the Enterprise Fund is most similar to a private enterprise. Under the accrual method of accounting, revenues are recorded when earned and expenses are recorded when incurred. The measurement focus is on determination of net income (loss), financial position and cash flows. Where appropriate, statements and schedules reflect amounts, including provisions for claims made against VTA, based on estimates and judgments by management.

Governmental Fund Type – Special Revenue Funds and Capital Project Funds

The activities of the Congestion Management Program and the Traffic Authority Program are accounted for in separate special revenue funds. A special revenue fund is used to account for the proceeds of revenue sources that are legally restricted to expenditures for specified purposes. The Congestion Management Program receives operating contributions from VTA, the County and fifteen cities. The Traffic Authority program receives the proceeds of ongoing settlements from the California State Board of Equalization related to a ten year, one-half cent sales tax, which expired in 1995. The activities of the Measure B – Highway Projects are accounted for as a Capital Projects fund. The Capital Projects fund is used to account for the major capital acquisitions and construction activities.

Fiduciary Fund Type – Trust and Agency Funds

The activities of the Amalgamated Transit Union (ATU) Pension Plan, the ATU Spousal Medical Trust, and the Retiree Vision and Dental Trust are accounted for in trust funds. Trust funds are used to account for assets held by VTA as a trustee for individuals and other organizations such as ATU and local governments.

The Bay Area Air Quality Management District program and the Measure B Pavement Management and Bicycle Programs are accounted for in an agency fund. Agency funds are used to account for assets held solely in a custodial capacity.

Component Unit Financial Statements

VTA issues separate component unit financial statements for the ATU Pension Plan and the Congestion Management Program.

Budgetary Control

State law requires the adoption of an annual budget, which must be approved by the Board of Directors. VTA budgets annually for its Enterprise Fund and its Special Revenue Funds. The Capital Projects Fund is budgeted on a multi-year basis and therefore annual information is not available for this fund. The budget for the Enterprise Fund is developed on an accrual basis and the budget for the Special Revenue Funds are done on a modified accrual basis.

Budgetary control is maintained at the fund level. The responsible director must authorize line item reclassification amendments to the budget. Managers are assigned responsibility for controlling their budgets and monitoring expenditures/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 or abandoned.

FINANCIAL STATUS – ENTERPRISE FUND

For the year, revenues exceeded expenditures by \$19.7 million resulting in an increase to total reserves ended June 30, 2000 on a budgetary basis. Budgetary reserves represent VTA's net working capital. The current and restricted assets less the current and restricted liabilities result in the total budgetary reserves that are available to meet future capital and operating needs.

Table 1.1 presents restricted and unrestricted budgetary reserves as of June 30, 2000.

Budgetary Reserves (in millions)	
Restricted	
Operating Reserves	\$ 44.3
Local Share of Approved Capital	<u>116.4</u>
Total Restricted	\$160.7
Unrestricted	<u>42.7</u>
Total Budgetary Reserves	\$203.4

Table 1.1

In accordance with the Board policy, 15% of the subsequent year operating budget is restricted to meet emergency needs that cannot be funded from any other source. This ensures that sufficient funds are available in the event of unanticipated revenue shortfalls or if unavoidable expenditures may be required.

On November 7, 2000, the voters of Santa Clara County approved Measure A, a half-cent sales tax to be imposed for a period of 30 years, and to take effect upon the expiration of the current County of Santa Clara 1996 Measure B half-cent sales tax beginning April 1, 2006. The half-cent sales tax will be received by VTA and will be used for a number of capital transit projects, including the connection of BART to San Jose, increased bus and lightrail service and to provide for related operating expenses.

INTERNAL CONTROLS (GRACE SALANDONAN)

To reasonably assure compliance with established policies and procedures and to protect assets, VTA has established a system of internal controls, including budget guidelines. The internal audit department reviews internal controls, conducts performance audits, and then issues reports on its findings, which include recommendations for improvement. Internal audit reports to the Chief Financial Officer. There are inherent limitations that should be recognized in considering the potential effectiveness of any system of internal control. The concept of reasonable assurance is based on the recognition that the cost of a system of internal control should not exceed the benefits derived therefrom, and that the evaluation of those factors requires estimates and judgments by management. We believe VTA's internal control structure adequately safeguards assets against loss from unauthorized use or disposition, and provides reasonable assurance of proper recording of financial transactions in the financial statements.

Major subjects reported on during FY 2000 by the internal audit department are:

- Compliance audit on Contractor/Vendor
- Operational Reviews to improve process effectiveness and efficiency
- Review of Internal Control Structure
- Compliance Review of Investments with VTA policy and government code
- Follow up of recommendations by external regulatory agencies
- Review of Authorizations and Profiles (permitted activities) in SAP.

MAJOR ACCOMPLISHMENTS AND INITIATIVES

The Board has established policy direction in five key areas:

- Integrating land use and transportation.
- Using all transportation options.
- Creating a safe, convenient, reliable and high quality bus/rail operation.
- Building a regional perspective.
- In partnership with Santa Clara County, implementing the 1996 Measure B Transportation Improvement Program.

Consistent with the Board mission statement, VTA continues its aggressive program of expansion and change. Most important are efforts to continue the strong ridership growth of the past few years. Major initiatives to support this goal and our other strategic priorities will affect all elements of the organization, some more noticeably than others.

Major Accomplishments

- Opened the Tasman West light rail line on December 20, 1999, one year ahead of schedule and within budget.
- Set new ridership records.
- Increased our bus fleet to 525 vehicles in order to support our expansion goals.
- Expanded the employer-based Eco Pass Program to include 56 participating employers, representing more than 100,000+ employees.
- In partnership with the County of Santa Clara, developed the Base Case Implementation Plan, for the 1996 Measure B Transportation Improvement Program.
- Began development of Valley Transportation Plan 2020 (VTP2020), a 20-year, countywide, multi-modal transportation blueprint for Santa Clara County that will have a special emphasis on the integration of transportation and land-use planning.
- Awarded contracts for final design work for seven of the eleven Measure B Highway Projects.
- Implemented Phase II of the VTA Integrated Information System (VTAIIS) – Human Resources and Payroll modules.

Major Initiatives

- Continue to expand transit service by implementing VTA's FY 2001 Service Plan and developing the FY 2002 plan.
- Achieve the following 1996 Measure B Transportation Improvement Program milestones:
 1. Open for revenue service the initial phase of the Tasman East light rail project from Baypoint to I-880
 2. Begin construction of the final phase of the Tasman East light rail project between I-880 in the City of Milpitas and Hostetter Drive in northeast San Jose
 3. Complete environmental clearance and obtain possession of all right-of-way needed for the Capitol and Vasona Light Rail Projects
 4. Begin construction work on Route 880, Route 17, and Route 85/87
 5. Execute amendment to the Master Cooperative Agreement with the County for the implementation of the fund swap projects
 6. Execute amendments to Pavement Management Program Cooperative Agreements with the cities for disbursement of FY01 Measure B allocation.
- Complete the Downtown/East Valley Major Investment Study and initial conceptual engineering.
- Complete construction of the Gilroy Transit Center, San Martin Park-and-Ride Lot Phase I Expansion, and West Valley College Transit Center.

- Complete the Valley Transportation Plan (VTP) 2020, which will set the stage for the future by creating a visionary transportation strategy for Santa Clara Valley, with a strong emphasis on integrating transportation and land use planning.
- Expand and promote the new residential Eco Pass Program to neighborhood groups, homeowners' associations and property managers.
- Develop a strategic Plan for Americans with Disabilities Act (ADA) paratransit service.

FINANCIAL HIGHLIGHTS – ENTERPRISE FUND

Revenues (BUDGET BOOK)

Operating revenues are derived from the sale of monthly passes, tokens, bus farebox receipts, light rail ticket vending machine receipts and the sale of advertising space. VTA offers the following ticket options: cash fare, tokens, day pass, book of 10 day passes, monthly flash pass, and Eco pass. Discounted passes are offered for youth, seniors, disabled and homeless patrons.

Non-operating revenues include one-half of one percent local sales tax, one quarter of one percent California Transportation Development Act (TDA) funding, State Transit Assist (STA) funding, State license fees (AB434), interest, and federal planning grants. Non-operating revenues had a total increase of 14.9% over FY99, with the most significant change occurring in Interest Income. This was attributable to interest accrued on the \$50 million repayment from the County, which VTA had advanced in order to move the Measure B projects forward. Revenue projections for FY 2001 are conservative, with a projected conservative increase in sales tax revenue of 1.9%. Allocation of TDA funding is expected to grow at the same rate as the sales tax revenue.

Table 1.2 presents a comparison of selected revenue categories for fiscal years 1999 and 2000.

(Dollars in \$000's)	1999	2000	Change Amount	Percent
Operating Revenue	30,956	36,253	5,297	17.1%
Sales Tax Revenue	143,712	166,764	23,052	16.0%
TDA	62,528	75,310	12,782	20.4%
STA & AB 434	5,061	5,126	65	1.3%
Interest Income	5,535	8,286	2,751	49.7%
Other Income	10,170	4,808	(5,362)	-52.7%
TOTAL	\$257,962	\$296,547	\$38,585	15.0%

Table 1.2

Figure 1.2 presents a graphical comparison of selected revenue categories for fiscal years 1999 and 2000.

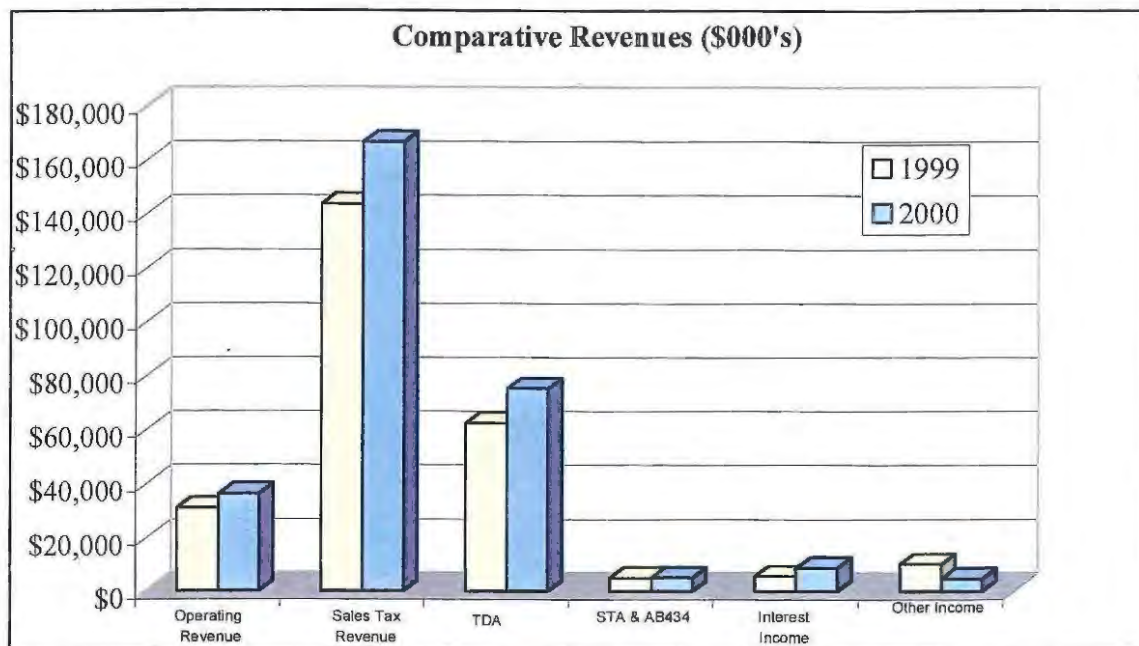


Figure 1.2

Expenses (TRANSIT SERVICE PLAN, DENISE VPIAETI)

Operating expenses are incurred for personnel and support services - both direct and indirect, contracted services, insurance, purchased transportation and other overhead costs related to bus and light rail operations. In support of VTA's Strategic Plan, primary operational focus contributing to the overall increase in expenses include Transit Service, Rail Expansion, and Service Quality Improvements.

The Short-Range Transit Plan adopted by VTA ^{in 2000} outlined a number of transit service improvements for the year. The plan focused significantly on service reliability, headway improvements, service hour expansion, network expansion and the expansion of the light rail system. The service expansion plan is dedicated to meeting passenger demand by increasing the size of our bus fleet, adding additional trips, and improving frequency of service on several lines to improve mobility and access. Rail Expansion delivered its first extension for our customers with the opening of Tasman West Light Rail service to Sunnyvale and Mountain View in December 1999. In order to introduce and operate this new service, key areas were supplemented to meet this challenge. Our dedication to customer safety, aggressive response to vandalism, and assurance that VTA will meet its operating schedules were addressed through additional staffing and completion of the Bus Window Replacement Program. This program retrofitted all buses with strengthened window glass and replaceable sacrificial sheets.

service reliability

Operating expenses had an overall increase of 18.3% over FY 1999, with the most significant increases occurring in Labor, Fringe Benefits, Services and Purchased

Transportation. The increases are commensurate with VTA's continued commitment towards improving the transportation infrastructure of Santa Clara County.

Although the cost of operating the transit system during the year increased and correspondingly the cost per revenue hour increased by nearly 13% from the previous year, the increase can be attributed to several one-time costs, such as the Tasman West rail activation costs and the \$10.7 million unfunded liability contribution to ATU pension.

Table 1.3 presents a comparison of operating expenses for fiscal years 1999 and 2000, by major category.

(Dollars in \$000's)	1999	2000	Change	
			Amount	Percent
Labor	88,779	98,372	9,593	10.8%
Fringe Benefits	53,575	75,354	21,779	40.7%
Materials & Supplies	19,646	15,540	-4,106	-20.9%
Services	15,200	21,379	6,179	40.7%
Utilities	4,071	5,167	1,096	26.9%
Casualty & Liability	3,895	2,403	-1,492	-38.3%
Purchased Transportation	15,487	17,456	1,969	12.7%
Leases & Rentals	467	637	170	36.3%
Other	1,107	3,011	1,904	172.0%
TOTALS	\$202,227	\$239,319	\$37,092	18.3%

Table 1.3

Figure 1.3 presents a comparison of operating expenses for fiscal years 1999 and 2000, by major category.

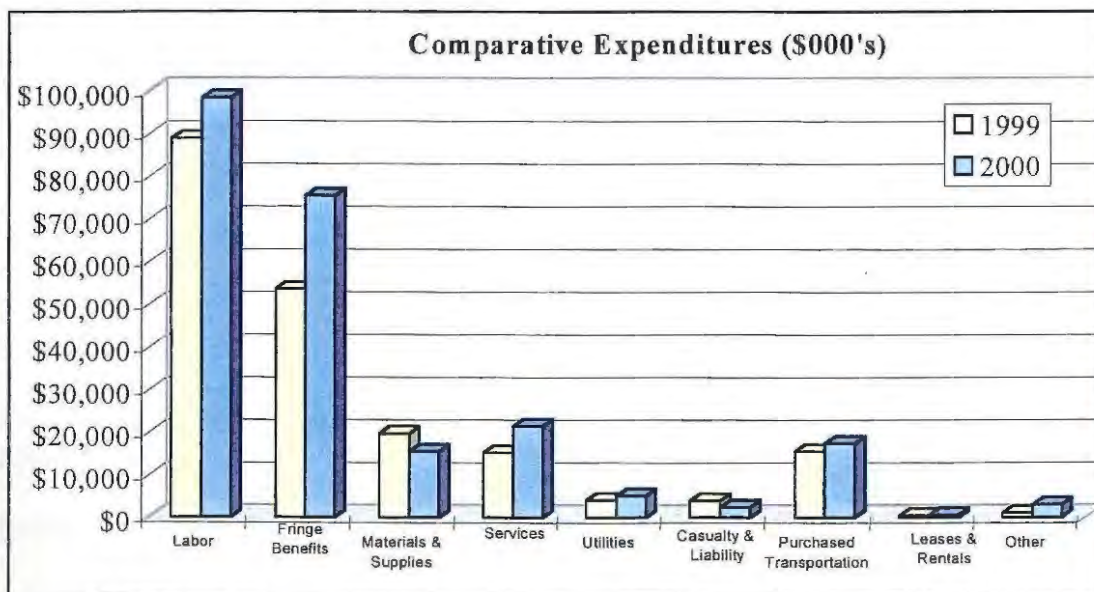


Figure 1.3

CASH AND INVESTMENTS (MANNY BAGNAS)

VTA cash and investments are managed in accordance with California Government Code Section 53601 and other applicable state law. The Restricted and Unrestricted investment policy is periodically reviewed and approved by the Board of Directors. The investment policy defines permitted investments and prescribes investment strategies. The investment strategies are expressed through asset allocation ranges and targets. Risk tolerance and performance expectations are defined by benchmark indexes.

Restricted investments are for all non-retirement assets. Restricted assets consist of monies and other resources which are either Board designated or legally restricted for the following purposes:

Capital and operating	General Liability Insurance
Workers' Compensation	Long-term accrued vacation and
Debt Service	sick leave benefits
Retiree Healthcare	

The Restricted/Unrestricted Investment Policy includes two asset allocation and accompanying benchmarks as shown below. In accordance with California Government Code Section 53620 – 53622, the assets of the Retiree Health Care Program funds may be invested in a manner similar to those made by pension funds. The asset allocation mix will be modified slightly in 2001.

<u>Retiree Health:</u>	<u>Benchmark</u>	<u>Asset Allocation</u>	
		6/2000	6/2001
1.	Lehman Aggregate (Fixed Income)	50%	40%
	S & P 500 Index (Equity)	50%	60%

Operating/All non-retirement:

2.	US Government Intermediate Fixed Income	100%	100%
----	---	------	------

The ATU/VTA Pension Plan Investment Policy functions like the Restricted/Unrestricted Investment Policy, with the notable exception that Pension Plan Trustees review and approve the policy, (pursuant to California State Proposition 162 enacted in November 1992). The Pension Plan is a defined benefit plan and its financial position and results of activities are reported in separate financial statements.

The asset allocation and benchmark as of June 30, 2000 and targets for fiscal year ended June 30, 2001:

<u>Retiree Health:</u>		<u>Asset Allocation</u>	
		6/2000	6/2001
	Lehman Aggregate (Fixed Income)	50%	40%
	S & P 500 Index (Equity)	50%	60%
<u>Operating/All non-retirement:</u>			
	US Government Intermediate (Fixed Income)	100%	100%

ATU Pension Plan

Lehman Aggregate	50%	40%
Domestic Large Cap (Equity)	20%	20%
Domestic Small Cap (Equity)	10%	10%
Domestic Large Cap (Index)	10%	15%
International Stock (MSCI EAFE)	10%	15%

With respect to assets still held by the County, the investment policies of the commingled pool conform to State statutes. In addition, VTA has an adopted policy regarding the types of investments which may be made and the maximum amounts which may be invested in any one financial institution or amounts which may be invested in long-term instruments.

Investment income decreased slightly because of several factors. First, the amount of invested funds increased as a result of the reimbursement received from the County for advances made for the Measure B Transportation Improvement Program. Second, prevailing interest rates rose, which caused the fair market value of fixed income securities to decline. VTA's investment program is actively managed and therefore we "mark-to-market" or reduced the value of the securities by \$10.9 million for accounting purposes.

Investment earnings, recognized on the Combined Statement of Revenues and Expenses - Enterprise Fund, amounted to approximately \$8.3 million during fiscal year 2000. \$8.8 million in investment earnings is reported on the component unit statements of the Amalgamated Transit Union Pension Plan.

Funds invested for restricted assets include workers' compensation, general liability, and retiree medical activities. The expense for these activities is recognized in the Enterprise fund for payments of the contribution amount that is net of expected earnings. The contribution amounts are based on actuarial studies. The increase in investment assets is recognized as an increase in cash and increase in other accrued liabilities. Approximately \$1.7 million in restricted investment earnings are accounted for in this manner.

Table 1.4 summarizes the investment earnings for FY 2000.

Enterprise Fund Earnings	\$ 8.286
Special Revenue Fund Earnings	.015
ATU Pension Interest Earnings	<u>8.777</u>
Income Recognized	17.078
Reduction of Contribution	1.694
Total Investment Earnings	18.772

Table 1.4

RISK MANAGEMENT *(Nancy Zekerowicz)*

VTA self-insures the first \$2 million of all public liability claims and the first \$1 million of all Workers Compensation claims. Based on annual independent actuarial studies, the claims programs funds are adjusted annually to maintain a projected financial position at an estimated 80% confidence level. Risk Management Department Claims Staff oversee third party administrators for the adjustment and payment of claims from both self-insurance funds.

The Risk Manager obtains excess casualty and property insurance coverage for operations and also manages the Owner-Controlled Insurance Programs (OCIP) for major construction projects estimated at approximately \$350 million. The rail construction OCIP is a fully insured program providing \$10 million in General Liability coverage, and statutory Workers Compensation coverage for construction contractors, at a reduced premium cost to VTA. Premium costs are based on a guaranteed rate per \$100 of construction payroll. Fifty contractors are currently enrolled in the program.

DEBT

VTA's debt portfolio comprises fixed and variable rate debt. Outstanding bond issues as of June 30, 2000 total approximately \$114.7 million and include:

1999 Sales Tax Revenue Bonds	\$50 million
1997 Sales Tax Refunding Bonds	\$34.9 million
1985 Equipment Trust Certificates	\$29.7 million

Proceeds from the issues were used to finance light rail vehicles, purchase an administration facility, and acquire certain parcels of land. VTA refunded the 1991 Series A Bonds as well as the 1994 ABAG Series C certificates, and issued \$50 million of junior lien variable rate sales tax revenue bonds to finance certain capital projects.

In addition, VTA executed a leveraged operating lease transaction under which it leased out and leased back 285 buses. The net present value benefit derived from this transaction was approximately \$2 million.

We will continue leveraging the capital structure to minimize interest expense and improve cash flow positions as prudent market conditions allow.

INDEPENDENT AUDIT

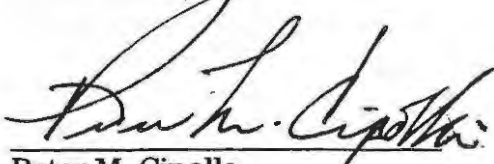
The independent auditor for fiscal year 2000 was KPMG LLP, which issued an unqualified opinion on the VTA's June 30, 2000 general-purpose financial statements.

It is management's intention to submit this and future CAFRs to the Government Finance Officers Association of the United States and Canada to determine its eligibility for another Certificate of Achievement for Excellence under the Financial Reporting Program. We believe the current comprehensive annual financial report continues to meet the program requirements.

ACKNOWLEDGEMENTS

We express our thanks to the Financial Accounting Department and to all other VTA employees who participated in the preparation of this report. Marketing and Customer Service and the Copy Center also made significant contributions to the form, content and production of the report.

November 7, 2000



Peter M. Cipolla
General Manager



Scott Buhrer
Chief Financial Officer

**2000 VTA
Board of Directors**

VTA is an independent special district governed by its own Board of Directors. The Board consists of 12 elected city and county officials, appointed by the jurisdictions they represent. Board membership is based on population as follows:

1. Five city council members from the city of San Jose
2. Three city council members from among the cities of Los Altos, Los Altos Hills, Mountain View, Palo Alto, Santa Clara and Sunnyvale
3. One city council member from among the cities of Campbell, Cupertino, Los Gatos, Monte Sereno, and Saratoga
4. One city council member from among the cities of Gilroy, Milpitas and Morgan Hill
5. Two members from the Santa Clara County Board of Supervisors
6. Ex-Officio, Santa Clara County's two representatives to the Metropolitan Transportation Commission (MTC)

Each of these groupings has one alternate. The Board of Directors meets at 6 p.m. on the first Thursday of each month.

Blanca Alvarado, Chairperson
Manuel Valerio, Vice Chairperson

<p>Group 1 City of San Jose</p> <p>Cindy Chavez Ron Gonzales Margie Matthews Charlotte Powers Alice Woody Linda J. LeZotte, Alt.</p>	<p>Group 2 City of Los Altos Town of Los Altos Hills City of MountainView City of Palo Alto City of Santa Clara City of Sunnyvale</p> <p>Nancy Zoe Sandra Eakins, Alt. Judy Nadler Manuel Valerio</p>
<p>Group 3 City of Campbell City of Cupertino Town of Los Gatos City of Monte Sereno City of Saratoga</p> <p>Jane P. Kennedy, Alt. Jack Lucas</p>	<p>Group 4 City of Gilroy City of Milpitas City of Morgan Hill</p> <p>Thomas Springer, Alt. Dennis Kennedy</p>
<p>Group 5 County of Santa Clara</p> <p>Blanca Alvarado Pete McHugh Jim Beall, Jr., Alt.</p>	<p>Group 6 Ex-Officio Metropolitan Transportation Commission</p> <p>Jim Beall, Jr. John McLemore</p>

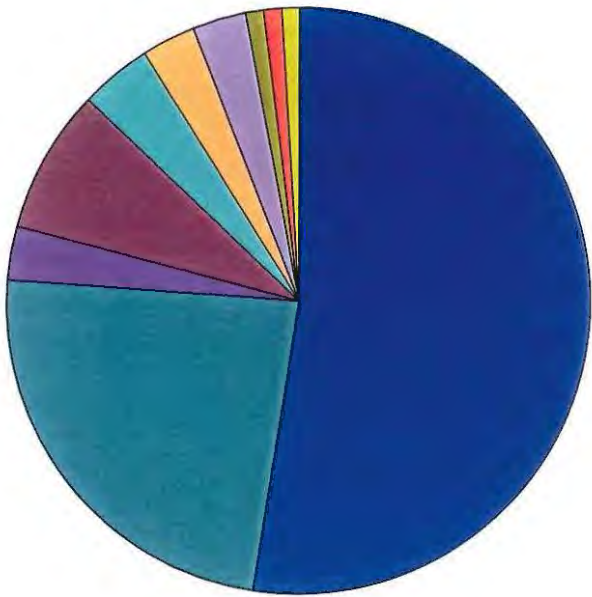
The Board of Directors established three policy committees and six advisory committees. The policy committees advise on policy matters and provide in-depth review of individual issues before taking final action. The committees include:

1. Administration and Finance Committee (A & F)
2. Congestion Management Program and Planning Committee (CMPP)
3. Transit Planning and Operations Committee (TP & O)

The advisory committees review policies under development to ensure that they meet the needs of constituents, customers, elected officials, the business community and others. The committees include:

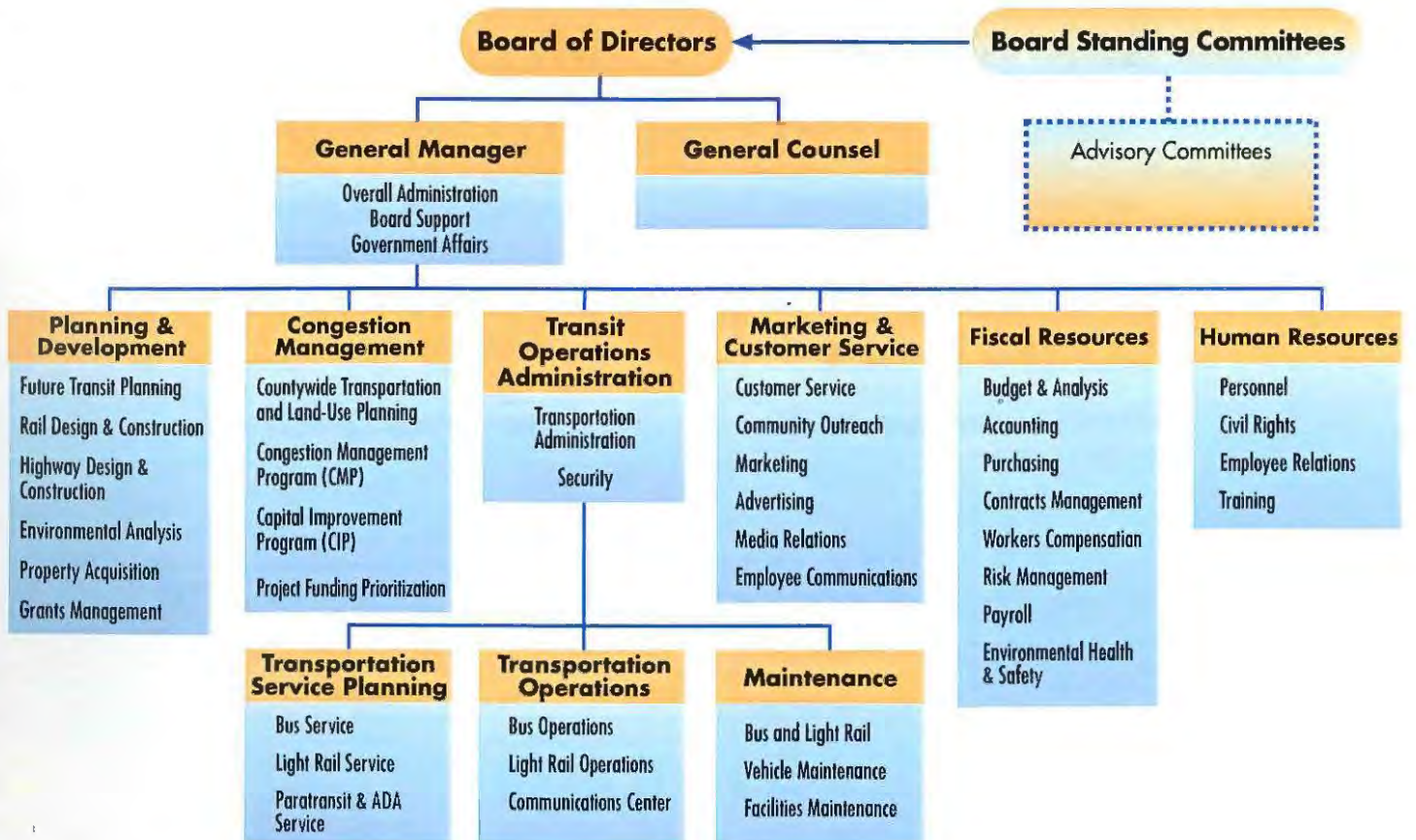
1. Committee for Transit Accessibility (CTA)
2. Citizens Advisory Committee (CAC)
3. Countywide Bicycle Advisory Committee (BAC)
4. Technical Advisory Committee (TAC)
5. Policy Advisory Committee (PAC)
6. Transportation Corridor Policy Advisory Boards (PABs).

Number of Employee Positions in Organizational Units



Transportation Operations	1305	53%
Transportation Maintenance	607	24%
Planning & Development	65	3%
Fiscal Resources	209	8%
Human Resources	101	4%
Marketing & Customer Service	72	3%
Rail Design & Construction	63	3%
Congestion Management & Highway Programs	17	1%
General Counsel	7	1%
General Manager	16	1%

Santa Clara Valley Transportation Authority



Principal Officials

General Manager	Peter M. Cipolla
General Counsel	Suzanne Gifford
Board Secretary	Sandra Weymouth
Chief Financial Officer	Scott Buhner
Chief Information Officer	Richard Kurk
Congestion Management	Michael P. Evanhoe, Director
Congestion Management Highway Development	Jeff Funk, Deputy Director
Fiscal Resources	Jerry Rosenquist, Deputy Director
Government Affairs	Kurt Evans, Manager
Human Resources	Kaye Evleth, Director
Maintenance	George Barlow, Deputy Director
Marketing & Customer Service	Anne-Catherine Vinickas, Director
Operations	Frank Martin, Director
Planning & Development	James Pierson, Director
Rail Construction	Les Miller, Deputy Director
Rail Design/Construction	Jack Collins, Director
Service & Operations	Mike Aro, Deputy Director

Santa Clara County Transit Service Area



2 Miles

SECTION 2 — FINANCIALS

GENERAL PURPOSE FINANCIAL STATEMENTS

- ◆ Independent Auditor's Report
- ◆ Combined Balance Sheet — June 30, 2000
- ◆ Statement of Revenues, Expenses, and Changes in Retained Earnings — Enterprise Fund — Year Ended June 30, 2000
- ◆ Combined Statement of Revenues, Expenditures, and Changes in Fund Balances — All Governmental Fund Types and Expendable Trust — Year Ended June 30, 2000
- ◆ Combined Statement of Revenues, Expenditures and Changes in Fund Balances — Budget and Actual — Governmental Fund Type (Special Revenue Funds) — Year Ended June 30, 2000
- ◆ Statement of Changes in Net Assets (Fund Balance) — Pension Trust Fund — Year Ended June 30, 2000
- ◆ Statement of Cash Flows — Enterprise Fund — Year Ended June 30, 2000
- ◆ Notes to General Purpose Financial Statements

REQUIRED SUPPLEMENTARY INFORMATION

- ◆ Schedule of Funding Progress (Pension Plan)
- ◆ Schedule of Funding Progress (Public Employees Retirement System)

SUPPLEMENTARY DATA

- ◆ Combining Balance Sheet — Governmental Fund Type (Special Revenue Funds) — June 30, 2000
- ◆ Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Fund Type (Special Revenue Funds) — Year Ended June 30, 2000
- ◆ Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual (Special Revenue Funds) — Year Ended June 30, 2000
- ◆ Combining Balance Sheet — Fiduciary Fund Type (Trust and Agency Funds) — June 30, 2000
- ◆ Combining Balance Sheet — Trust Funds — June 30, 2000
- ◆ Combining Balance Sheet — Agency Funds — June 30, 2000
- ◆ Schedule of Changes in Assets and Liabilities — Fiduciary Fund Types (Agency Funds) — June 30, 2000
- ◆ Schedule of Budget Versus Actual Revenues and Expenditures (Enterprise Fund) — Year Ended June 30, 2000
- ◆ Schedule of Restricted Assets and Related Liabilities (Enterprise Fund) — June 30, 2000
- ◆ Comparative Schedules of Assets, Liabilities, and Equity — (Enterprise Fund) — June 30, 2000 and 1999
- ◆ Comparative Schedules of Revenue, Expenses, and Changes in Retained Earnings (Enterprise Fund) — Years Ended June 30, 2000 and 1999
- ◆ Comparative Schedules of Cash Flows — (Enterprise Fund) — Years Ended June 30, 2000 and 1999

**SANTA CLARA VALLEY TRANSPORTATION
AUTHORITY (VTA)**

General Purpose Financial Statements

June 30, 2000

(With Independent Auditors' Report Thereon)



500 E. Middlefield Road
Mountain View, CA 94043

Independent Auditors' Report

The Board of Directors
Santa Clara Valley Transportation Authority:

We have audited the accompanying general purpose financial statements of the Santa Clara Valley Transportation Authority (VTA) as of and for the year ended June 30, 2000, as listed in the table of contents under the caption "General Purpose Financial Statements." These general purpose financial statements are the responsibility of VTA's management. Our responsibility is to express an opinion on these general purpose 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Santa Clara Valley Transportation Authority as of June 30, 2000, and the results of its operations, changes in net assets of its Pension Trust Fund, and cash flows of its Enterprise Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 20, 2000, on our consideration of VTA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The schedules of funding progress presented on pages 2-40 and 2-41 are not a required part of the general purpose financial statements, but are supplementary information required by the Governmental Accounting Standards Board, and we did not audit and do not express an opinion on such information. We have applied to the schedules of funding progress certain limited procedures prescribed by professional standards, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the schedules.





Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplementary data listed in the accompanying table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of VTA. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

The financial information listed in the accompanying table of contents as "Statistical" is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of VTA. The information has not been audited by us, and, accordingly, we express no opinion on such information.

KPMG LLP

October 20, 2000, except as to Note 24,
which is as of November 7, 2000

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY (VTA)

Combined Balance Sheet

June 30, 2000

Assets	Proprietary Enterprise	Governmental		Fiduciary Trust and Agency	Total (Memorandum only)
		Special Revenue	Capital Projects		
Current assets:					
Cash and cash equivalents	\$ 1,168,184	321	—	—	1,168,505
Investments	45,195,963	126,467	—	—	45,322,430
Receivables, net	5,131,953	—	—	—	5,131,953
Due from other funds	509,331	11,007	—	—	520,338
Due from other governmental agencies	36,880,196	2,103,427	—	—	38,983,623
Inventories	17,005,820	—	—	—	17,005,820
Other current assets	7,110,468	—	—	—	7,110,468
Total current assets	113,001,915	2,241,222	—	—	115,243,137
Restricted assets:					
Cash and cash equivalents	6,621,028	—	—	—	6,621,028
Cash and equity with fiscal agents	13,093,136	—	—	—	13,093,136
Investments	197,959,914	—	1,093,496	198,238,734	397,292,144
Receivables	179,119	—	—	1,125,445	1,304,564
Due from other funds	155,462	—	—	—	155,462
Due from other governmental agencies	33,191,026	—	5,031,323	4,861,178	43,083,527
Total restricted assets	251,199,685	—	6,124,819	204,225,357	461,549,861
Other noncurrent assets:					
Deferred bond issuance costs	1,204,928	—	—	—	1,204,928
Other	111,300	—	—	—	111,300
Total other noncurrent assets	1,316,228	—	—	—	1,316,228
Property, facilities, and equipment:					
Land and right-of-way	515,329,096	—	—	—	515,329,096
CalTrain - Gilroy extension	48,763,312	—	—	—	48,763,312
Buildings, improvements, furniture, and fixtures	204,246,962	—	—	—	204,246,962
Vehicles	178,102,660	—	—	—	178,102,660
Light-rail tracks and electrification	245,809,151	—	—	—	245,809,151
Construction in progress	217,897,481	—	—	—	217,897,481
Other operating equipment	29,010,158	—	—	—	29,010,158
Total property, facilities, and equipment	1,439,158,820	—	—	—	1,439,158,820
Less accumulated depreciation	208,592,490	—	—	—	208,592,490
Total property, facilities, and equipment, net	1,230,566,330	—	—	—	1,230,566,330
Total assets	\$ 1,596,084,158	2,241,222	6,124,819	204,225,357	1,808,675,556

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY (VTA)

Combined Balance Sheet, (Continued)

June 30, 2000

Liabilities and Equity	Proprietary	Governmental		Fiduciary	Total
	Enterprise	Special Revenue	Capital Projects	Trust and Agency	(Memorandum only)
Current liabilities:					
Current portion of long-term debt	\$ 2,124,298	—	—	—	2,124,298
Accounts payable	11,508,550	559,667	—	—	12,068,217
Other accrued liabilities	7,883,987	473	—	—	7,884,460
Due to other funds	150,627	30,854	—	—	181,481
Due to other governmental agencies	4,273,339	432,692	—	—	4,706,031
Total current liabilities	25,940,801	1,023,686	—	—	26,964,487
Liabilities payable from restricted assets:					
Accounts payable	36,737,663	—	6,108,976	5,010,140	47,856,779
Other accrued liabilities – current	5,173,053	—	—	246,785	5,419,838
Due to other funds	—	—	15,843	478,476	494,319
Due to other governmental agencies	—	—	—	5,757,488	5,757,488
Long-term debt, excluding current portion	8,448,646	—	—	—	8,448,646
Other accrued liabilities – noncurrent	84,479,784	—	—	—	84,479,784
Total liabilities payable from restricted assets	134,839,146	—	6,124,819	11,492,889	152,456,854
Noncurrent liabilities:					
Long-term debt, excluding current portion	104,094,697	—	—	—	104,094,697
Other accrued liabilities	45,818	84,066	—	—	129,884
Total noncurrent liabilities	104,140,515	84,066	—	—	104,224,581
Total liabilities	264,920,462	1,107,752	6,124,819	11,492,889	283,645,922
Equity:					
Contributed capital:					
Federal grants	488,381,828	—	—	—	488,381,828
State grants	215,694,591	—	—	—	215,694,591
Other	147,417,245	—	—	—	147,417,245
Total contributed capital	851,493,664	—	—	—	851,493,664
Fund balances:					
Undesignated	—	1,133,470	—	—	1,133,470
Reserved for employees' pension benefits	—	—	—	187,951,792	187,951,792
Reserved for medical trust	—	—	—	4,780,676	4,780,676
Retained earnings:					
Reserved	116,360,539	—	—	—	116,360,539
Unreserved	363,309,493	—	—	—	363,309,493
Total fund balances and retained earnings	479,670,032	1,133,470	—	192,732,468	673,535,970
Total equity	1,331,163,696	1,133,470	—	192,732,468	1,525,029,634
Total liabilities and equity	\$ 1,596,084,158	2,241,222	6,124,819	204,225,357	1,808,675,556

See accompanying notes to general purpose financial statements.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY (VTA)

Statement of Revenues, Expenses, and Changes in
Retained Earnings – Enterprise Fund

Year ended June 30, 2000

Operating revenues:	
Passenger fares	\$ 32,325,602
Advertising and other	3,927,672
Total operating revenues	<u>36,253,274</u>
Operating expenses:	
Labor	98,371,717
Fringe benefits	75,354,169
Materials and supplies	15,539,528
Services	21,379,301
Utilities	5,167,026
Casualty and liability	2,403,204
Purchased transportation	17,455,793
Leases and rentals	636,625
Miscellaneous	3,011,015
Total operating expenses, excluding depreciation	<u>239,318,378</u>
Operating loss before depreciation	<u>(203,065,104)</u>
Depreciation expense:	
On assets acquired with capital grants	13,506,113
On assets otherwise acquired	12,404,151
Total depreciation expense	<u>25,910,264</u>
Operating loss	<u>(228,975,368)</u>
Nonoperating revenues (expenses):	
Sales tax revenue	166,764,390
Federal operating assistance grants	6,050,541
State and local operating assistance grants	80,436,297
CalTrain subsidy	(7,850,284)
Altamont Commuter Express subsidy	(3,820,614)
Investment earnings	8,285,635
Interest expense	(4,615,642)
Other income	4,808,287
Other expense	(1,409,014)
Nonoperating revenues, net	<u>248,649,596</u>
Net income	19,674,228
Charge to contributed capital – depreciation on fixed assets acquired with contributions	13,506,113
Retained earnings at beginning of year	<u>446,489,691</u>
Retained earnings at end of year	<u>\$ 479,670,032</u>

See accompanying notes to general purpose financial statements.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY (VTA)

Statement of Revenues, Expenses, and Changes in
Retained Earnings – Enterprise Fund

Year ended June 30, 2000

Operating revenues:	
Passenger fares	\$ 32,325,602
Advertising and other	3,927,672
Total operating revenues	<u>36,253,274</u>
Operating expenses:	
Labor	98,371,717
Fringe benefits	75,354,169
Materials and supplies	15,539,528
Services	21,379,301
Utilities	5,167,026
Casualty and liability	2,403,204
Purchased transportation	17,455,793
Leases and rentals	636,625
Miscellaneous	3,011,015
Total operating expenses, excluding depreciation	<u>239,318,378</u>
Operating loss before depreciation	<u>(203,065,104)</u>
Depreciation expense:	
On assets acquired with capital grants	13,506,113
On assets otherwise acquired	12,404,151
Total depreciation expense	<u>25,910,264</u>
Operating loss	<u>(228,975,368)</u>
Nonoperating revenues (expenses):	
Sales tax revenue	166,764,390
Federal operating assistance grants	6,050,541
State and local operating assistance grants	80,436,297
CalTrain subsidy	(7,850,284)
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Interest expense	(4,615,642)
Other income	4,808,287
Other expense	(1,409,014)
Nonoperating revenues, net	<u>248,649,596</u>
Net income	19,674,228
Charge to contributed capital – depreciation on fixed assets acquired with contributions	13,506,113
Retained earnings at beginning of year	<u>446,489,691</u>
Retained earnings at end of year	<u>\$ 479,670,032</u>

See accompanying notes to general purpose financial statements.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY (VTA)
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances –
All Governmental Fund Types and Expendable Trust

Year ended June 30, 2000

	<u>Governmental Fund Types</u>		<u>Fiduciary</u> <u>Fund Type</u>	<u>Totals</u> <u>(Memorandum</u> <u>only)</u>
	<u>Special</u> <u>Revenue</u>	<u>Capital</u> <u>Projects</u>	<u>Expendable</u> <u>Trust</u>	
Revenues:				
Member agency assessment revenue	\$ 1,239,993	—	—	1,239,993
Federal technical studies operating assistance grants	1,042,441	—	—	1,042,441
Federal grants	27,445	—	—	27,445
Other contributions	390,000	—	—	390,000
Spousal medical contributions	—	—	972,302	972,302
Administrative fees	85,390	—	—	85,390
State operating assistance grants	31,031	—	—	31,031
Local grant revenue	—	15,887,855	—	15,887,855
Other revenues	1,500	—	—	1,500
Investment earnings	14,701	—	591,228	605,929
Total revenues	<u>2,832,501</u>	<u>15,887,855</u>	<u>1,563,530</u>	<u>20,283,886</u>
Expenditures:				
Salaries and benefits	1,296,176	—	—	1,296,176
Services	1,786,420	—	—	1,786,420
Program expenditures	69,522	15,887,855	—	15,957,377
Spousal medical benefit payments	—	—	278,074	278,074
Total expenditures	<u>3,152,118</u>	<u>15,887,855</u>	<u>278,074</u>	<u>19,318,047</u>
Total expenditures (in excess of) less than revenues	(319,617)	—	1,285,456	965,839
Fund balance at beginning of year	<u>1,453,087</u>	<u>—</u>	<u>3,495,220</u>	<u>4,948,307</u>
Fund balance at end of year	<u>\$ 1,133,470</u>	<u>—</u>	<u>4,780,676</u>	<u>5,914,146</u>

See accompanying notes to general purpose financial statements.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY (VTA)

Combined Statement of Revenues, Expenditures, and Changes in Fund Balances –
Budget and Actual – Governmental Fund Type (Special Revenue Funds)

Year ended June 30, 2000

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable) Variance</u>
Revenues:			
Member agency assessment revenue	1,239,994	1,239,993	(1)
Federal technical studies operating assistance grants	1,147,000	1,042,441	(104,559)
Federal grants	—	27,445	27,445
Other contributions	500,000	390,000	(110,000)
Administrative fees	115,200	85,390	(29,810)
State operating assistance grants	41,600	31,031	(10,569)
Other revenues	3,200	1,500	(1,700)
Investment earnings	—	14,701	14,701
Total revenues	<u>3,046,994</u>	<u>2,832,501</u>	<u>(214,493)</u>
Expenditures:			
Salaries and benefits	1,454,754	1,296,176	158,578
Services	1,614,512	1,786,420	(171,908)
Program expenditures	404,000	69,522	334,478
Total expenditures	<u>3,473,266</u>	<u>3,152,118</u>	<u>321,148</u>
Total expenditures (in excess of less than revenues	<u>(426,272)</u>	<u>(319,617)</u>	<u>106,655</u>
Fund balance at beginning of year	<u>1,453,087</u>	<u>1,453,087</u>	—
Fund balance at end of year	<u>\$ 1,026,815</u>	<u>1,133,470</u>	<u>106,655</u>

See accompanying notes to general purpose financial statements.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY (VTA)

Combined Statement of Revenues, Expenditures, and Changes in Fund Balances –
Budget and Actual – Governmental Fund Type (Special Revenue Funds)

Year ended June 30, 2000

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable) Variance</u>
Revenues:			
Member agency assessment revenue	1,239,994	1,239,993	(1)
Federal technical studies operating assistance grants	1,147,000	1,042,441	(104,559)
Federal grants	—	27,445	27,445
Other contributions	500,000	390,000	(110,000)
Administrative fees	115,200	85,390	(29,810)
State operating assistance grants	41,600	31,031	(10,569)
Other revenues	3,200	1,500	(1,700)
Investment earnings	—	14,701	14,701
Total revenues	<u>3,046,994</u>	<u>2,832,501</u>	<u>(214,493)</u>
Expenditures:			
Salaries and benefits	1,454,754	1,296,176	158,578
Services	1,614,512	1,786,420	(171,908)
Program expenditures	404,000	69,522	334,478
Total expenditures	<u>3,473,266</u>	<u>3,152,118</u>	<u>321,148</u>
Total expenditures (in excess of less than revenues	<u>(426,272)</u>	<u>(319,617)</u>	<u>106,655</u>
Fund balance at beginning of year	<u>1,453,087</u>	<u>1,453,087</u>	<u>—</u>
Fund balance at end of year	<u>\$ 1,026,815</u>	<u>1,133,470</u>	<u>106,655</u>

See accompanying notes to general purpose financial statements.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY (VTA)

Statement of Changes in Net Assets
(Fund Balance) – Pension Trust Fund

Year ended June 30, 2000

Additions:	
Pension contributions	\$ 17,524,376
Investment earnings	8,776,593
Net depreciation on investments	<u>(7,267,431)</u>
Total additions	<u>19,033,538</u>
Deductions:	
Distributions to participants	5,761,287
Other benefits paid to participants	2,300
Administrative expenses	<u>652,636</u>
Total deductions	<u>6,416,223</u>
Net increase	12,617,315
Net assets available for pension benefits (fund balance):	
Beginning of year	<u>175,334,477</u>
End of year	<u>\$ 187,951,792</u>

See accompanying notes to general purpose financial statements.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY (VTA)

Statement of Cash Flows – Enterprise Fund

Year ended June 30, 2000

Cash flows from operating activities:	
Cash received from passenger fares	\$ 27,984,685
Cash received from advertising	3,826,569
Cash paid to employees	(177,569,162)
Cash paid to suppliers	(11,506,320)
Cash paid for purchased transportation	(24,087,812)
Net cash used in operating activities	<u>(181,352,040)</u>
Cash flows from noncapital financing activities:	
Operating grants received	98,343,530
Sales tax received	159,113,676
CalTrain subsidy	(7,850,284)
Altamont Commuter Express	(3,820,614)
Other noncapital receipts	16,423,417
Other noncapital payments	(1,409,014)
Net cash provided by noncapital financing activities	<u>260,800,711</u>
Cash flows from capital and related financing activities:	
Payment of long-term debt	(782,022)
Interest paid	(4,615,642)
Acquisition and construction of capital assets	(145,455,474)
Capital grants received	126,361,990
Proceeds from sale of capital assets	389,657
Net cash used in capital and related financing activities	<u>(24,101,491)</u>
Cash flows from investing activities:	
Proceeds from sale of investments	1,166,102,687
Purchases of investments	(1,227,427,478)
Interest income	8,561,254
Net cash used in investing activities	<u>(52,763,537)</u>
Net decrease in cash and cash equivalents	2,583,643
Cash and cash equivalents, beginning of year	<u>18,298,705</u>
Cash and cash equivalents, end of year	<u>\$ 20,882,348</u>

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY (VTA)

Statement of Cash Flows – Enterprise Fund, (Continued)

Year ended June 30, 2000

Supplemental disclosures of cash flow information:

Cash and cash equivalents, beginning of year:

Unrestricted	\$ 1,216,409
Restricted	17,082,296
	<u>18,298,705</u>

Cash and cash equivalents, end of year:

Unrestricted	\$ 1,168,184
Restricted	19,714,164
	<u>20,882,348</u>

Noncash transactions – reduction of contributed capital for depreciation on assets acquired with capital grants.

\$ 13,506,113

Reconciliation of operating loss to net cash used in operating activities:

Operating loss	\$ (228,975,368)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	25,910,264
Changes in operating assets and liabilities:	
Receivables	(4,442,020)
Inventories	(4,776,731)
Other current assets	(6,536,066)
Accounts payable	41,311,157
Other accrued liabilities	(3,843,276)
Net cash used in operating activities	\$ <u>(181,352,040)</u>

See accompanying notes to general purpose financial statements.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY (VTA)

Notes to General Purpose Financial Statements

June 30, 2000

(1) Organization

The 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 (the County), California (the State). VTA's governing board consists of two members of the Board, 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.

VTA is not subject to federal or state income taxes.

The accompanying general purpose financial statements also include the financial activities of the Santa Clara County Transit District Amalgamated Transit Union (ATU) Pension Plan (the Plan) in the Trust and Agency Funds (Note 13).

The Santa Clara County Traffic Authority (the Traffic Authority) was created upon the approval, in November 1984, of a one-half cent sales and use tax in the County by the County's voters. The tax, known as Measure A, commenced April 1, 1985, and expired on March 31, 1995. The proceeds of the tax are principally reserved for highway improvements in the County. The Measure A improvement projects mainly consist of improvements on Routes 85, 101, and 237. All improvements funded by Measure A become the property of the State.

As of March 31, 1997, the Traffic Authority ceased operations as a separate entity, and, effective April 1, 1997, VTA assumed responsibility as successor organization for the purpose of winding up the affairs of the Traffic Authority. The Traffic Authority is included in the accompanying general purpose financial statements in the Special Revenue Fund.

The Santa Clara Valley Transportation Authority Congestion Management Program (the CMP) was created in 1990 in response to Proposition 111. The CMP is not legally separate from VTA. The CMP is responsible for studying ways to alleviate traffic congestion in the County, coordinating and prioritizing proposals for state and federal transportation funds, administering the Bay Area Air Quality Management Program, and coordinating land use and other transportation planning. Annual contributions from each member agency are based on a formula adopted by VTA's governing board. The contribution formula considers each member agency's share of Proposition 111 state gas tax monies, as well as employment within the County. The accompanying general purpose financial statements include the financial activities of the CMP in the Special Revenue Fund.

(2) Significant Accounting Policies

(a) Description of Funds

The accounts of VTA are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenses, or expenditures. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY (VTA)

Notes to General Purpose Financial Statements

June 30, 2000

The funds are grouped into broad fund categories as follows:

- **Proprietary Fund Type (Enterprise Fund)** – The Enterprise Fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. VTA's transit operations and the activities of the Measure B Transit Projects are accounted for in the Enterprise Fund.
- **Governmental Fund Type (Special Revenue Funds)** - The Special Revenue Funds are used to account for VTA's general government activities. The measurement focus is based upon the determination of changes in financial position rather than upon the determination of net income. Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The activities of the CMP and the Traffic Authority are accounted for in the Special Revenue Funds.
- **Governmental Fund Type (Capital Projects Funds)** - The Capital Projects Funds are used to account for acquisition of fixed assets or construction of major capital projects (other than those financed by the Proprietary Fund). The activities of the Measure B Highway Projects are accounted for in the Capital Projects Funds.
- **Fiduciary Fund Type (Trust and Agency Funds)** - The Trust and Agency Funds are used to account for assets held by VTA as a trustee or as an agent for individuals, private organizations, other governmental units, and/or other funds. VTA's Trust and Agency Funds include the SCCTD/ATU Pension, ATU Medical Trust, the Bay Area Quality Management Program, and the Measure B – Pavement and Bikeway Program.

(b) **Basis of Accounting**

The Proprietary Fund Type and Pension Trust Fund are accounted for on a flow of economic resources measurement focus using the accrual basis of accounting. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the accompanying combined balance sheet. Fund equity (i.e., total assets net of total liabilities) for the Proprietary Fund Type is segregated into contributed capital and retained earnings components. Proprietary Fund Type and Pension Trust Fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. Revenues are recognized when earned and expenses are recognized when incurred.

VTA has elected to apply all applicable Governmental Accounting Standards Board (GASB) pronouncements, as well as any applicable pronouncements of the Financial Accounting Standards Board (FASB), the Accounting Principles Board (APB), or any Accounting Research Bulletins issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY (VTA)

Notes to General Purpose Financial Statements

June 30, 2000

Governmental Fund Types and the Expendable Trust Fund are accounted for on a flow of current financial resources measurement focus using the modified accrual basis of accounting. Although the Agency Fund is accounted for using the modified accrual basis of accounting, it is custodial in nature and does not present results of operations or have a measurement focus. Revenues are recorded when "susceptible to accrual" (i.e., when they become both measurable and available). "Measurable" means that the amount of the transaction can be determined, and "available" means that revenues are collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues not considered available are recorded as deferred revenues. Expenditures are recorded when the fund liability is incurred if it is expected to be paid within 12 months. State and County sales tax collected and held on behalf of VTA are susceptible to accrual and recognized as revenue under the modified accrual basis of accounting.

(c) ***Budgetary Control***

State law requires the adoption of an annual budget, which must be approved by the Board of Directors. VTA budgets annually for its Enterprise Fund and its Special Revenue Funds. The Capital Projects Fund is budgeted on a multi-year basis and therefore annual information is not available for this fund. The budget for the Enterprise Fund is developed on an accrual basis, and the budget for the Special Revenue Funds is prepared on a modified accrual basis.

Budgetary control is maintained at the fund level. Line item reclassification amendments to the budget must be authorized by the responsible director. Operating expenses are monitored by managers who are assigned responsibility for controlling their budgets. Emphasis is placed on the total budget for the division, however, capital items must be within budgeted amounts. 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.

Supplemental budgetary changes made to the Special Revenue Funds throughout the year are not significant but are reflected in the accompanying financial statements.

(d) ***Cash and Investments***

In fiscal 2000, VTA has entered into contract with six money management firms. In October 1998, substantially all commingled investments managed by the County were transferred to VTA's professional money management firms, at which time, VTA's investment program manager assumed oversight responsibility for such investments. 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 pooled and invested by the state of California and the County Treasury (Cash and Investments with Fiscal Agents). Unless there are specific legal or contractual requirements for specific allocations, income earned or losses arising from investments are allocated on a quarterly 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.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY (VTA)

Notes to General Purpose Financial Statements

June 30, 2000

Restricted and unrestricted cash and cash equivalents and cash and equity with fiscal agents are considered to be cash and cash equivalents for purposes of the accompanying combined 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 obtained from a pricing service provided by the investment management firms and from its fiscal agents. The corresponding change in fair value of investments is recognized in the year in which the change occurs.

The fair value of VTA's Investments commingled in County Treasury is based on VTA's cash position with the County as of the end of the fiscal year in proportion to the entire cash held in the commingled pool. The value reported is equal to VTA's share of the commingled pool value.

(e) Inventories

Inventories are stated at average cost and are charged to expense at the time individual items are withdrawn from inventory (consumption method). Inventory consists primarily of parts and supplies relating to transportation vehicles and facilities.

(f) Restricted Assets

Restricted assets consist of monies and other resources, the use of which is either Board designated or legally restricted for the following purposes:

- Capital and operating
- Workers' compensation insurance
- Long-term accrued vacation and sick leave benefits
- General liability insurance
- Retiree health care
- Debt service

(g) Deferred Bond Issuance Costs

Deferred bond issuance costs are amortized in a manner that approximates the effective interest method.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY (VTA)

Notes to General Purpose Financial Statements

June 30, 2000

(h) *Property, Facilities, and Equipment*

Property, facilities, and equipment are stated at historical cost. The cost of normal maintenance and repairs is charged to operations as incurred. Improvements are capitalized and depreciated over the remaining useful lives of the related properties. Depreciation is computed using the straight-line method over estimated useful lives as follows:

Buildings, improvements, furniture, and fixtures	15 to 50 years
Vehicles	7 to 12 years
Light-rail structures, electrification and light-rail vehicles	25 to 45 years
Other operating equipment	5 to 15 years

Depreciation on such assets is included in the accompanying statement of revenues, expenses, and changes in retained earnings.

Interest is capitalized on construction in progress. Accordingly, interest capitalized is the total interest cost from the date of the borrowing net of any allowable interest earned on temporary investments of the proceeds of those borrowings until the specified asset is ready for its intended use. There was no interest capitalized in fiscal 2000.

(i) *Other Accrued Liabilities*

Other accrued liabilities, including those payable from restricted assets, represent accruals for vacation and sick leave benefits, payroll, retiree health care programs, general liability claims, and workers' compensation claims.

(j) *Self-Insurance*

VTA is self-insured for general liability and 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 accrued as a liability based on an actuarial determination of the present value of estimated future cash payments (see Note 18).

(k) *Federal, State, and Local Grant Funds*

Federal, state, and local grant funds are accounted for in accordance with the purpose for which the funds are intended.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY (VTA)

Notes to General Purpose Financial Statements

June 30, 2000

Approved grants for the acquisition of property, facilities, and equipment are recorded as contributed capital when the related expenditures are incurred. Depreciation recognized on assets acquired or constructed through grants restricted for capital acquisitions is recorded in the appropriate contributed capital account. Net income, adjusted by the amount of depreciation on property, facilities, and equipment acquired in this manner, is recorded in retained earnings. Disposals of such assets, prior to being fully depreciated, are recorded as reductions to contributed capital.

Approved grants for operating assistance are recorded as nonoperating revenues when the related expenditures are incurred.

(l) Sales Tax Revenues

Sales tax revenues are recognized in the accounting period in which the transactions occur. Therefore, recorded sales taxes include an estimate for amounts collected by merchants at the end of the fiscal year but not remitted to the State until subsequent to that time.

(m) Pension Costs

Pension costs are accrued as determined based on actuarial valuations using the entry age normal cost method.

VTA applies the provisions of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*. This statement established standards for the measurement, recognition, and display of pension expenditures and related liabilities, note disclosures, and required supplementary information.

(n) Use of Estimates

VTA's management has made a number of estimates and assumptions relating to the reporting of assets and liabilities, and revenues, expenses, expenditures and the disclosure of contingent liabilities to prepare the general purpose financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

(o) Memorandum Only – Total Columns

Total columns on the accompanying general purpose financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position in conformity with generally accepted accounting principles, nor is such data comparable to a consolidation. Eliminations of interfund activity have been made within fund types but not between fund types.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY (VTA)

Notes to General Purpose Financial Statements

June 30, 2000

(3) Cash and Investments

The majority of VTA's cash and investments are managed by professional investment management firms. The remaining balance in certain funds are pooled and invested by the County in a commingled account with cash from various other governmental agencies. The commingled cash is principally invested in time deposits, bankers' acceptances, negotiable certificates of deposit, and various U.S. government agency and commercial notes. Interest earned from such time deposits and investments is allocated quarterly to VTA based on VTA's average daily cash balances.

Investments are managed by money managers. All securities owned by VTA are kept in safekeeping by a third-party bank trust department, acting as agent under the terms of a custody agreement executed between the bank and the VTA. Purchases and sales of securities are reflected on the trade date. Investment income is recognized as earned.

VTA's investment policies conform to State statutes, and provide written investment guidance regarding the types of investments that may be made and amounts which may be invested in any one financial institution or amounts which may be invested in long-term instruments. Permissible investments included deposits with the County Treasurer in a commingled account, obligations of the U.S. Treasury, U.S. government agencies and certain time deposits, certificates of deposit, bankers' acceptances, commercial paper, and repurchase and reverse repurchase agreements. Investments in commercial paper must be rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record. Negotiable certificates of deposit are restricted to those rated B or better by the Thompson Bankwatch, Inc. rating service.

The County Treasury commingled pool is subject to the County's Investment Policy and State Law and is reviewed by the County's Investment Committee on which VTA serves as a member.

In March 2000, VTA opened a checking account for the Measure B Transportation Improvement Program (Measure B account). The checking account earns interest based on the bank's monthly sweep average repurchase agreement rate. The carrying amount of the cash balance was \$6,621,028 as of June 30, 2000.

As of June 30, 2000, the carrying amount of the VTA's cash balance, which includes the Measure B account, was \$7,789,533 and the VTA's bank balance was \$15,527,731. The difference between the carrying amount and the bank balance is due to outstanding checks. All cash is fully collateralized in accordance with Section 53652 of the California Government Code. The California Government Code requires California banks and savings and loan associates to secure the VTA's deposits by pledging government securities as collateral. The market value of pledged securities must equal at least 110% of VTA's deposits, except for repurchase agreements which should equal 102% of VTA's deposits. California Code also allows financial institutions to secure VTA's deposits by pledging first trust deed mortgage notes having a value of 150% of VTA's deposits. VTA's deposits are secured by U.S. government securities, held in VTA's name by its agent to meet these requirements.

VTA complied with the provisions of State statutes pertaining to the types of investments held, institutions in which deposits are made, and security requirements.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY (VTA)

Notes to General Purpose Financial Statements

June 30, 2000

VTA's investments are categorized below to give an indication of the custodial risk assumed by VTA as of June 30, 2000. Category 1 includes investments that are insured or registered or for which the securities are held by VTA or its agent in VTA's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in VTA's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent, but not in VTA's name.

Type of investment	Category			Fair value
	1	2	3	
Equity securities – Pension Plan	\$ 51,263,414	—	—	51,263,414
Corporate notes (Commercial paper)	9,936,500	—	—	9,936,500
Corporate bonds	36,210,608	—	—	36,210,608
Corporate bonds – Pension Plan	45,636,806	—	—	45,636,806
U.S. Treasury and government agency notes	189,701,767	—	—	189,701,767
U.S. Treasury and government agency notes – Pension Plan	45,747,000	—	—	45,747,000
Repurchase agreements	—	2,041,810	—	2,041,810
Subtotal	\$ 378,496,095	2,041,810	—	380,537,905
Investments commingled in County Treasury				4,644,490
Local Agency Investment Fund				15,000,000
Money Market Funds				802,854
Money Market Funds – Pension Plan				4,407,614
Mutual funds – Pension Plan				37,062,618
Mutual Funds				13,252,229
Total investments				\$ 455,707,710

As of June 30, 2000, VTA's cash and investments consisted of the following:

Cash	\$ 7,789,533
Investments	455,707,710
	<u>\$ 463,497,243</u>

In addition, as of June 30, 2000, approximately \$2,977,000 in Pension Plan assets are distributed in the non-pension assets in the above table.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY (VTA)

Notes to General Purpose Financial Statements

June 30, 2000

Total cash and investments as of June 30, 2000, are reported in the accompanying combined balance sheet as follows:

Unrestricted:		
Cash and cash equivalents	\$	1,168,505
Investments		<u>45,322,430</u>
Total unrestricted		<u>46,490,935</u>
Restricted:		
Cash and cash equivalents		6,621,028
Cash and equity with fiscal agents		13,093,136
Investments		<u>397,292,144</u>
Total restricted		<u>417,006,308</u>
Total cash and investments	\$	<u><u>463,497,243</u></u>

(4) Due From Other Funds/Due To Other Funds

Due from other funds and due to other funds as of June 30, 2000, consisted of the following:

	Due from other funds			Due to other funds		
	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total
Enterprise Fund Type	\$ 509,331	155,462	664,793	150,627	—	150,627
Governmental Fund Types:						
Special Revenue Fund Type:						
Traffic Authority	11,007	—	11,007	—	—	—
CMP	—	—	—	30,854	—	30,854
Capital Project Fund	—	—	—	—	15,843	15,843
Total Governmental Fund Type	11,007	—	11,007	30,854	15,843	46,697
Fiduciary Fund Types						
Trust Funds:						
SCCTD/ATU Pension	—	—	—	—	—	—
ATU Spousal Medical	—	—	—	—	166,646	166,646
Agency Fund:						
BAAQ	—	—	—	—	311,830	311,830
Pavement Management	—	—	—	—	—	—
Total Fiduciary Fund Types	—	—	—	—	478,476	478,476
Total All Fund Types	\$ 520,338	155,462	675,800	181,481	494,319	675,800

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY (VTA)

Notes to General Purpose Financial Statements

June 30, 2000

(5) Due From Other Governmental Agencies/Due to Other Governmental Agencies

Due from other governmental agencies as of June 30, 2000, consisted of the following:

	Fund Types			
	Enterprise	Special Revenue	Capital Projects	Trust and Agency
Federal government	\$ 3,606,072	428,398	—	—
State government	39,330,482	854,951	—	—
County of Santa Clara	19,527,183	69,987	5,031,323	4,861,178
Others	7,607,485	750,091	—	—
Total	\$ 70,071,222	2,103,427	5,031,323	4,861,178

Due from other governmental agencies as of June 30, 2000, is reported in the accompanying combined balance sheet as follows:

	Fund Types				Total
	Enterprise	Special Revenue	Capital Projects	Trust and Agency	
Current assets	\$ 36,880,196	2,103,427	—	—	38,983,623
Restricted assets	33,191,026	—	5,031,323	4,861,178	43,083,527
Total	\$ 70,071,222	2,103,427	5,031,323	4,861,178	82,067,150

Due to other governmental agencies as of June 30, 2000, consisted of the following:

	Fund Types		
	Enterprise	Special Revenue	Trust and Agency
State government	\$ 1,328,952	85,000	—
County of Santa Clara	2,944,387	19,904	5,109,710
Others	—	327,788	647,778
Total	\$ 4,273,339	432,692	5,757,488

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY (VTA)

Notes to General Purpose Financial Statements

June 30, 2000

Due to other governmental agencies as of June 30, 2000, is reported in the accompanying combined balance sheet as follows:

	<u>Fund Types</u>			<u>Total</u>
	<u>Enterprise</u>	<u>Special Revenue</u>	<u>Trust and Agency</u>	
Current liabilities	\$ 4,273,339	432,692	—	4,706,031
Liabilities payable from restricted assets	—	—	5,757,488	5,757,488
Total	\$ 4,273,339	432,692	5,757,488	10,463,519

(6) Construction In Progress

Construction in progress (CIP), included in property, facilities, and equipment, includes capitalized costs associated with the following projects as of June 30, 2000:

Tasman Corridor Project – East Extension	\$ 115,394,480
Facilities Modifications	25,438,735
New Rail Vehicles	23,913,014
Vasona Corridor Project	22,128,920
Capitol Corridor Project	16,022,850
Guadalupe Corridor	9,319,722
VTA Administration Building Improvement	2,270,039
Study Projects	1,041,516
Software Development	691,994
Environmental Building and Site Modifications	665,899
Fremont Rail Connection	534,240
Caltrain Improvements	419,564
Coach Replacement	56,508
Total	\$ 217,897,481

Additional information regarding projects in progress as of June 30, 2000, follows:

Total Board approved project budget	\$ 1,197,713,960
Expended to date	217,897,481
Expenditure budget available for CIP	\$ 979,816,479
Anticipated funding sources are as follows:	
Federal, state, and other local assistance (Note 12)	\$ 863,455,939
Local contribution (Note 12)	116,360,540
Total funding sources	\$ 979,816,479

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY (VTA)

Notes to General Purpose Financial Statements

June 30, 2000

VTA has outstanding commitments of approximately \$181,131,000 as of June 30, 2000, related to the above capital projects.

(7) Long-Term Debt

Long-term debt as of June 30, 2000, consisted of the following:

1998 Series A Junior Lien Sales Tax Revenue Bonds	\$ 50,000,000
1997 Series A Sales Tax Revenue Refunding Bonds, net of unamortized discount of \$349,372 and unamortized deferred amount on refunding of \$3,204,829 as of June 30, 2000	34,875,799
Series 1985A Equipment Trust Certificates	29,660,000
Improvement Bond Series 22R	<u>131,842</u>
Total debt	114,667,641
Current portion	<u>(2,124,298)</u>
Long-term debt, excluding current portion	<u>\$ 112,543,343</u>

Long-term debt, excluding current portion, as of June 30, 2000, is reported in the accompanying combined balance sheet as follows:

Long-term debt payable from restricted assets	\$ 8,448,646
Unrestricted	<u>104,094,697</u>
	<u>\$ 112,543,343</u>

(a) 1998 Series A Junior Lien Sales Tax Revenue Bonds

In March 1998, through the California Transit Variable Rate Program of the California Transit Finance Authority (Note 22), VTA issued \$50,000,000 of 1998 Series A Junior Lien Sales Tax Revenues Bonds (1998 Bonds) to finance certain capital projects. Issuance costs related to such bonds are being amortized over the term of the debt. The 1998 Bonds are special obligations of VTA, which are payable from and secured by sale tax revenues.

The \$50,000,000 1998 Bonds mature serially beginning October 1, 2000 through October 1, 2027. Future annual principal payments on the 1998 Bonds range from \$1,110,000 to \$2,690,000 and bear interest at 3.6%.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY (VTA)

Notes to General Purpose Financial Statements

June 30, 2000

(b) 1997 Series A Sales Tax Revenue Refunding Bonds

In November 1997, VTA issued \$40,570,000 of 1997 Series A Sales Tax Revenue Refunding Bonds (1997 Bonds). The proceeds were used to advance refund \$33,270,000 of the outstanding principal amount of its 1991 Series A Bonds, advance refund \$4,940,000 of the outstanding principal amount of its Series C Certificates, and to pay for certain capital expenditures of VTA. The portions of the proceeds for advance refunding of 1991 Series A Bonds and Series C Certificates were placed in an escrow account. Upon such irrevocable deposit, the refunded debts were considered defeased. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debts of approximately \$3,606,000. This deferred amount on refunding, reported in the accompanying financial statements as a reduction of bonds payable, is being charged to operations as a component of interest expense through the year 2021 in a manner that approximates the effective interest method. VTA completed the refunding to take advantage of lower interest rates, to reduce its total debt service over a 24-year period by approximately \$4,563,000 to obtain an economic gain (difference between the present value of the old and new debt service payments) of approximately \$2,770,000. As of June 30, 2000, \$31,980,000 of the 1991 Series A bonds remains outstanding and \$4,445,000 remains outstanding for the Series C Certificates as of June 30, 2000.

The 1997 bonds are special obligations of VTA, which are payable from and secured by sales tax revenues. The \$26,020,000 matures serially beginning June 1, 1998 through June 1, 2015. Future annual principal payments on the 1997 Bonds range from \$345,000 to \$2,375,000 and bear interest ranging from 4.0% to 5.0%. The remaining \$14,550,000 are term bonds consisting of \$4,250,000 and \$10,300,000 which mature in June 1, 2017 and June 1, 2021, respectively, and bear interest at 5.25%.

(c) Series 1985A Equipment Trust Certificates

The 1985A Certificates were issued to finance the retirement of the Series 1984A Equipment Trust Certificates, which had been issued to finance the acquisition of light-rail vehicles for the Guadalupe Corridor light-rail project. Proceeds from the sale of the 1985A Certificates were \$52,155,000, which was net of issuance costs of \$705,000. Issuance costs are being amortized over the term of the debt. In August 1998, VTA executed a Fixed Rate Swap (the Swap) for the variable rate 1985A Certificates at an all inclusive fixed rate of 4.643% including transaction costs and annual fees. The notional amount of the Swap was approximately \$29,700,000 and the term is 17 years through 2015. The Swap became effective on September 14, 1998.

The 1985A Certificates are limited general obligations of VTA and are secured by an irrevocable letter of credit in the amount of \$30,074,000, which expires on June 1, 2015, and sales tax revenue.

The 1985A Certificates mature beginning in 2007 and are subject to redemption prior to their maturity date on each June 1 through deposit on such date in a separate sinking fund account, of the principal amount due together with accrued interest to the date of redemption. As of June 30, 2000, VTA had repaid \$23,200,000 of the 1985A Certificates. As a result of making payments prior to scheduled repay maturity dates, the next required sinking fund payments are due in 2007 through 2015 and range from \$460,000 to \$4,800,000.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY (VTA)

Notes to General Purpose Financial Statements

June 30, 2000

(d) Improvement Bond Series 22R

The Improvement Bond Series 22R (the Bonds) were assumed by VTA upon the purchase of land in fiscal 1992 to be used as VTA's administration building site. The Bonds were originally issued in 1979, bear interest at 6.9%, and mature through 2004. Future annual principal payments range from \$25,100 to \$36,900.

(e) Five Year Debt Maturity

Annual debt service requirements (including sinking fund requirements) to maturity for long-term debt are as follows:

Year ending June 30,	
2001	\$ 7,286,299
2002	7,314,307
2003	7,328,287
2004	7,350,877
2005	7,338,697
Thereafter	153,137,398
Total debt service requirements	189,755,865
Less:	
Amounts representing interest	71,534,023
Unamortized bond discount	349,372
Unamortized deferred amount on refunding	3,204,829
Total debt	114,667,641
Less current portion	2,124,298
Long-term debt, excluding current portion	\$ 112,543,343

(f) Limitations and Restrictions

There are a number of limitations and restrictions contained in the various bond indentures. VTA's management believes that VTA is in compliance with all significant limitations and restrictions.

(g) Lease - Leaseback

In September 1998, VTA simultaneously entered into two transactions to lease out 50 vehicle cars to investors (the Headlease), State Street Bank and Trust Company of Connecticut, National Association (Trustee), and simultaneously sublease the vehicles back from the investors for a period of 32 to 33 years. VTA maintains ownership of the vehicles and is obligated to insure and maintain the vehicles throughout the term of the lease. VTA has the right to buy out the lease after 16.5 and 18.5 years depending on the equity investor and the condition of the equipment.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY (VTA)

Notes to General Purpose Financial Statements

June 30, 2000

VTA received a prepayment of approximately \$92,286,000 which represented all rental obligations up to the date of the early buy-out option. Investors made equity contributions of approximately 20% and a financial institution made loans to the trust for the balance of the Headlease rental prepayment amount. VTA is required to make annual rental payments pursuant to the sublease.

Simultaneously, VTA entered into a sublease prepayment agreement with the financial institution. VTA made a payment to the financial institution in the amount of \$68,149,000 in consideration of the assumption by the financial institution of the debt portion of future rental payments, the debt portion of the early buy-out option and its absolute, unconditional and irrevocable guarantee of the prompt payment of such amounts when due.

VTA used an additional \$16,853,000 of the Headlease prepayment to purchase obligations of the United States government in various dollar amounts and maturities which coincide with the due dates of the equity portion of the sublease rental obligations and the equity portion of the early buy-out option. The investments have been transferred to a custodian. Additionally, VTA acquired a financial guaranty insurance policy to secure the equity portion of the sublease rental obligations.

VTA paid \$1,683,000 in appraisal, legal advisor and other fees. The pecuniary benefit to VTA in fiscal 1999 was \$5,600,000.

(h) *Japanese Operating Lease*

As of June 2000, VTA had entered into a Japanese operating lease (JOL) transaction covering 285 buses of various vintages manufactured by Gillig and Flexible (the Buses). VTA received payments totaling \$55.4 million and VTA is obligated to make semiannual rental payments throughout the term of the leases. VTA paid \$53.4 million to financial institutions to assume the rental obligations.

VTA has the ability to terminate the leases on the Buses after 6 years with respect to some of the Buses, and after 8 years with respect to the remainder of the Buses. VTA will continue to operate, maintain, and insure the Buses throughout the term of the lease.

As a result of the JOL transaction, based on the investment rates which were readily available to VTA on the closing dates of such transactions, VTA realized a financial benefit of approximately \$2,022,000, and the benefit has been recorded as other income in the statement of revenues, expenses, and changes in retained earnings – enterprise fund.

(8) **Sales Tax Revenue**

Sales tax revenue represents sales tax revenue from the California State Board of Equalization, which, under a sales tax measure, collects for VTA 0.5% for each taxable sales dollar spent in the County. These amounts are available to fund both operations and capital expenditures except that portion which is to be used to repay long-term debt as described in Note 7. Collection fees charged by the State Board of Equalization were approximately \$1,518,000 in fiscal 2000.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY (VTA)

Notes to General Purpose Financial Statements

June 30, 2000

(9) Measure B Transportation Improvement Program

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.

In March 1999, the VTA Board of Directors and the County Board of Supervisors approved a Memorandum of Understanding (MOU) formalizing the partnership to implement Measure A. With this partnership in place, the County and VTA are in a position to complete a transportation program valued at \$1.4 billion. The County will administer the funding and VTA will be responsible for project management of the transit and highway projects and will assist in the administration of the pavement management and bicycle elements of the program.

The Measure B Transit Projects, which consist mainly of lightrail extensions and new rail vehicles, become the property of VTA. The Measure B Highway projects which consist primarily of widening highways and improvements become the property of the State. The accompanying general purpose financial statements include the financial activities of the Measure B Transit Improvement projects in the Enterprise Fund and Measure B Highway projects in the Capital Project fund and Pavement and Bikeway Program in the Agency Fund.

(10) Changes in Enterprise Equity

Changes in enterprise equity for the year ended June 30, 2000, were as follows:

	Contributed capital	Retained earnings		Total equity
		Reserved	Unreserved	
Balances, June 30, 1999	\$ 746,778,907	90,828,280	355,661,411	1,193,268,598
Net income	—	—	19,674,228	19,674,228
Capital grants (Note 12)	38,990,861	—	—	38,990,861
Measure B Funding	70,101,800	—	—	70,101,800
Local government contribution	9,128,209	—	—	9,128,209
Depreciation on assets acquired with capital grants	(13,506,113)	—	13,506,113	—
Increase in reserved retained earnings	—	25,532,259	(25,532,259)	—
Balances, June 30, 2000	\$ 851,493,664	116,360,539	363,309,493	1,331,163,696

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY (VTA)

Notes to General Purpose Financial Statements

June 30, 2000

(9) Measure B Transportation Improvement Program

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.

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Measure B Funding	70,101,800	—	—	70,101,800
Local government contribution	9,128,209	—	—	9,128,209
Depreciation on assets acquired with capital grants	(13,506,113)	—	13,506,113	—
Increase in reserved retained earnings	—	25,532,259	(25,532,259)	—
Balances, June 30, 2000	\$ <u>851,493,664</u>	<u>116,360,539</u>	<u>363,309,493</u>	<u>1,331,163,696</u>

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY (VTA)

Notes to General Purpose Financial Statements

June 30, 2000

(11) Reservation of Retained Earnings, Fund Balance Deficit and Restatement of Fund Balance

The excess of assets restricted for encumbrances and the local share of capital projects over the related liabilities payable from restricted assets is recorded as a reservation of retained earnings in the accompanying combined balance sheet. Reserved retained earnings as of June 30, 2000, totaled \$116,360,539.

As of June 30, 2000, the Traffic Authority Special Revenue Fund has a deficit fund balance of approximately \$196,000. This deficit fund balance is expected to be recovered through future sales tax receipts.

(12) Federal, State, and Local Assistance

The 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 Transportation Administration (FTA) and the Federal Highway Administration (FHWA). Federal grants for the year ended June 30, 2000, are summarized as follows:

	<u>Fund Types</u>	
	<u>Enterprise</u>	<u>Special Revenue</u>
Operating assistance grants:		
FTA Section 9	\$ 5,978,657	—
Planning	—	27,445
Federal Technical Studies	71,884	1,042,441
Total operating assistance grants	<u>6,050,541</u>	<u>1,069,886</u>
Capital grants:		
FTA Section 3	13,967,802	—
FTA Section 9	17,793,453	—
Pass through Program – Department of Transportation	70,321	—
Total capital grants	<u>31,831,576</u>	<u>—</u>
Total federal grants	<u>\$ 37,882,117</u>	<u>1,069,886</u>

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY (VTA)

Notes to General Purpose Financial Statements

June 30, 2000

FTA and FHWA reserve the right to audit expenditures financed by their grants to determine if such expenditures comply with the conditions of the grant agreements. VTA's management believes the results of such audits would not have a material adverse effect on the VTA's financial position. FTA and FHWA retain their interest in assets acquired under federal grants should the assets be disposed of prior to the end of their economic lives, or not be used for mass transit purposes.

(b) *State and Local Grants*

State and local grants for the year ended June 30, 2000, are summarized as follows:

Operating assistance grants:	
Transportation Development Act	\$ 75,309,805
State Transit Assistance	4,363,784
AB434	762,708
Total operating assistance grants	<u>80,436,297</u>
Capital grants:	
Transit Capital Improvement	816,381
Proposition 116	698,081
Traffic Systems Management	9,110
State Flexible Congestion Relief	4,867,164
AB434	188,198
State/Local Partnership	580,351
Total capital grants	<u>7,159,285</u>
Total state and local grants	<u>\$ 87,595,582</u>

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 gasoline 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 and are claimed by VTA on a cost-reimbursement basis.

AB434 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.

Transit Capital Improvement (TCI) program funds are received from the State Transportation Planning and Development Account. All state funds must be matched by 50% of local funds. Projects are programmed by the California Transportation Commission, with each county assigned a county minimum allocation.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY (VTA)

Notes to General Purpose Financial Statements

June 30, 2000

Proposition 116 funds are received from the California Transportation Commission from Rail Bond funds pursuant to the 1990 Clean Air and Transportation Improvement Act. These funds are used to reimburse project costs relating to the construction of the Tasman Corridor Project and other light rail projects.

State Traffic Systems Management (TSM) Program funds are received from Proposition 111. The California Transportation Commission programs the projects from a prioritized list submitted by the California Department of Transportation (CalTrans). The statute requires that priority be given to projects from counties with adopted Congestion Management Programs. These funds are used by VTA to fund the Tamien Child Care Facility and the Santa Clara Transit Center.

State Flexible Congestion Relief (State FCR) funds are from the State Highway Account (SHA) which is programmed in the State Transportation Improvement Program (STIP). These funds are used to reimburse project costs relating to construction of the Tasman Corridor Project.

State/Local Partnership (SLP) was originally created by SB140 and subsequently funded by the passage of Proposition 111 for locally funded and constructed highway and exclusive mass transit guideway projects. Applications for eligible projects are submitted to Caltrans and the amount of state match available is dependent on the number of applicants and the size of the legislative appropriation. The funds are used to reimburse project costs relating to the Tasman East Project.

(13) Santa Clara County Transit District Amalgamated Transit Union Pension Plan

(a) *Plan Description*

All ATU employees of VTA are covered by the Plan. The Plan is a noncontributory 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 a reduced annual benefit at age 65 providing the Pension Board approves of such a 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 permitted 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.

Separately issued audited financial statements of the Plan are available from VTA.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY (VTA)

Notes to General Purpose Financial Statements

June 30, 2000

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SANTA CLARA VALLEY TRANSPORTATION AUTHORITY (VTA)

Notes to General Purpose Financial Statements

June 30, 2000

The current membership of the Plan as of June 30, 2000, is comprised of the following:

Retirees and beneficiaries currently receiving benefits	451
Terminated vested members not yet receiving benefits	137
Active members	<u>1,816</u>
Total	<u><u>2,404</u></u>

(b) Basis of Accounting

Contributions are recognized as revenue in the period in which employee services are performed. Benefits are recognized when earned.

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. Investment income is recognized as earned.

(c) Actuarial Methods and Assumptions

<u>Description</u>	<u>Method/Assumptions</u>
Valuation date	January 1, 2000
Actuarial cost method	Entry Age Normal
Amortization method for actuarial accrued liabilities	Level dollar method, closed periods
Remaining amortization period	Single Amortization Period of 20 years
Actuarial asset valuation method	Market value of assets as of January 1, 1998. In future years, the actuarial value of assets will be equal to the market value of assets as of the valuation date less the unrecognized balances of the market value experience gain/(loss) for the prior four years. Such gains/(loss) are phased in 20% per year.
Actuarial assumptions	Investment rate of return 8.0%
	Projected salary increases 4.5%

(d) Concentration

Investments in mutual funds with Putnam Investments and State Street Global Advisors each represented more than 5% of the Plan's net assets as of June 30, 2000.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY (VTA)

Notes to General Purpose Financial Statements

June 30, 2000

(e) Funding Policy

VTA contributes to the Plan at actuarially determined rates applied to eligible payroll sufficient to maintain funding of vesting benefits. VTA's contributions to the Plan for the year ended June 30, 2000, were made in accordance with actuarially determined requirements computed as of January 1, 2000. VTA's contribution rate as a percentage of payroll was 7.70% for the 2000 fiscal year.

(f) Net Pension Obligation

VTA's net pension obligation to the Plan was zero as of June 30, 2000.

Three-year trend information follows:

<u>Fiscal year</u>	<u>Annual pension cost (APC)</u>	<u>Percentage of APC contributed</u>	<u>Net pension obligation</u>
June 30, 2000 (a)	\$ 17,524,000	100%	—
June 30, 1999	5,352,000	100%	—
June 30, 1998 (b)	28,603,000	100%	—

(a) In fiscal 2000, the required contributions included a one year amortization of the unfunded accrued liability totaling approximately \$10,727,000.

(b) In fiscal 1998, the required contributions included a one year amortization of the unfunded accrued liability totaling approximately \$22,889,000.

(14) Public Employees Retirement System

(a) Plan Description

All eligible non-ATU employees of VTA participate in the State's Public Employees Retirement System (CalPERS). Prior to separation from the County on January 1, 1995, (see Note 1) 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 \$52,300,000 was completed by CalPERS in fiscal 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 retirement, disability, and death benefits based on the employees' years of service, age, and final compensation. Employees vest after five years of service and may receive retirement benefits at age 50. These benefit provisions and all other requirements are established by state statute and VTA resolutions. VTA contracts with CalPERS to administer these benefits.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY (VTA)

Notes to General Purpose Financial Statements

June 30, 2000

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

(b) Actuarial Method and Assumptions

<u>Description</u>	<u>Method/Assumptions</u>
Amortization method	Level percent of payroll
Remaining amortization period	17 years
Inflation rate	3.5% compounded annually

(c) Funding Policy

Active members in VTA's CalPERS Plan (CalPERS Plan) are not required to contribute to the CalPERS Plan. VTA is required to contribute the actuarially determined amount necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required contribution rate from July 1, 1999 through June 30, 2000, was 7.651% for the employer and 7.0% for employees. The required employee contribution was paid by VTA. The contribution requirements of the CalPERS Plan are established by State statute and the employer contribution is established and may amended by CalPERS.

(d) Net Pension Obligation

VTA's net pension obligation to the CalPERS Plan was zero as of June 30, 2000.

For fiscal 2000, the VTA's annual pension cost was approximately \$5,502,000, which was fully contributed. The required contribution for fiscal 2000 was determined as part of the June 30, 1997, actuarial valuation using the entry age normal cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 8.25% investment rate of return (net of administrative expenses); (b) project salary increases that vary by duration of service, and (c) 3.5% cost of living adjustment.

The three-year trend information follows:

<u>Fiscal year</u>	<u>Annual pension cost (APC)</u>	<u>Percentage of APC contributed</u>	<u>Net pension obligation</u>
June 30, 2000	\$ 5,502,000	100%	—
June 30, 1999	5,462,000	100%	—
June 30, 1998	4,573,000	100%	—

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY (VTA)

Notes to General Purpose Financial Statements

June 30, 2000

(15) ATU Spousal Medical Trust and Retiree Vision and Dental Trust

VTA had assets and related liabilities as of June 30, 2000 of approximately \$4,947,000 for the ATU Spousal Medical Trust (the Trust) and Retiree Vision and Dental Trust. The Trust is a medical insurance benefit for eligible pensioners' spouses. Pursuant to a collective bargaining agreement, VTA is required to contribute to the Trust \$0.20 per hour worked by all ATU employees. As of June 30, 2000, 130 participating spouses met the eligibility requirements for the Spousal Medical Trust.

The Retiree Vision and Dental Trust is a vision and dental benefit for eligible pensioners. Effective February 8, 1999 and pursuant to a collective bargaining agreement, VTA is required to contribute \$0.05 per hour worked by ATU employees. As of June 30, 2000, there were no eligible participants. Contributions, which were expensed by VTA, were approximately \$788,000 for the Spousal Medical Trust and \$185,000 for the Retiree Vision and Dental Trust, respectively. Benefit payments made by the Spousal Medical Trust for the year ended June 30, 2000, were approximately \$137,000.

(16) Retiree Health Care Programs

(a) ATU

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 if an employee becomes disabled and has completed at least 10 years of service. As of June 30, 2000, 406 retirees met the eligibility requirements. VTA pays medical premiums for its eligible retirees. An actuarial study as of January 1, 2000, projected that the present value of future VTA paid retiree medical benefits for the current group of active employees, retirees, and terminated vested employees (excluding new employees) was approximately \$32,651,000. VTA's fiscal 2000 contribution approximated the actuarially determined contribution.

(b) Non-ATU

All non-ATU employees upon retirement with at least five years of service and attaining age 50 are also covered under a Retiree Health Care Program (the Non-ATU Program). As of June 30, 2000, 276 retirees met the eligibility requirements. An actuarial study as of January 1, 2000, projected that the present value of future VTA paid retiree medical benefits for the current group of active employees, retirees, and terminated vested employees (excluding new employees) was approximately \$13,087,000. VTA's fiscal 2000 contribution approximated the actuarially determined contribution.

For the year ended June 30, 2000, VTA made contributions to both the ATU and Non-ATU program, which are expensed of approximately \$2,452,000. Benefits paid to participants of the program were approximately \$1,236,000.

As of June 30, 2000, VTA had restricted assets and related liabilities of approximately \$26,735,000 to cover future costs of the ATU and Non-ATU Programs.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY (VTA)

Notes to General Purpose Financial Statements

June 30, 2000

(17) Deferred Compensation Plan

VTA offers its employees a deferred compensation plan (the Deferred Plan) created in accordance with Internal Revenue Code (IRC) Section 457. The Deferred Plan, available to all VTA employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until retirement, termination or certain other covered events. The plan administrator has invested the deferred amounts in numerous participant directed, uninsured, uncollateralized investments.

The accompanying financial statements do not include assets and liabilities of the Deferred Plan.

(18) Self-Insurance

VTA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors, and omissions; injuries to employees; injuries to the public; and natural disasters. Coverage provided by self-insurance and excess coverage is generally as follows as of June 30, 2000:

Type of Coverage	Self-insurance/ Deductible	Excess coverage (in aggregate)
Workers' compensation	\$ 1,000,000	Statutory (no limit)
Employer's liability	\$ 1,000,000	\$3,000,000 per accident
Excess public entity liability	\$ 2,000,000	\$23,000,000
Property, boiler, and machinery	\$ 100,000	\$142,400,000 combined blanket limit
Flood/earthquake:		
National Flood Insurance (eligible locations)	\$ 100,000	\$500,000
Other insurance	\$100,000 – flood 5% of location value for earthquake	\$20,000,000
Light Rail Vehicles include spare parts coverage, no earthquake coverage	\$250,000	\$20,000,000
Buses	\$100,000	\$20,000,000
Vans and mobile equipment	\$25,000	\$20,000,000

Amounts in excess of these limits are self-insured and no losses have occurred above the self-insured retention.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY (VTA)

Notes to General Purpose Financial Statements

June 30, 2000

(a) Workers' Compensation and General Liability

The unpaid general liability and workers' compensation claim liability, included in other accrued liabilities, are based on the results of actuarial studies and include amounts for claims incurred but not reported. Claims liability discount rates are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of pay-outs, and other economic and social factors. Estimated losses for general liability and workers' compensation claims are charged to expense in the period the loss is incurred (including estimates for claims incurred but not yet reported) and are accrued as a liability based on the present value of estimated future cash payments using a 6% average discount rate for workers' compensation as of June 30, 2000, and a 6% average discount rate for general liability as of June 30, 2000, until paid. It is VTA's practice to obtain full actuarial studies annually. VTA uses third-party administrators to perform its claims processing function.

Changes in the balances of workers' compensation claims liabilities for the two years ended June 30, 2000, are as follows:

	2000	1999
Unpaid claims, beginning of fiscal year	\$ 24,478,000	25,691,000
Provision for claim and claim adjustment expense	16,760,000	5,959,000
Payments for claims	(6,997,000)	(7,172,000)
Unpaid claims, end of fiscal year	\$ 34,241,000	24,478,000

Changes in the balances of general liability claims liabilities for the two years ended June 30, 2000, are as follows:

	2000	1999
Unpaid claims, beginning of fiscal year	\$ 21,267,000	22,603,000
Provision for claim and claim adjustment expense	(6,834,000)	3,885,000
Payments for claims	(2,070,000)	(5,221,000)
Unpaid claims, end of fiscal year	\$ 12,363,000	21,267,000

Estimated losses on claims other than workers' compensation and general liability are charged to expense in the period the loss is determinable.

(19) Leases

VTA leases various properties for use as transfer facilities, parking lots, information centers, and warehouses under lease agreements that expire at various dates through 2013. These agreements are accounted for as operating leases. Rent expense was approximately \$380,000 in fiscal 2000.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY (VTA)

Notes to General Purpose Financial Statements

June 30, 2000

Minimum future annual rental payments under these lease agreements are as follows:

<u>Year ending June 30,</u>	
2001	\$ 353,000
2002	370,000
2003	386,000
2004	405,000
2005	218,000
Thereafter	<u>1,691,000</u>
Total	<u>\$ 3,423,000</u>

(20) Litigation

As of June 30, 2000, VTA had accrued amounts that management believes are adequate to provide for claims and litigation, which arose during the normal course of business. Other claims and litigation are outstanding for which VTA cannot determine the ultimate outcome and resulting liability, if any. However, VTA's management believes the ultimate outcome of these claims and lawsuits will not significantly impact VTA's financial position.

(21) Related Party Transactions

County of Santa Clara

Effective July 1, 1999, VTA switched from the County's financial management information systems to its own enterprise resource planning financial systems. It also established new banking relationships. The County continues to provide certain support services to VTA. Amounts paid to the County for such services were approximately \$1,009,000 during fiscal 2000.

(22) Joint Ventures

(a) Peninsula Corridor Joint Powers Board

VTA is a participant in 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 CalTrain rail service. The PCJPB began operating the Peninsula CalTrain rail service 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. VTA, SamTrans, and CCSF are responsible for 38.8%, 51.0%, and 10.2%, respectively, of the member agencies' total reimbursement for such expenses. VTA is also responsible for 100% of the net operating costs between San Jose and Gilroy.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY (VTA)

Notes to General Purpose Financial Statements

June 30, 2000

During the year ended June 30, 2000, VTA paid approximately \$12,818,000 to the PCJPB for operating costs and \$1,509,000 for capital contributions and other costs. Operating costs were subsequently reduced when VTA reclassified \$6,478,000 to prepaid contributions to recognize its share of uncommitted member contributions paid to PCJPB to date.

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 expires in 2001; however, it will continue in full force and effect on a year-to-year basis thereafter, unless a member provides 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 as of and for the year ended June 30, 2000 (unaudited), is as follows:

Total assets	\$ 567,460,129
Operating revenue	\$ 26,997,496
Expenses	(51,068,238)
Nonoperating revenue	24,070,742
Excess of expenses over revenues	\$ —

No debt has been issued by PCJPB. Complete financial statements for the PCJPB can be obtained from the San Mateo County Transit District at 1250 San Carlos Avenue, San Carlos, California 94070.

(b) *Altamont Commuter Express*

The Altamont Commuter Express (ACE) is a commuter rail service covering over 85 miles between Stockton and San Jose with stops in Manteca, Tracy, Livermore, Pleasanton, Fremont, and Santa Clara. ACE is funded by the member agencies of 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 provides twice daily round trip commuter rail service from Stockton through the Tri-Valley Area of Alameda County to Santa Clara County. During February 2000, a service from Pleasanton to Santa Clara was added during the morning commute hour. The operating maintenance and management costs of the service is reimbursed by the members at a rate of approximately 45% from VTA and 55% from San Joaquin Regional Rail Commission. During the year ended June 30, 2000, VTA contributed approximately \$1,795,000 for operating costs and \$1,500,000 for capital contributions.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY (VTA)

Notes to General Purpose Financial Statements

June 30, 2000

Minimum future annual rental payments under these lease agreements are as follows:

Year ending June 30,		
2001	\$	353,000
2002		370,000
2003		386,000
2004		405,000
2005		218,000
Thereafter		1,691,000
Total	\$	3,423,000

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As of June 30, 2000, VTA had accrued amounts that management believes are adequate to provide for claims and litigation, which arose during the normal course of business. Other claims and litigation are outstanding for which VTA cannot determine the ultimate outcome and resulting liability, if any. However, VTA's management believes the ultimate outcome of these claims and lawsuits will not significantly impact VTA's financial position.

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County of Santa Clara

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VTA is a participant in 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 CalTrain rail service. The PCJPB began operating the Peninsula CalTrain rail service 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. VTA, SamTrans, and CCSF are responsible for 38.8%, 51.0%, and 10.2%, respectively, of the member agencies' total reimbursement for such expenses. VTA is also responsible for 100% of the net operating costs between San Jose and Gilroy.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY (VTA)

Notes to General Purpose Financial Statements

June 30, 2000

During the year ended June 30, 2000, VTA paid approximately \$12,818,000 to the PCJPB for operating costs and \$1,509,000 for capital contributions and other costs. Operating costs were subsequently reduced when VTA reclassified \$6,478,000 to prepaid contributions to recognize its share of uncommitted member contributions paid to PCJPB to date.

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 expires in 2001; however, it will continue in full force and effect on a year-to-year basis thereafter, unless a member provides 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.

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Total assets	\$	<u>567,460,129</u>
Operating revenue	\$	26,997,496
Expenses		(51,068,238)
Nonoperating revenue		<u>24,070,742</u>
Excess of expenses over revenues	\$	<u> —</u>

No debt has been issued by PCJPB. Complete financial statements for the PCJPB can be obtained from the San Mateo County Transit District at 1250 San Carlos Avenue, San Carlos, California 94070.

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The Altamont Commuter Express (ACE) is a commuter rail service covering over 85 miles between Stockton and San Jose with stops in Manteca, Tracy, Livermore, Pleasanton, Fremont, and Santa Clara. ACE is funded by the member agencies of 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 provides twice daily round trip commuter rail service from Stockton through the Tri-Valley Area of Alameda County to Santa Clara County. During February 2000, a service from Pleasanton to Santa Clara was added during the morning commute hour. The operating maintenance and management costs of the service is reimbursed by the members at a rate of approximately 45% from VTA and 55% from San Joaquin Regional Rail Commission. During the year ended June 30, 2000, VTA contributed approximately \$1,795,000 for operating costs and \$1,500,000 for capital contributions.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY (VTA)

Notes to General Purpose Financial Statements

June 30, 2000

Complete financial statements for ACE can be obtained from the San Joaquin Regional Rail Commission at 1810 East Hazelton Avenue, Stockton, California 95205.

(c) ***Capitol Corridor Intercity Rail Service***

VTA participates in providing the Capitol Corridor Intercity Rail Service, which runs three daily round trips from Sacramento to San Jose, one daily round trip from Sacramento to Oakland, and one round trip from Sacramento to Roseville. 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 Bay Area Rapid Transit District.

(d) ***California Transit Finance Authority***

VTA and SamTrans are participants of the California Transit Finance Authority (CTFA) which was formed in 1999 through a joint powers agreement for the purpose of establishing the California Transit Variable Rate Finance Program (the Program). The Program makes low-cost, variable rate financing available to the members of the California Transit Association for the acquisition of transit equipment and facilities. In March 1999, through the Program, VTA issued \$50,000,000 of Junior Lien Sales Tax Revenues Bonds (Note 7).

(23) **Santa Clara Valley Traffic Authority**

As described in Note 1, effective April 1, 1997, VTA assumed responsibility as successor organization for the purpose of winding up the affairs of the Traffic Authority. The following item related to the Traffic Authority will have an ongoing impact.

(a) ***Agreement with CalTrans***

CalTrans was contracted to act as the technical director for the 1985 Measure A programs, and to plan, review, and approve all plans and specifications for development, as well as to supervise construction. In the fiscal year ended June 30, 2000, payments to CalTrans totaled approximately \$30,000.

The Traffic Authority's contract with CalTrans requires a final determination of cost from the close out process of construction projects. CalTrans is in the process of finalizing certain projects for which the Traffic Authority may be responsible for additional payments. As of June 30, 2000, known claims have been accrued and reported at expected settlement amounts. A stipulation agreement with CalTrans limits the Traffic Authority's claim exposure for closed projects. The project close out costs are currently being negotiated with CalTrans and are expected to be resolved within one year. Management believes the outcome of this process will not significantly impact VTA's financial position.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY (VTA)

Notes to General Purpose Financial Statements

June 30, 2000

(24) Subsequent Event

On November 7, 2000, the voters of Santa Clara County approved Measure A, a half-cent sales tax to be imposed for a period of 30 years and to take effect upon the expiration of the current County of Santa Clara 1996 Measure B half-cent sales tax beginning April 1, 2006. The half-cent sales tax will be received by VTA and will be used to: connect BART to Milpitas, San Jose, Santa Clara; build rail connections from San Jose Airport to BART, CalTrain, and lightrail; purchase vehicles for disabled access, senior safety, and clean air buses; provide lightrail throughout Santa Clara County; expand and electrify CalTrain; and increase rail service, bus service; and provide for related operating expenses.

REQUIRED SUPPLEMENTARY INFORMATION

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY (VTA)

Schedule of Funding Progress^(a)

Santa Clara County Transit District Amalgamated Transit Union Pension Plan

(Unaudited)

<u>Date</u>	<u>Actuarial Value of Assets</u>	<u>Accrued Liability (AAL)</u>	<u>Unfunded AAL</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Unfunded AAL as a Percentage of Covered Payroll</u>
1/1/1998	^(b) 128,403,003	^(b) 151,291,885	22,888,882	84.9%	68,546,583	33.4%
1/1/1999	165,253,455	^(c) 175,980,221	10,726,766	93.9	73,873,863	14.5
1/1/2000	189,500,553	192,280,635	2,780,082	98.6	78,537,045	3.5

^(a) The Schedule of Funding Progress presents the most recent information regarding the funding progress of the Santa Clara County District Amalgamated Transit Union Pension Plan.

^(b) Benefit improvements and assumption change effective January 1, 1997. Change in method for determining actuarial value of assets effective December 31, 1997.

^(c) Change in actuarial assumption for mortality.

See accompanying independent auditors' report.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY (VTA)

Schedule of Funding Progress

Santa Clara Valley Transportation Authority CalPERS Plan

(Unaudited)

<u>Valuation date</u>	<u>Entry Age Normal Accrued Liability</u>	<u>Actuarial Value of Assets</u>	<u>Overfunded Liability</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>Overfunded as a Percentage of Payroll</u>
6/30/1996 ^(a) \$	41,213,702	42,114,059	(900,357)	102.2%	22,170,642	(4.1)
6/30/1997	46,553,900	50,970,126	(4,416,226)	109.5	25,952,524	(17.0)
6/30/1998	52,867,475	62,650,398	(9,782,923)	118.5	29,010,893	(32.7)

^(a) Prior to separation from Santa Clara County, 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.

See accompanying independent auditors' report.

SUPPLEMENTARY DATA

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY (VTA)

Combining Balance Sheet

Governmental Fund Type

(Special Revenue Funds)

June 30, 2000

Assets	<u>Traffic Authority</u>	<u>CMP</u>	<u>Total</u>
Current assets:			
Cash and cash equivalents	\$ —	321	321
Investments	112,777	13,690	126,467
Due from other funds	11,007	—	11,007
Due from other governmental agencies	92,732	2,010,695	2,103,427
Total assets	\$ 216,516	2,024,706	2,241,222
Liabilities and (Deficit) Equity			
Current liabilities:			
Accounts payable	\$ 65	559,602	559,667
Other accrued liabilities	—	473	473
Due to other funds	—	30,854	30,854
Due to other governmental agencies	412,788	19,904	432,692
Total current liabilities	412,853	610,833	1,023,686
Noncurrent liabilities – other accrued liabilities	—	84,066	84,066
Total liabilities	412,853	694,899	1,107,752
(Deficit) equity – fund balance – undesignated	(196,337)	1,329,807	1,133,470
Total liabilities and (deficit) equity	\$ 216,516	2,024,706	2,241,222

See accompanying independent auditors' report.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY (VTA)
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Fund Type
(Special Revenue Funds)
Year ended June 30, 2000

	<u>Traffic Authority</u>	<u>CMP</u>	<u>Total</u>
Revenues:			
Member agency assessment revenue	\$ —	1,239,993	1,239,993
Federal technical studies operating assistance grants	—	1,042,441	1,042,441
Federal grants	27,445	—	27,445
Other contributions	—	390,000	390,000
Administrative fees	—	85,390	85,390
State operating assistance grants	—	31,031	31,031
Other revenues	—	1,500	1,500
Investment earnings	13,919	782	14,701
Total revenues	<u>41,364</u>	<u>2,791,137</u>	<u>2,832,501</u>
Expenditures:			
Salaries and benefits	—	1,296,176	1,296,176
Services	88,853	1,697,567	1,786,420
Program expenditures	69,522	—	69,522
Total expenditures	<u>158,375</u>	<u>2,993,743</u>	<u>3,152,118</u>
Total expenditures in excess of revenues	(117,011)	(202,606)	(319,617)
Fund balance, beginning of year	<u>(79,326)</u>	<u>1,532,413</u>	<u>1,453,087</u>
Fund balance, end of year	<u>\$ (196,337)</u>	<u>1,329,807</u>	<u>1,133,470</u>

See accompanying independent auditors' report.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY (VTA)
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances –
Budget and Actual – Governmental Fund Types
(Special Revenue Funds)
Year Ended June 30, 2000

	Traffic Authority			Congestion Management Program			Combined totals		
	Budget	Actual	Favorable (Unfavorable) Variance	Budget	Actual	Favorable (Unfavorable) Variance	Budget	Actual	Favorable (Unfavorable) Variance
Revenues:									
Member agency assessment revenue	—	—	—	1,239,994	1,239,993	(1)	1,239,994	1,239,993	(1)
Federal technical studies operating assistance grants	—	—	—	1,147,000	1,042,441	(104,559)	1,147,000	1,042,441	(104,559)
Federal grants	—	27,445	27,445	—	—	—	—	27,445	27,445
Other contributions	—	—	—	500,000	390,000	(110,000)	500,000	390,000	(110,000)
Administrative fees	—	—	—	115,200	85,390	(29,810)	115,200	85,390	(29,810)
State operating assistance grants	—	—	—	41,600	31,031	(10,569)	41,600	31,031	(10,569)
Other revenues	—	—	—	3,200	1,500	(1,700)	3,200	1,500	(1,700)
Investment earnings	—	13,919	13,919	—	782	782	—	14,701	14,701
Total revenues	—	41,364	41,364	3,046,994	2,791,137	(255,857)	3,046,994	2,832,501	(214,493)
Expenditures:									
Salaries and benefits	—	—	—	1,454,754	1,296,176	158,578	1,454,754	1,296,176	158,578
Services	—	88,853	(88,853)	1,614,512	1,697,567	(83,055)	1,614,512	1,786,420	(171,908)
Program expenditures	404,000	69,522	334,478	—	—	—	404,000	69,522	334,478
Total expenditures	404,000	158,375	245,625	3,069,266	2,993,743	75,523	3,473,266	3,152,118	321,148
Total expenditures (in excess of) less than revenues	(404,000)	(117,011)	286,989	(22,272)	(202,606)	(180,334)	(426,272)	(319,617)	106,655
Fund balance at beginning of year	(79,326)	(79,326)	—	1,532,413	1,532,413	—	1,453,087	1,453,087	—
Fund balance at end of year	<u>\$ (483,326)</u>	<u>(196,337)</u>	<u>286,989</u>	<u>1,510,141</u>	<u>1,329,807</u>	<u>(180,334)</u>	<u>1,026,815</u>	<u>1,133,470</u>	<u>106,655</u>

See accompanying independent auditors' report.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY (VTA)

Combining Balance Sheet

Fiduciary Fund Type

(Trust and Agency Funds)

June 30, 2000

Assets	Trust Funds ^(a)	Agency Fund ^(b)	Total
Restricted assets:			
Investments	\$ 192,041,654	6,197,080	198,238,734
Receivables	1,125,445	—	1,125,445
Due from other governmental agencies	—	4,861,178	4,861,178
Total assets	\$ 193,167,099	11,058,258	204,225,357
 Liabilities and Equity			
Liabilities payable from restricted assets:			
Accounts payable	\$ 21,200	4,988,940	5,010,140
Other accrued liabilities – current	246,785	—	246,785
Due to other funds	166,646	311,830	478,476
Due to other government agencies	—	5,757,488	5,757,488
Total liabilities payable from restricted assets	434,631	11,058,258	11,492,889
Noncurrent liabilities – other accrued liabilities	—	—	—
Total liabilities	434,631	11,058,258	11,492,889
Equity – fund balance – reserved for:			
Employees' pension benefits	187,951,792	—	187,951,792
Spousal medical trust	4,502,108	—	4,502,108
Retiree vision and dental	278,568	—	278,568
Total equity	192,732,468	—	192,732,468
Total liabilities and equity	\$ 193,167,099	11,058,258	204,225,357

^(a) See Combining Balance Sheet – Trust Funds

^(b) See Combining Balance Sheet – Agency Funds

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY (VTA)

Combining Balance Sheet – Trust Funds

June 30, 2000

Assets	<u>SCCTD/ATU Pension Fund</u>	<u>ATU Medical Trust</u>	<u>Total</u>
Restricted assets:			
Investments	\$ 187,094,332	4,947,322	192,041,654
Receivables	1,125,445	—	1,125,445
Total assets	<u>\$ 188,219,777</u>	<u>4,947,322</u>	<u>193,167,099</u>
Liabilities and Equity			
Liabilities payable from restricted assets:			
Accounts payable	\$ 21,200	—	21,200
Other accrued liabilities – current	246,785	—	246,785
Due to other funds	—	166,646	166,646
Total liabilities payable from restricted assets	267,985	166,646	434,631
Noncurrent liabilities – other accrued liabilities	—	—	—
Total liabilities	<u>267,985</u>	<u>166,646</u>	<u>434,631</u>
Equity – fund balance:			
Reserved for employees' pension benefits	187,951,792	—	187,951,792
Reserved for spousal medical trust	—	4,502,108	4,502,108
Reserved for retiree vision and dental	—	278,568	278,568
Total equity	<u>187,951,792</u>	<u>4,780,676</u>	<u>192,732,468</u>
Total liabilities and equity	<u>\$ 188,219,777</u>	<u>4,947,322</u>	<u>193,167,099</u>

See accompanying independent auditors' report.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY (VTA)

Combining Balance Sheet – Agency Funds

June 30, 2000

Assets	BAAQMD Agency Fund	Pavement Bikeways Agency Fund	Total
	<u> </u>	<u> </u>	<u> </u>
Restricted assets:			
Investments	\$ 5,948,548	248,532	6,197,080
Due from other governmental agencies	<u> —</u>	<u>4,861,178</u>	<u>4,861,178</u>
Total assets	<u>\$ 5,948,548</u>	<u>5,109,710</u>	<u>11,058,258</u>
 Liabilities and Equity			
Liabilities payable from restricted assets:			
Accounts payable	\$ 4,988,940	—	4,988,940
Due to other funds	311,830	—	311,830
Due to other governmental agencies	<u>647,778</u>	<u>5,109,710</u>	<u>5,757,488</u>
Total liabilities payable from restricted assets	<u>5,948,548</u>	<u>5,109,710</u>	<u>11,058,258</u>
Total liabilities and equity	<u>\$ 5,948,548</u>	<u>5,109,710</u>	<u>11,058,258</u>

See accompanying independent auditors' report.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY (VTA)

Schedule of Changes in Assets and Liabilities – Fiduciary Fund Type

(Agency Funds)

Year ended June 30, 2000

Assets	Balance July 1, 1999	Increase	Decrease	Balance June 30, 2000
Current assets:				
Cash and equity with fiscal agent	\$ 1,068,706	—	1,068,706	—
Investments	4,687,445	1,509,635	—	6,197,080
Due from other governmental agencies	35,572	4,825,606	—	4,861,178
Total assets	\$ 5,791,723	6,335,241	1,068,706	11,058,258
Liabilities				
Liabilities payable from restricted assets:				
Accounts payable	\$ 5,325,265	—	336,325	4,988,940
Due to other funds	434,841	—	123,011	311,830
Due to other governmental agencies	31,617	5,725,871	—	5,757,488
Total liabilities	\$ 5,791,723	5,725,871	459,336	11,058,258

See accompanying independent auditors' report.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY (VTA)

Schedule of Budget Versus Actual Revenues and Expenditures

(Enterprise Fund)

Year ended June 30, 2000

	<u>Budget</u>	^(a)	<u>Actual</u>	<u>Favorable (Unfavorable) Variance</u>
Operating revenues:				
Passenger fares	\$ 31,184,000		32,325,602	1,141,602
Advertising and other	3,855,000		3,927,672	72,672
Total operating revenues	<u>35,039,000</u>		<u>36,253,274</u>	<u>1,214,274</u>
Operating expenditures:				
Labor and fringe benefits	189,253,000		173,725,886	15,527,114
Services and supplies	65,717,000		48,136,699	17,580,301
Purchased transportation	18,700,000		17,455,793	1,244,207
Total operating expenditures	<u>273,670,000</u>		<u>239,318,378</u>	<u>34,351,622</u>
Operating loss	<u>(238,631,000)</u>		<u>(203,065,104)</u>	<u>35,565,896</u>
Nonoperating revenues (expenditures):				
Sales tax revenue	148,233,000		166,764,390	18,531,390
Federal operating assistance grants	6,061,000		6,050,541	(10,459)
State and local operating assistance grants	80,248,000		80,436,297	188,297
CalTrain subsidy	(14,553,000)		(7,850,284)	6,702,716
Altamont Commuter Express subsidy	(2,517,000)		(3,820,614)	(1,303,614)
Investment earnings	6,500,000		8,285,635	1,785,635
Interest expense	(5,033,000)		(4,615,642)	417,358
Other, net	13,723,000		3,399,273	(10,323,727)
Total nonoperating revenues, net	<u>232,662,000</u>		<u>248,649,596</u>	<u>15,987,596</u>
Net income – budget basis	<u>(5,969,000)</u>		<u>45,584,492</u>	<u>51,553,492</u>
Depreciation	<u>29,065,000</u>		<u>25,910,264</u>	<u>3,154,736</u>
Net income – GAAP basis	\$ <u>(35,034,000)</u>		<u>19,674,228</u>	<u>54,708,228</u>

^(a) The budget for the year ended June 30, 2000, represents the revised budget as amended to reflect all subsequently approved budget modifications through the end of fiscal 2000, as well as adjustments to add back carried forward encumbrances from fiscal 1999, and subtract outstanding commitments as of June 30, 2000.

See accompanying independent auditors' report.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY (VTA)

Schedule of Restricted Assets and Related Liabilities (Enterprise Fund)

June 30, 2000

	<u>Capital and Operating</u>	<u>General Liability Insurance</u>	<u>Workers' Compensation Insurance</u>	<u>Retiree Health Care</u>	<u>Accrued Vacation and Sick Leave Benefits</u>	<u>Debt Service</u>	<u>Total</u>
Restricted assets:							
Cash and cash equivalents	\$ 6,621,028	—	—	—	—	—	6,621,028
Cash and equity with fiscal agents	4,441,103	—	203,387	—	—	8,448,646	13,093,136
Investments	109,134,383	12,362,681	34,037,498	26,735,279	15,690,073	—	197,959,914
Receivables	179,119	—	—	—	—	—	179,119
Due from other funds	155,462	—	—	—	—	—	155,462
Due from other governmental agencies	33,191,026	—	—	—	—	—	33,191,026
Total	<u>153,722,121</u>	<u>12,362,681</u>	<u>34,240,885</u>	<u>26,735,279</u>	<u>15,690,073</u>	<u>8,448,646</u>	<u>251,199,685</u>
Liabilities payable from restricted assets:							
Accounts payable	36,737,663	—	—	—	—	—	36,737,663
Other accrued liabilities – current	420,532	—	—	—	4,752,521	—	5,173,053
Long-term debt	—	—	—	—	—	8,448,646	8,448,646
Other accrued liabilities – noncurrent	203,387	12,362,681	34,240,885	26,735,279	10,937,552	—	84,479,784
Total	<u>37,361,582</u>	<u>12,362,681</u>	<u>34,240,885</u>	<u>26,735,279</u>	<u>15,690,073</u>	<u>8,448,646</u>	<u>134,839,146</u>
Retained earnings – reserved	\$ <u>116,360,539</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>116,360,539</u>

See accompanying independent auditors' report.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY (VTA)

Comparative Schedules of Assets, Liabilities, and Equity (Enterprise Fund)

June 30, 2000 and 1999

Assets	<u>2000</u>	<u>1999</u>
Current assets:		
Cash and cash equivalents	\$ 1,168,184	1,216,409
Investments	45,195,963	72,074,422
Receivables, net	5,131,953	947,274
Due from other funds	509,331	1,303,645
Due from other governmental agencies	36,880,196	29,033,189
Inventories	17,005,820	12,229,089
Other current assets	7,110,468	3,885,187
Total current assets	<u>113,001,915</u>	<u>120,689,215</u>
Restricted assets:		
Cash and cash equivalents	6,621,028	—
Cash and equity with fiscal agents	13,093,136	17,082,296
Investments	197,959,914	118,317,916
Receivables	179,119	—
Due from other funds	155,462	—
Due from other governmental agencies	33,191,026	72,235,266
Other assets	—	30,500
Total restricted assets	<u>251,199,685</u>	<u>207,665,978</u>
Other noncurrent assets:		
Deferred bond issuance costs	1,204,928	1,265,581
Other	111,300	116,100
Total other noncurrent assets	<u>1,316,228</u>	<u>1,381,681</u>
Property, facilities, and equipment:		
Land and right-of-way	515,329,096	442,330,126
CalTrain - Gilroy extension	48,763,312	48,763,312
Buildings, improvements, furniture, and fixtures	204,246,962	164,479,693
Vehicles	178,102,660	177,719,655
Light-rail tracks and electrification	245,809,151	64,438,244
Construction in progress	217,897,481	376,555,494
Other operating equipment	29,010,158	7,957,117
Total property, facilities, and equipment	<u>1,439,158,820</u>	<u>1,282,243,641</u>
Less accumulated depreciation	<u>208,592,490</u>	<u>184,338,977</u>
Total property, facilities, and equipment, net	<u>1,230,566,330</u>	<u>1,097,904,664</u>
Total assets	<u>\$ 1,596,084,158</u>	<u>1,427,641,538</u>

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY (VTA)

Comparative Schedules of Assets, Liabilities, and Equity (Enterprise Fund), (Continued)

June 30, 2000 and 1999

Liabilities and Equity	<u>2000</u>	<u>1999</u>
Current liabilities:		
Current portion of long-term debt	\$ 2,124,298	951,944
Accounts payable	11,508,550	3,551,938
Other accrued liabilities	7,883,987	6,386,254
Due to other funds	150,627	—
Due to other governmental agencies	4,273,339	194,773
Total current liabilities	<u>25,940,801</u>	<u>11,084,909</u>
Liabilities payable from restricted assets:		
Accounts payable	36,737,663	11,231,353
Other accrued liabilities – current	5,173,053	12,255,348
Due to other governmental agencies	—	10,403,282
Long-term debt, excluding current portion	8,448,646	8,085,634
Other accrued liabilities – noncurrent	84,479,784	74,862,080
Total liabilities payable from restricted assets	<u>134,839,146</u>	<u>116,837,697</u>
Noncurrent liabilities:		
Long-term debt, excluding current portion	104,094,697	106,412,085
Other accrued liabilities	45,818	38,249
Total noncurrent liabilities	<u>104,140,515</u>	<u>106,450,334</u>
Total liabilities	<u>264,920,462</u>	<u>234,372,940</u>
Equity:		
Contributed capital:		
Federal grants	488,381,828	468,306,449
State grants	215,694,591	210,294,011
Other	147,417,245	68,178,447
Total contributed capital	<u>851,493,664</u>	<u>746,778,907</u>
Retained earnings:		
Reserved	116,360,539	90,828,280
Unreserved	363,309,493	355,661,411
Total retained earnings	<u>479,670,032</u>	<u>446,489,691</u>
Total equity	<u>1,331,163,696</u>	<u>1,193,268,598</u>
Total liabilities and equity	<u>\$ 1,596,084,158</u>	<u>1,427,641,538</u>

See accompanying independent auditors' report.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY (VTA)

Comparative Schedules of Revenues, Expenses, and Changes in
Retained Earnings (Enterprise Fund)

Years ended June 30, 2000 and 1999

	<u>2000</u>	<u>1999</u>
Operating revenues:		
Passenger fares	\$ 32,325,602	27,069,631
Advertising and other	3,927,672	3,886,000
Total operating revenues	<u>36,253,274</u>	<u>30,955,631</u>
Operating expenses:		
Labor	98,371,717	88,779,075
Fringe benefits	75,354,169	53,574,887
Materials and supplies	15,539,528	19,646,325
Services	21,379,301	15,200,210
Utilities	5,167,026	4,070,489
Casualty and liability	2,403,204	3,895,208
Purchased transportation	17,455,793	15,486,747
Leases and rentals	636,625	467,437
Miscellaneous	3,011,015	1,107,264
Total operating expenses, excluding depreciation	<u>239,318,378</u>	<u>202,227,642</u>
Operating loss before depreciation	<u>(203,065,104)</u>	<u>(171,272,011)</u>
Depreciation expense:		
On assets acquired with capital grants	13,506,113	11,764,348
On assets otherwise acquired	12,404,151	12,498,201
Total depreciation expense	<u>25,910,264</u>	<u>24,262,549</u>
Operating loss	<u>(228,975,368)</u>	<u>(195,534,560)</u>
Nonoperating revenues (expenses):		
Sales tax revenue	166,764,390	143,711,721
Federal operating assistance grants	6,050,541	11,656,278
State and local operating assistance grants	80,436,297	67,588,736
CalTrain subsidy	(7,850,284)	(11,291,169)
Altamont Commuter Express Subsidy	(3,820,614)	(836,777)
Investment earnings	8,285,635	5,534,792
Interest expense	(4,615,642)	(4,762,588)
Other income	4,808,287	10,169,655
Other expense	(1,409,014)	(1,273,600)
Nonoperating revenues, net	<u>248,649,596</u>	<u>220,497,048</u>
Net income	19,674,228	24,962,488
Charge to contributed capital – depreciation on fixed assets acquired with contributions	13,506,113	11,764,348
Retained earnings at beginning of year	<u>446,489,691</u>	<u>409,762,855</u>
Retained earnings at end of year	\$ <u>479,670,032</u>	\$ <u>446,489,691</u>

See accompanying independent auditors' report.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY (VTA)

Comparative Schedules of Cash Flows (Enterprise Fund)

Years ended June 30, 2000 and 1999

	<u>2000</u>	<u>1999</u>
Cash flows from operating activities:		
Cash received from passenger fares	\$ 27,984,685	27,280,593
Cash received from advertising	3,826,569	3,784,897
Cash paid to employees	(177,569,162)	(135,531,723)
Cash paid to suppliers	(11,506,320)	(51,066,139)
Cash paid for purchased transportation	(24,087,812)	(15,349,101)
Net cash used in operating activities	<u>(181,352,040)</u>	<u>(170,881,473)</u>
Cash flows from noncapital financing activities:		
Operating grants received	98,343,530	77,647,142
Sales tax received	159,113,676	138,068,172
CalTrain subsidy	(7,850,284)	(11,291,169)
Altamont Commuter Express Subsidy	(3,820,614)	(836,777)
Other noncapital receipts	16,423,417	12,770,603
Other noncapital payments	(1,409,014)	(24,468,980)
Net cash provided by noncapital financing activities	<u>260,800,711</u>	<u>191,888,991</u>
Cash flows from capital and related financing activities:		
Payment of long-term debt	(782,022)	(725,191)
Interest paid	(4,615,642)	(4,762,588)
Acquisition and construction of capital assets	(145,455,474)	(148,032,893)
Capital grants received	126,361,990	62,244,436
Proceeds from sale of capital assets	389,657	11,405
Net cash used in capital and related financing activities	<u>(24,101,491)</u>	<u>(91,264,831)</u>
Cash flows from investing activities:		
Proceeds from sale of investments	1,166,102,687	511,925,746
Purchases of investments	(1,227,427,478)	(672,685,084)
Interest income	8,561,254	4,806,335
Net cash used in investing activities	<u>(52,763,537)</u>	<u>(155,953,003)</u>
Net increase (decrease) in cash and cash equivalents	2,583,643	(226,210,316)
Cash and cash equivalents, beginning of year	<u>18,298,705</u>	<u>244,509,021</u>
Cash and cash equivalents, end of year	\$ <u>20,882,348</u>	<u>18,298,705</u>

(Continued)

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY (VTA)

Comparative Schedules of Cash Flows (Enterprise Fund), (Continued)

Years ended June 30, 2000 and 1999

	<u>2000</u>	<u>1999</u>
Supplemental disclosures of cash flow information:		
Cash and cash equivalents, beginning of year:		
Unrestricted	\$ 1,216,409	68,796,911
Restricted	17,082,296	175,712,110
	<u>\$ 18,298,705</u>	<u>244,509,021</u>
Cash and cash equivalents, end of year:		
Unrestricted	\$ 1,168,184	1,216,409
Restricted	19,714,164	17,082,296
	<u>\$ 20,882,348</u>	<u>18,298,705</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (228,975,368)	(195,534,560)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	25,910,264	24,262,549
Changes in operating assets and liabilities:		
Receivables	(4,442,020)	109,859
Inventories	(4,776,731)	(620,260)
Other current assets	(6,536,066)	178,199
Accounts payable	41,311,157	(6,099,499)
Other accrued liabilities	(3,843,276)	6,822,239
Net cash used in operating activities	<u>\$ (181,352,040)</u>	<u>(170,881,473)</u>

See accompanying independent auditors' report.

SECTION 3 — STATISTICAL

FINANCIAL RATIOS

- CURRENT RATIOS
- DEBT AND EQUITY RATIOS
- OPERATING RECOVERY RATIOS
- TIMES DEBT SERVICE COVERAGE

TEN YEAR COMPARISONS

- OPERATING REVENUE AND NET OPERATING EXPENSES
- NON-OPERATION ASSISTANCE AND INTEREST INCOME
- ACTUAL RESERVE TO TARGET RESERVE
- VEHICLE REVENUE MILES
- PASSENGER MILES
- SELECTED FINANCIAL DATA
- SELECTED STATISTICAL AND DEMOGRAPHIC DATA

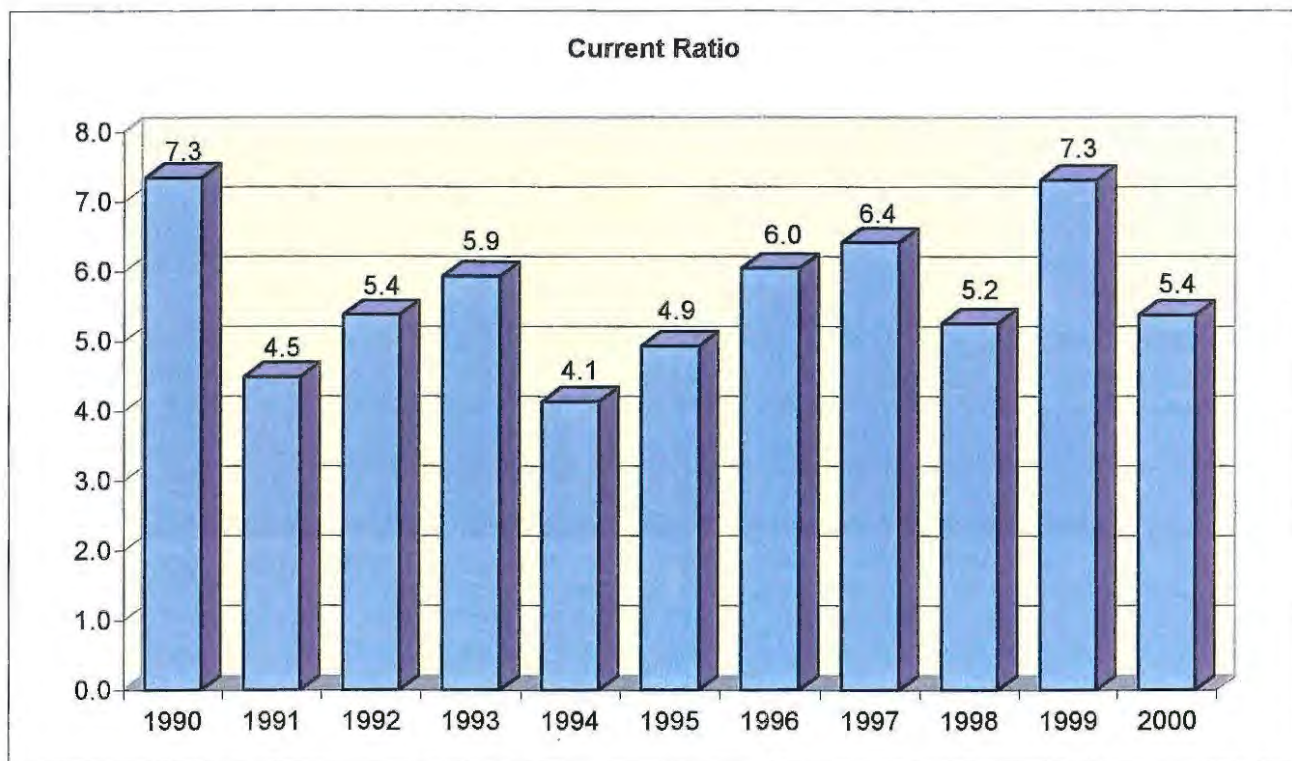
BUS AND RAIL SYSTEM FACTS

- CURRENT BUS SYSTEM DATA
- CURRENT RAIL SYSTEM DATA

FINANCIAL RATIOS 1990 - 2000

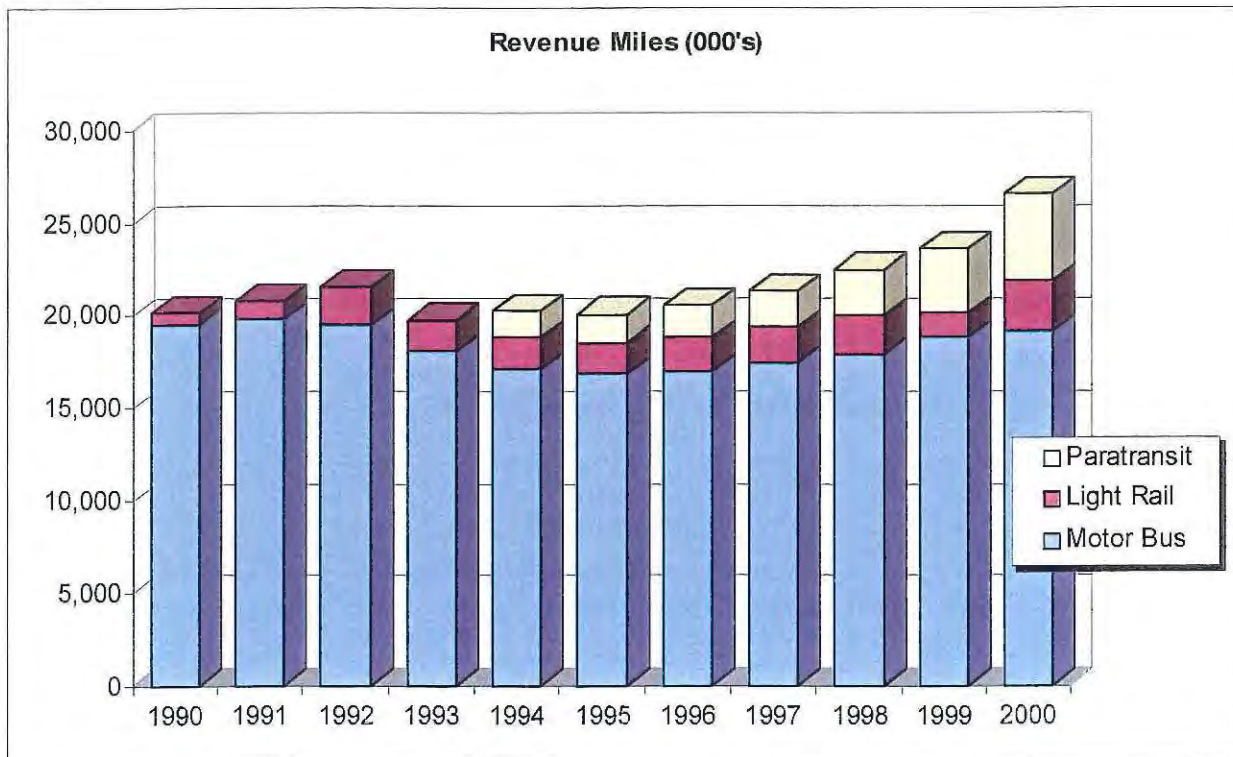
Current Ratios

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 - restricted and unrestricted, by all current liabilities - restricted and unrestricted, and payable from current restricted assets. A Current Ratio of 1 or higher is an indication of financial strength. Although VTA experienced a drop in its Current Ratio, it continues to remain strong at 5.4.



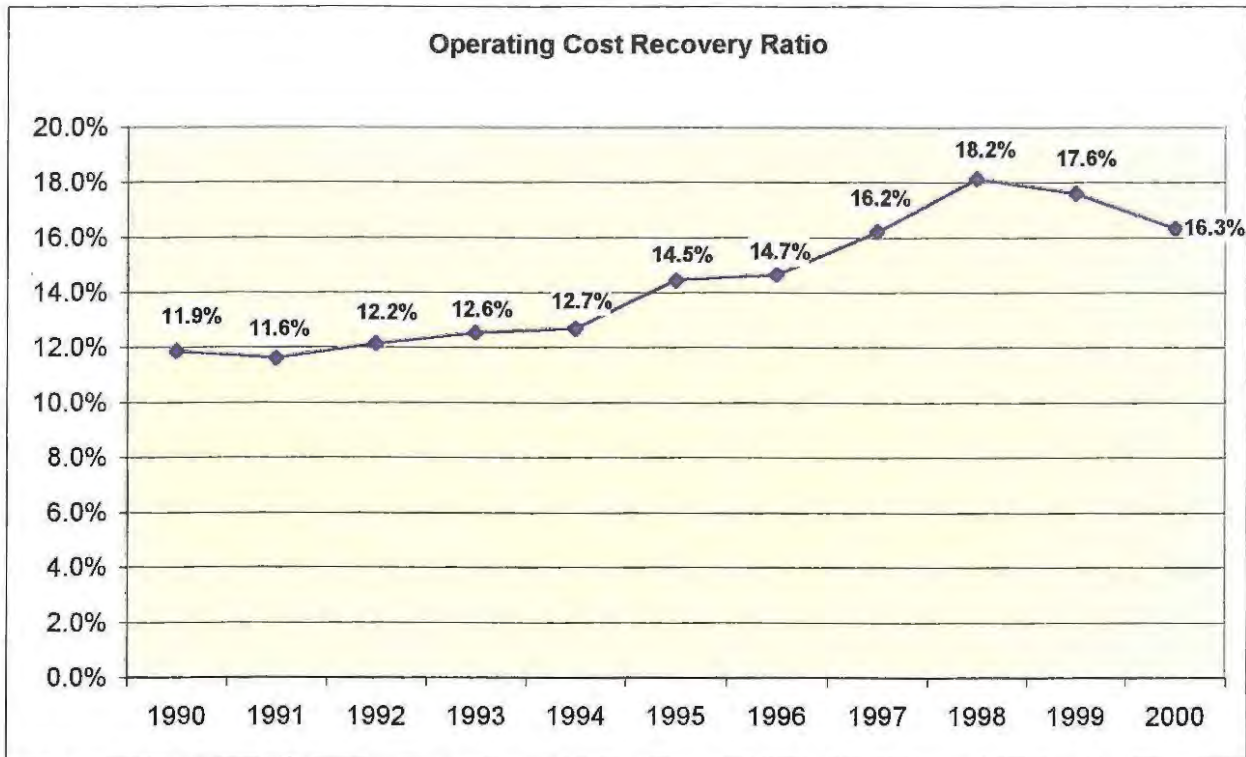
Debt and Equity Ratios

The debt and equity ratios indicate the percentage of assets financed through debt, capital contributions, and District equity. They are determined by showing liabilities and equity as a percentage of total assets. Fiscal year 2000 experienced only slight changes in the mix of financing, with minimal change occurring in liabilities, which increased from 16% in FY99 to 17% in FY00. VTA's issuance of debt to finance its assets continues to be relatively small.



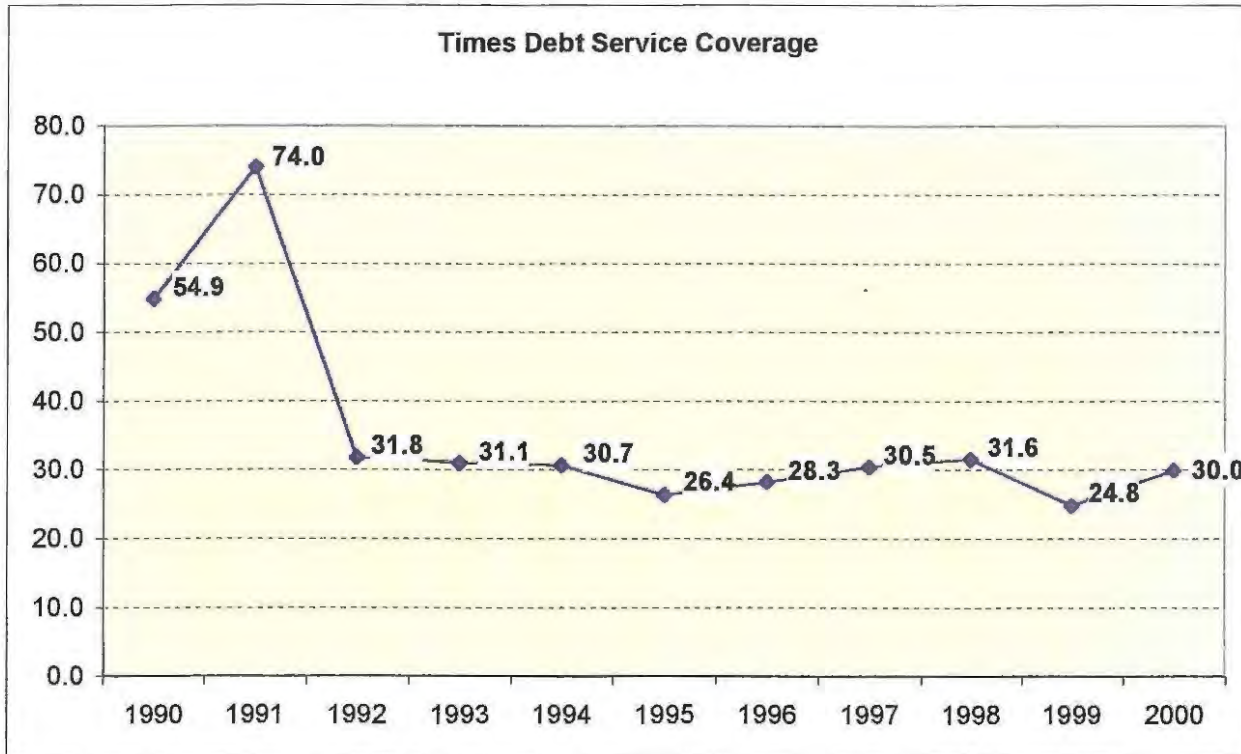
Operating Recovery Ratio

The operating recovery ratio is the operating income divided by the net operating expenses. This key measure shows a four percent gain from 1994 to fiscal 1998 in keeping with the long range strategic plan. The Operating Recovery Ratio for fiscal year 2000 dropped slightly to 16.3%, falling short of VTA's goal to achieve a 19% ratio in the year 2000.



Times Debt Service Coverage

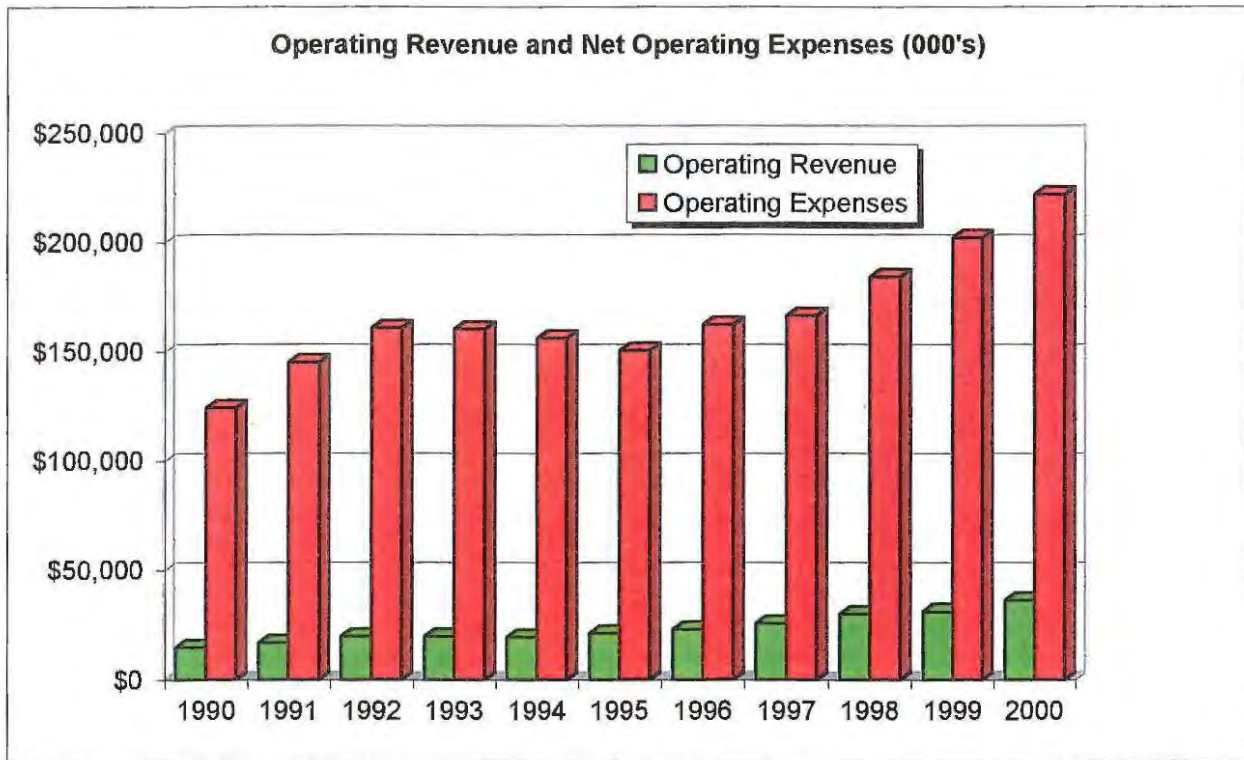
The Times-Debt-Service-Coverage Ratio indicates VTA's financial position to cover its debt service with operating income and is determined by dividing sales tax revenue by debt service. For fiscal year 2000, the ratio increased to 30%, continuing the trend that reflects the pledged sales tax revenue adequately covers VTA's principal and interest payments.



TEN - YEAR COMPARISONS (1990 - 2000)

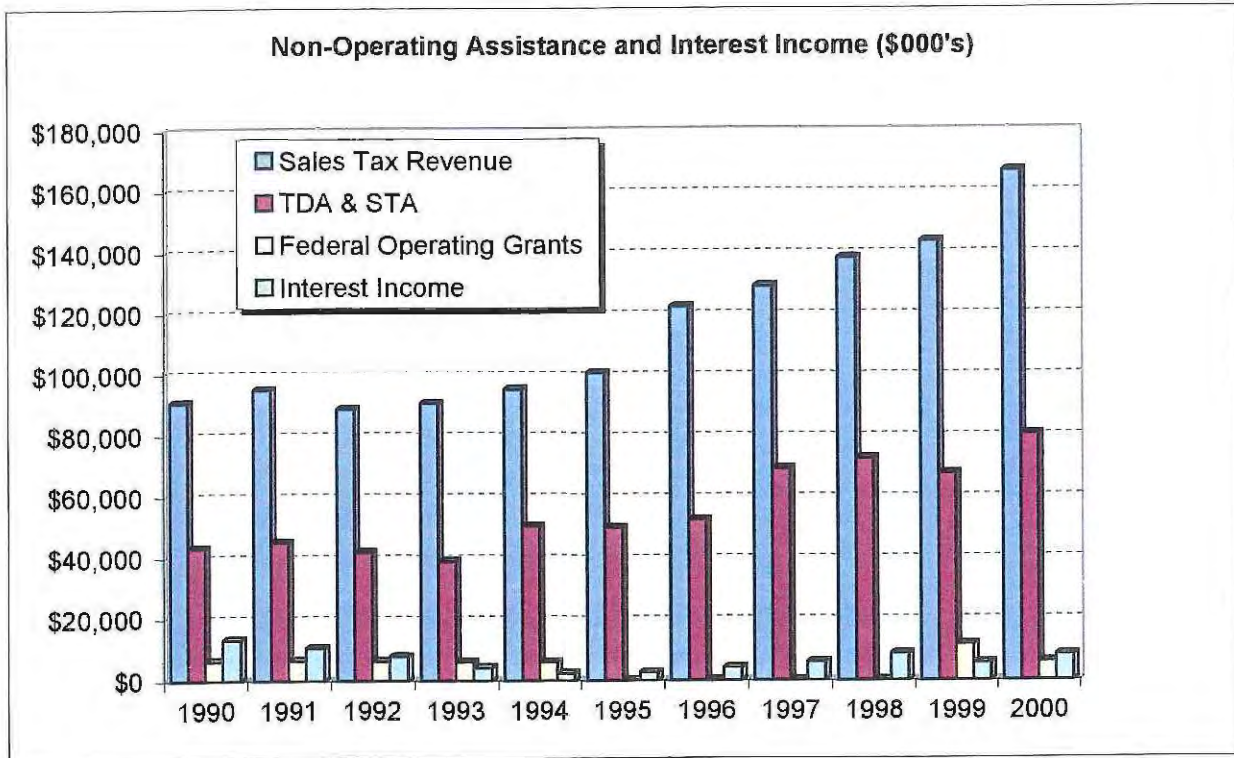
Operating Revenues and Net Operating Expenses

The chart below shows a comparison of operating revenue to expenses. Operating expenses are exclusive of purchased transportation to more accurately depict operations related to directly operated service.



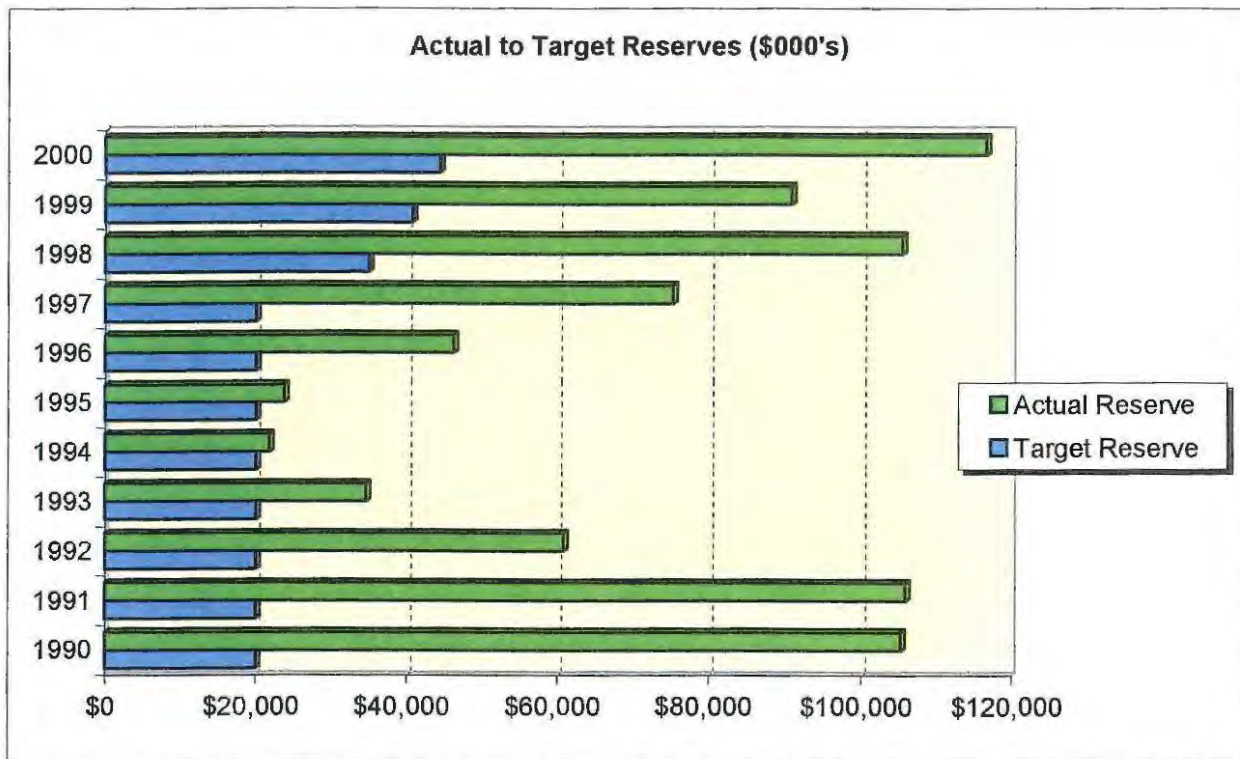
Non-operating Assistance and Interest Income

The following chart illustrates trends in selected material non-operating revenue sources. Taxable sales growth in Santa Clara County is the greatest contributing factor to the non-operating revenue sources shown in the following graph.



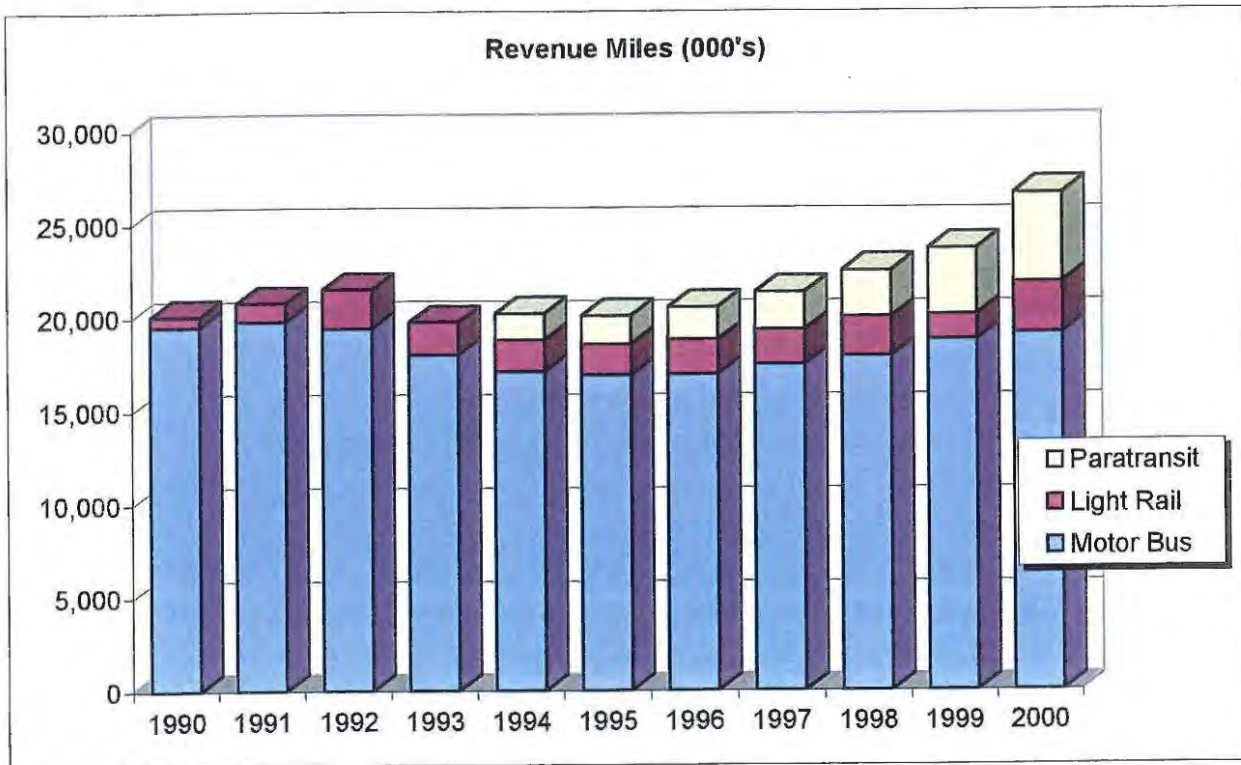
Actual Reserves to Target Reserves

This table compares the actual reserve to the minimum target level reserve. Reserves are the difference between current unrestricted assets and current unrestricted liabilities. For long term planning purposes the Authority strives to maintain reserves at a minimum level of 15% of the operating budget. The following chart illustrates the trend of increasing actual reserves primarily as a result of the implementation of lightrail capital expansion programs.



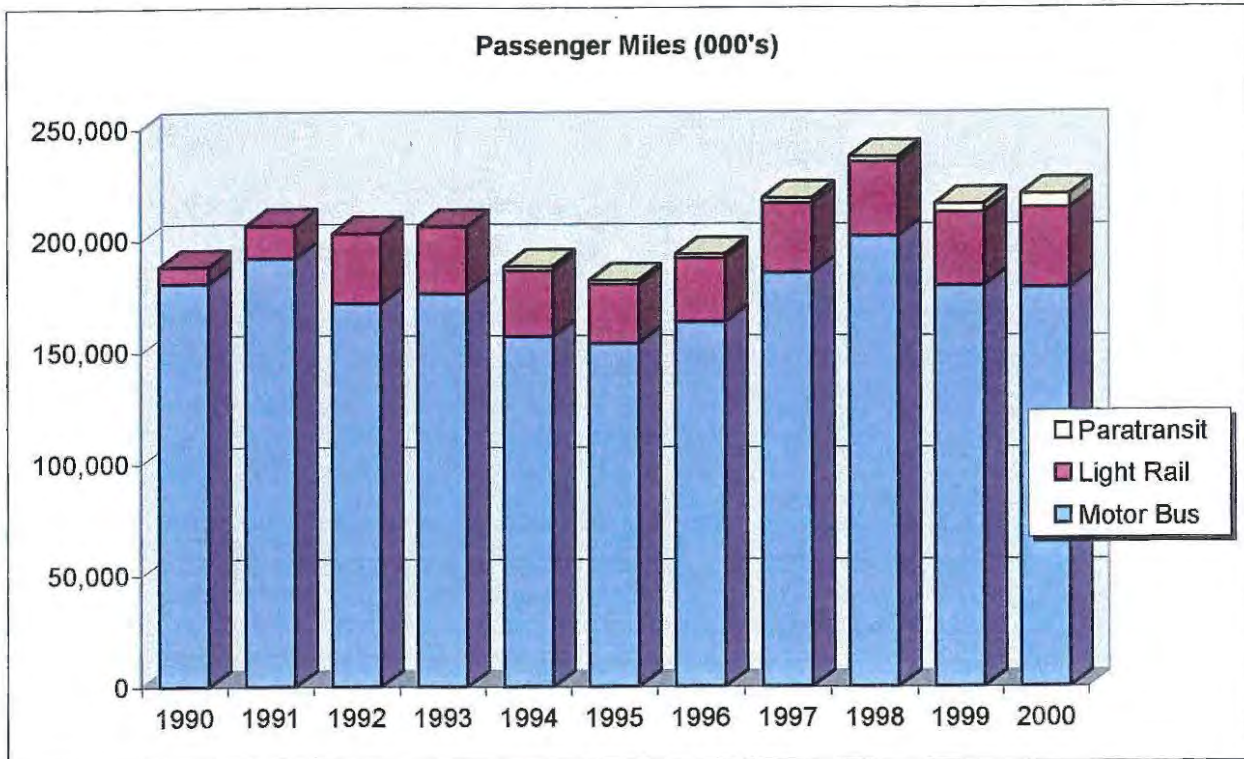
Vehicle Revenue Miles

The following chart depicts vehicle miles in revenue service. Service cuts of 5% and 10% were implemented during fiscal years 1992 and 1993, respectively. Paratransit miles increased to meet the requirements of the federal Americans with Disabilities Act.



Passenger Miles

Passenger mile statistics are presented in the chart below. Service cuts of 5% and 10% were implemented during fiscal years 1992 and 1993, respectively.



Section - 3

Selected Financial Data

(Dollars in \$000's)	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
OPERATING REVENUES	\$14,653	\$16,752	\$19,484	\$19,705	\$19,279	\$21,096	\$22,964	\$25,577	\$30,003	\$30,956	\$36,253
OPERATING EXPENSES											
LABOR	59,842	64,702	68,361	67,458	67,387	68,533	71,810	77,297	82,030	88,779	98,372
FRINGE BENEFITS	32,466	41,759	54,235	50,719	44,100	39,146	46,457	43,054	48,661	53,575	75,354
MATERIALS AND SUPPLIES	14,340	14,960	13,599	13,536	15,455	14,582	16,649	16,911	17,044	19,646	15,540
SERVICES	9,798	14,714	15,343	13,954	12,449	10,400	12,310	12,583	14,709	15,200	21,379
UTILITIES	1,422	2,117	2,775	3,300	3,152	3,337	3,277	3,409	3,603	4,071	5,167
CASUALTY AND LIABILITY	2,986	3,184	3,641	5,419	6,102	7,200	4,120	2,413	3,923	3,895	2,403
PURCHASED TRANSPORTATION	761	1,096	238	3,240	4,340	4,714	5,746	8,916	11,821	15,487	17,456
LEASES & RENTALS	1,621	1,619	1,535	1,710	1,448	1,079	773	299	394	467	637
MISCELLANEOUS	975	1,068	854	779	1,592	1,576	1,184	1,628	1,915	1,107	3,011
TOTAL OPERATING EXPENSES	124,211	145,219	160,581	160,115	156,025	150,567	162,326	166,510	184,100	202,227	239,318
DEPRECIATION EXPENSE	12,262	12,060	13,187	14,784	15,043	17,263	23,266	24,418	24,322	24,263	25,910
NON-OPERATING REVENUES/(EXPENSES)											
SALES TAX REVENUE	90,819	95,077	88,731	90,547	95,134	100,638	122,274	128,969	138,429	143,712	166,764
FEDERAL OPERATING ASSISTANCE GRANT	6,313	6,524	6,324	6,042	6,067	146	110	49	59	11,656	6,051
TDA & STA	43,231	45,091	41,954	38,897	50,411	50,007	52,597	69,243	72,624	67,589	80,436
CALTRAIN SUBSIDY	-4,282	-3,770	-4,733	-4,803	-11,793	-11,900	-11,973	-11,689	-12,254	-11,291	-7,850
ACE SUBSIDY	0	0	0	0	0	4,972	2,086	2,584	0	-837	-3,821
INTEREST INCOME	13,258	10,626	7,932	4,236	2,310	2,554	4,148	5,943	8,785	5,535	8,286
INTEREST EXPENSE	-1,655	-1,284	-2,786	-2,915	-2,932	-3,640	-3,863	-3,731	-4,014	-4,763	-4,616
OTHER REVENUES/(EXPENSES)	-2,075	-8,125	-3,246	-7,525	291	-1,355	-231	-550	234	8,896	3,399
CONTRIBUTION TO FUND UNFUNDED LIABILITY									-22,889		
TOTAL NON OPERATING REVENUES - NET	145,609	144,139	134,176	124,479	139,488	141,422	165,148	190,818	180,974	220,497	248,649
NET INCOME (LOSS)	\$23,789	\$3,612	(\$20,108)	(\$30,715)	(\$12,301)	(\$5,312)	\$2,520	\$25,467	\$2,555	\$24,963	\$19,674

Selected Financial Data (continued)

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Current Assets (\$000's)	\$176,599	\$142,994	\$168,608	\$151,356	\$145,373	\$164,755	\$219,762	\$245,843	\$334,148	\$328,355	\$ 364,166
Current Liabilities	24,058	31,908	31,364	25,546	35,175	33,443	36,375	38,328	63,682	44,974	67,816
Net Working Capital	\$152,541	\$111,086	\$137,244	\$125,810	\$110,198	\$131,312	\$183,387	\$207,515	\$270,466	\$286,381	296,350
Current Ratio	7.34	4.48	5.38	5.92	4.13	4.93	6.04	6.41	5.25	7.3	5.4
Total Assets (\$000's)	\$809,455	\$873,449	\$915,941	\$931,217	\$966,761	\$1,007,266	\$1,046,516	\$1,105,068	\$1,297,983	\$1,427,642	1,596,048
Contributed Capital	372,902	411,938	425,256	460,037	483,864	505,388	501,599	540,365	634,828	746,779	851,494
Retained Earnings Restricted	67,995	59,133	39,453	31,531	25,451	31,693	29,165	33,159	122,914	90,828	116,361
Retained Earnings Unrestricted	299,024	316,220	323,523	308,871	313,100	311,910	326,650	358,089	286,849	355,661	366,309
Total Retained Earnings	367,019	375,353	362,976	340,402	338,551	343,603	355,815	391,248	409,763	446,490	479,670
Liabilities	69,535	83,159	127,709	130,778	144,345	158,275	189,101	173,455	253,392	234,393	264,884
Actual Reserve (including minimum target level)	\$125,300	\$125,900	\$80,900	\$54,600	\$41,800	\$43,744	\$66,195	\$95,310	\$125,410	\$136,400	\$160,910
DEBT SERVICE (\$000's)	1,655	1,284	2,786	2,915	3,096	3,817	4,323	4,231	4,382	5,786	5,568
Times Debt Service Coverage	54.9	74.0	31.8	31.1	30.7	26.4	28.3	30.5	31.6	24.8	30.0
OPERATING REVENUE	\$14,653	\$16,752	\$19,484	\$19,705	\$19,279	\$21,096	\$22,964	\$25,577	\$31,275	\$32,898	\$36,253
OPERATING EXPENSES	124,211	145,219	160,581	160,115	156,025	150,567	162,326	166,510	184,100	202,227	239,318
EXCLUSIONS (purchased transportation)	-761	-1,096	-238	-3,240	-4,340	-4,714	-5,746	-8,916	-11,821	-15,487	-17,456
NET OPERATING EXPENSES	123,450	144,123	160,343	156,875	151,685	145,853	156,580	157,594	172,279	186,740	221,862
OPERATING COST RECOVERY RATIO	11.9%	11.6%	12.2%	12.6%	12.7%	14.5%	14.7%	16.2%	18.2%	17.6%	16.3%

Selected Statistical Data

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
FAREBOX REVENUE (\$000's)	\$13,716	\$15,535	\$18,702	\$18,841	\$18,343	\$19,884	\$21,523	\$23,633	\$27,201	\$27,070	32,326
VEHICLE REVENUE MILES (000's)											
MOTOR BUS	19,536	19,815	19,445	18,027	17,112	16,896	16,931	17,451	17,904	18,784	19,140
LIGHT RAIL	553	981	2,080	1,724	1,715	1,662	1,868	1,888	2,092	1,328	2,722
PARATRANSIT					1,406	1,511	1,729	1,994	2,494	3,523	4,748
PASSENGER MILES (000's)											
MOTOR BUS	180,636	191,953	171,642	176,029	156,872	153,902	163,348	185,226	201,818	179,561	178,688
LIGHT RAIL	7,527	14,566	31,396	30,183	29,501	26,413	28,428	31,037	32,992	32,820	35,758
PARATRANSIT					1,937	1,795	1,881	2,420	2,494	3,798	6,013
FLEET											
ACTIVE BUS	508	542	512	605	464	460	460	470	508	520	512
LIGHT RAIL	53	55	55	56	55	55	55	55	55	55	55
CASH FARE SINGLE RIDE											
ADULT	\$0.75	\$1.00	\$1.00	\$1.00	\$1.10	\$1.10	\$1.10	\$1.10	\$1.10	\$1.10	\$1.25
YOUTH	\$0.50	\$0.50	\$0.50	\$0.50	\$0.55	\$0.55	\$0.55	\$0.60	\$0.60	\$0.60	\$0.70
SENIOR	\$0.10	\$0.25	\$0.25	\$0.25	\$0.35	\$0.35	\$0.35	\$0.35	\$0.35	\$0.35	\$0.40

Section 3

Santa Clara County Demographic Data

Population

Over the past fifty years, the County's population growth pattern exhibited three decades of rapid growth followed by two decades of more sustainable growth rates. The proportion of residents living in cities is currently 94.0 percent, whereas it had been as low as 6.5 percent in the 1940s. Since the 1940s, the increasing maturation of the County's employment and economic sectors has resulted in the incorporation of new cities as well as the expansion of city boundaries, resulting in a shrinking fraction (6.0 percent) of residents living in unincorporated areas. The County's population stood at 1,736,700 as of January 1, 2000, representing an increase of nearly 16 percent over 1990. All of the cities in the County reported population increases, with Morgan Hill posting the fastest population growth (38 percent). The number of residents living in the unincorporated areas of the County decreased slightly.

The following table provides a historical summary of population in the County and its incorporated cities.

County of Santa Clara Population

	1950	1960	1970	1980	1990	2000
Campbell	9,720	11,863	24,731	26,843	36,048	40,826
Cupertino	2,438	3,664	18,216	34,297	40,263	52,858
Gilroy	4,951	7,348	12,665	21,641	31,487	40,153
Los Altos		19,696	24,872	25,769	26,303	28,601
Los Altos Hills		3,412	6,862	7,421	7,514	8,303
Los Gatos	4,907	9,036	23,466	26,906	27,357	30,457
Milpitas		6,572	27,149	37,820	50,686	65,254
Monte Sereno		1,506	3,074	3,434	3,287	3,467
Morgan Hill	1,627	3,151	6,485	17,060	23,928	33,092
Mountain View	6,653	30,889	54,206	58,655	67,460	76,025
Palo Alto	25,475	52,475	55,999	55,225	55,900	61,505
San Jose	95,280	204,196	445,779	629,400	782,248	923,591
Santa Clara	11,702	58,880	87,717	87,700	93,613	102,895
Saratoga	1,329	14,861	27,199	29,261	28,061	31,320
Sunnyvale	9,829	51,898	95,408	106,618	117,229	133,215
Unincorporated	117,176	162,056	152,181	127,021	106,193	105,138
County Total*	290,547	642,315	1,066,009	1,295,071	1,497,577	1,736,700
California	10,586,224	15,717,204	18,136,045	23,668,145	29,760,021	34,336,000

Totals may not be precise due to independent rounding.
Source: U.S. Census; State of California, Department of Finance,
Demographic Research Unit

Employment and Industry

A highly skilled and diverse work force characterizes the County's labor market, a situation that has traditionally translated into lower unemployment rates in the County when compared to State and national average unemployment rates. The County did experience a decline in average employment in 1992, however, reflecting the impact of the national and regional recession on the County's labor market. As shown in the table below, the County's average

unemployment rate has been below the average for the entire State in each of the last seven years, with the County's 3.0 percent average rate in 1998 more than two percentage points lower than the State's average of 5.5 percent. Recent indications of a slight rise in county unemployment for 1999 are attributed largely to declines in durable goods manufacturing.

The County, with approximately 976,00 wage and salary jobs in 1999, has the largest employment base of any county in Northern California. In 1999, the County experienced a strong gain of 16,000 wage and salary positions. Three major industry sectors comprise 74 percent of the County's employment: manufacturing (26%), services (34%) and retail trade (14%). The percentage share of County payrolls for these sectors has remained relatively constant over the past seven years.

County of Santa Clara
Wage and Salary Employment by Industry
Annual Average (in thousands)

	1992	1993	1994	1995	1996	1997	1998	1999
Civilian Labor Force *	835.7	856.2	860.6	867	898.2	938.5	959.2	962.8
Civilian Employment	777.8	797.9	806.9	824.2	865.9	910.1	928.4	944.5
Civilian Unemployment	57.9	58.3	53.7	42.8	32.3	28.4	30.8	32.0
Civilian Unemployment Rate								
County	6.9%	6.8%	6.2%	4.9%	3.6%	3.0%	3.2%	3.0%
State of California	9.3%	9.4%	8.6%	7.8%	7.2%	6.3%	5.9%	5.5%
Wage and Salary Employment **								
Total Farm Agriculture	5.1	5.4	5.1	4.5	5.1	5.0%	5.0%	6.2%
Construction and Mining	27.5	26.3	26.5	28.8	32.8	37.9	42.1	47.2
Manufacturing	236.8	231.7	226.0	231.2	245.9	256	257.0	250.6
Transportation & Public Utilities	22.4	23.6	23.8	24.0	25.4	27.4	28.7	28.6
Wholesale Trade	47.2	45.5	46.0	48.7	52.4	56.6	59.1	56.3
Retail Trade	111.4	112.2	114.3	117.4	122.2	127.8	130.5	133.6
Finance, Insurance & Real Estate	31.5	31.5	30.0	28.7	30.0	30.7	31.4	32.9
Services	226.6	237.9	245.1	265.3	283.9	303.2	316.3	336.0
Government	88.8	87.9	88.3	87.8	87.4	88.5	89.8	90.8
Total ***	797.2	802.0	805.0	836.4	885.0	933.2	959.9	976.0

* 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 1999.

** Wage and salary employment is reported by place of work. Data are benchmarked to 1999.

*** Totals may not be precise due to independent rounding.

Source: California State Department of Employment Development.

Major Employers

The County is the location of 54% of the largest 100 public companies (as measured by market value) in the San Francisco Bay Area and is the headquarters for numerous high technology, computer manufacturing, and electronics companies. In addition, many County residents work for large public and private companies that are headquartered in other San Francisco Bay Area counties or outside the region.

One of the County's large employers, Moffett naval Air Station, was closed as a military base in 1994. The site has been undergoing conversion to alternative uses, with the U.S. Navy having

transferred most of the facilities to the National Aeronautics and Space Administration ("NASA"). NASA may, in conjunction with other federal agencies, maintain or replace a significant number of the 5,500 military personnel and 1,400 civilian employees currently working at the base.

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

**Largest Employers
Silicon Valley**

Company Name	Number of Employees	Nature of Business
County of Santa Clara	16,354	County Government
Hewlett-Packard	15,000	Computers and peripherals
Cisco Systems Inc.	9,900	Networking
Lockheed Martin Missiles & Space	8,000	Commercial and Military Space Products
Intel Corp.	7,750	Computer Chips, PCs, Networking
Kaiser Permanente	7,595	Health Care Provider
Stanford University	7,110	Education and Research
City of San Jose	6,730	Municipal government
Solelectron Corp.	6,000	Electronics Manufacturing
Applied Materials Inc.	5,000	Semicon Production Equipment
New United Motor Manufacturing Inc.	4,800	Automobile Manufacturing
Albertson's / Lucky Stores, Inc.	3,668	Retail grocery and drug stores
Compaq Computer Corp.	3,485	Global Supplier of PCs
National Semiconductor	3,300	Semiconductor design, Manufacturing, Marketing
VA Palo Alto Health Care Systems	3,160	Health Care Provider
Apple Computer Inc.	3,000	Computer Manufacturing
3Com Corp.	2,955	Global Networking
San Jose State University	2,900	Higher education
San Jose Unified School District	2,827	Public Education
Raychem Corp.	2,500	Electronics Manufacturing
Santa Clara Valley Transportation Authority	2,450	Transportation Agency
Quantum Corp.	2,340	Computer Storage and Peripherals
Advanced Micro Devices, Inc.	2,300	Integrated Circuit Manufacturing
Seagate Technology	2,200	Peripheral Manufacturing
LSI Logic Inc.	2,039	Semicon Supply Manufacturing

Source: San Jose and Silicon Valley Business Journal (Book of Lists 2000)

Commercial Activity

Ranking first among San Francisco Bay Area counties and fourth among all California counties in terms of retail activity, the County is an important center of commercial activity. Taxable sales activity at business and personal service outlets, as well as at other non-retail commercial establishments, are a significant component of the County's commercial activity. The following table sets forth the amount of taxable transactions from 1991 through 1999.

County of Santa Clara
 Taxable Transactions by Sector
 1991 to 1999
 (in \$thousands)

1991	\$17,820,900
1992	18,088,500
1993	18,865,200
1994	19,778,000
1995	22,512,100
1996	25,740,500
1997	26,967,000
1998	27,488,815
1999	30,348,644

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

Construction Activity

Construction data for the County indicates that the pace of total residential building activity exploded to levels in 1996 and 1997 that have not been seen since the mid-1980s. Total valuation of residential construction reached \$3.18 billion in 1998, representing a decline of \$67.9 million. The number of single-family units decreased to 3,911 and the number of multi-family units was 3,615; total new housing units decreased 14.6% while the valuation of new residential units decreased 2.1% compared to 1997.

This disparity is reflected in housing affordability. In 1997, only 37% of Silicon Valley households could afford to purchase a median-priced home (\$316,250 at the end of 1997), down from 41% in 1996. The national average is 65%. Lack of affordable housing in a region encourages longer commutes from outside the region and increases traffic congestion. Since the end of 1995, average apartment rental rates have increased 29% compared to an 8% increase in median income.

The following table provides a summary of building permit valuations and the number of new dwelling units authorized in the County since 1988.

County of Santa Clara
Building Permit Valuations
1988 to 1998

Year	Valuation (\$ millions)			New Dwelling Units		
	New Residential	Non-Residential	Total	Single Family	Multiple Family	Total
1988	615.5	844.8	1,460.3	3,691	2,794	6,485
1989	689.5	761.2	1,450.7	2,571	2,312	4,883
1990	672.8	762.5	1,435.3	1,762	3,223	4,985
1991	607.7	617.1	1,224.8	1,638	2,134	3,772
1992	549.4	612.2	1,161.6	1,751	1,301	3,052
1993	556.6	597.6	1,154.2	1,848	1,331	3,179
1994	637.5	596.0	1,233.5	2,128	1,817	3,945
1995	657.1	859.4	1,516.5	2,213	1,232	3,445
1996	911.5	1,290.0	2,201.5	4,032	3,542	7,574
1997	1,329.6	1,914.7	3,244.4	4,367	4,443	8,810
1998	1,294.6	1,882.0	3,176.5	3,911	3,615	7,526

Source: Construction Industry Research Board

1999	1,306,027.4	1,855,950.1		3,333	3,677	7,010
2000	1,348,772	2,865,858		2,834	4,220	7,054



Current Bus System Data

October 2000

Level of Service

County Population	1,689,900	Total Number of Stops	4,750
Urbanized Service Area (sq. mi.)	326	Total Number of Shelters	615
Route Mileage (round trip)	2,910		

Routes by Category	Total: 77	Deployment	Vehicles Scheduled
Grid	15	AM Peak	411
		Midday	281
Crosstown	27	PM Peak	426
Regular	19	Evenings	100
Limited Stop	8		
Feeder	26	Saturday	208
Neighborhood	22	Sunday	189
Shuttle	4		
Express	10	Total Active Fleet	521
Commuter	8	Base / Peak	66.0%
Regional	2		

Park-and-Ride Lots	Bus	Light Rail	Caltrain	Total
Number of Lots	16	13	6	35
Number of Parking Spaces	800	5,488	2,035	8,323

Historical Data

Fiscal Year	Active Fleet	Scheduled Hours	Scheduled Miles	Annual Ridership (million)	Avg Weekday Ridership
1976	236	614,303	9,066,850	12.78	43,650
1977	236	657,335	9,667,025	15.60	54,800
1978	250	680,351	9,874,025	15.74	54,200
1979	330	744,403	10,974,722	21.00	71,320
1980	410	866,922	13,208,223	27.22	93,690
1981	494	1,071,450	16,121,241	31.66	106,435
1982	654	1,289,275	19,315,699	34.31	114,614
1983	654	1,375,751	20,486,007	34.87	117,921
1984	587	1,393,663	20,709,523	35.75	120,025
1985	542	1,423,306	21,054,147	35.83	121,031
1986	542	1,478,363	21,828,651	37.97	117,218
1987	542	1,523,996	22,743,434	34.16	114,845
1988	526	1,534,980	23,054,441	35.22	118,432
1989	518	1,524,689	22,904,636	36.44	124,958
1990	508	1,539,093	22,983,312	38.69	131,573
1991	512	1,586,495	23,683,679	41.65	141,147
1992	512	1,563,141	23,313,885	40.10	135,375
1993	474	1,437,719	21,544,840	38.94	131,368
1994	461	1,367,725	20,577,474	38.74	128,581
1995	460	1,367,258	20,401,172	39.18	130,390
1996	460	1,371,163	20,452,092	42.63	139,787
1997	470	1,407,690	20,721,893	45.89	150,224
1998	509	1,464,965	21,184,989	46.12	150,537
1999	525	1,565,500	22,399,973	47.49	154,082
2000	522	1,623,603	22,923,518	47.01	151,480

10/17/00

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Current Rail System Data October 2000

Level of Service

County Population	1,689,900	% of Platforms Lift Equipped ..	100%
Urbanized Service Area	326	Light Rail Park-and-Ride Lots	
(square miles)		Number of Lots	13
		Number of Parking Spaces ..	5,416
Headways:		Active Fleet Size (Cars)	50
Weekdays	10 minutes	Historic Trolley Fleet (Cars) ..	5
Saturday	15 minutes	Service Coverage	24 hours
Sunday	15 minutes		
		Guadalupe	Tasman West
Total Number of Stations		31	16
Length of Line (Miles)		18	10
Route Mileage (Round Trip)		36	20

System Line Openings

Younger St. to Old Ironsides	December 11, 1987	8 miles
Downtown to Old Ironsides	June 17, 1988	10 miles
Tamien Station to Old Ironsides	August 17, 1990	12 miles
Santa Teresa to Old Ironsides	April 25, 1991	20 Miles
Baypointe Station to Downtown Mtn View	December 20, 1999	10 Miles

Historical Data

Fiscal Year	Scheduled Hours	Scheduled Miles	Light Rail Ridership	Trolley Ridership	Total Rail Ridership	Avg Weekday Ridership
1988	16,622	222,329	359,965	0	359,965	1,101
1989	42,665	538,799	1,967,140	40,608	2,007,748	6,419
1990	45,378	557,449	2,364,657	67,641	2,432,298	8,083
1991	67,424	890,617	3,890,482	110,660	4,001,142	12,569
1992	94,191	1,394,480	6,018,280	116,479	6,134,759	19,470
1993	85,419	1,283,621	6,206,903	38,482	6,245,385	20,082
1994	79,280	1,203,823	6,108,755	24,248	6,133,003	19,735
1995	78,632	1,198,107	5,635,697	23,622	5,659,319	18,257
1996	82,006	1,274,202	6,144,587	23,498	6,168,085	20,146
1997	84,906	1,339,564	6,704,027	24,365	6,728,392	22,073
1998	87,285	1,368,229	6,865,223	44,877	6,910,100	22,696
1999	88,000	1,359,589	6,819,307	43,398	6,862,705	22,510
2000	112,644	1,651,469	7,874,710	39,020	7,913,730	25,673