Comprehensive Annual Financial Report

For Fiscal Year Ended
June 30, 2001
Santa Clara County, California

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

SANTA CLARA VALLEY
TRANSPORTATION AUTHORITY

SAN JOSE, CALIFORNIA

Comprehensive Annual Financial Report

Year Ended June 30, 2001

Prepared By:
Fiscal Resources Division

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY (VTA)

Table of Contents

June 30, 2001

REQUIRED SUPPLEMENTARY INFORMATION

SUPPLEMENTARY DATA

Enterprise Fund:

Special Revenue Funds:

Capital Project Funds:

Fiduciary Fund Type:

STATISTICAL

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, 2000

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.

President

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 (VTA) for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2000. This was the 5th consecutive year that VTA has achieved this prestigious award.

In order to be awarded a Certificate of Achievement, a government agency 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

SANTA CLARA
Valley Transportation Authority

August 31, 2001

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, 2001 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 accounting principles generally accepted and promulgated by the Governmental Accounting Standards Board (GASB).

We are, once again, pleased that the FY 2000 CAFR earned the recognition of the GFOA with a Certificate of Achievement for Excellence in Financial Reporting. This award reflects the fact that the VTA CAFR complied with the 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 auditor's report.

3. Statistical Section, including additional data about VTA over the last 10 years.

THE REPORTING ENTITY

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

3331 North First Street · San Jose, CA 95134-1906 · Administration 408.321.5555 · Customer Service 408.321.2300

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 over 500 diesel-powered coaches, which includes 55 low-floor buses. The average age of these buses is about 7.83 years ranging from new 2001 vehicles to those over 17 years old. The service area of approximately 326 square miles contains 79 bus routes. There are approximately 4,700 bus stops, 600 bus shelters and 15 Park & Ride lots - five owned by VTA and ten provided under a lease, permit, or joint use agreement with other agencies. Buses are operated and maintained from three operating divisions and an Overhaul and Repair (O&R) facility: Cerone Operating Division, Don Pedro Chaboya Operating Division, North Operating Division, and Cerone O&R Division.

Light Rail Transit (LRT) Service

VTA operates a 29.7-mile LRT system connecting the Silicon Valley "job rich" industrial areas of Mountain View, Sunnyvale, Santa Clara and North San Jose to Milpitas and South San Jose. The LRT system has a total of 49 stations and 14 Park & Ride lots. A fleet of 50 light rail vehicles is operated. It is noteworthy that VTA has purchased 100 new low-floor vehicles to replace the current fleet and address rail service expansion. The vehicles will be received over the next three fiscal years. During the months of April through October, weather permitting, VTA also operates five historic trolleys through downtown San Jose. Construction of a 1.75 mile, two-station extension of the Tasman East Line was completed and opened for service in May 2001.

Paratransit Services

In 1992, VTA implemented a paratransit system that operates throughout Santa Clara County. VTA contracts with Outreach and Escort, Inc. to provide the service. Eligible riders call Outreach to schedule their trips, which are then assigned based on the most efficient mode of transportation that can meet the riders' needs: taxi, accessible van or transfer to or from fixed-route. VTA is in full compliance with the Americans with Disabilities Act (ADA), which has and will continue to have significant operational and financial impacts on the agency.

Since January 1999, VTA has offered Same-Day paratransit service, which allows qualified individuals to arrange and take trips on the day of the request to provide for their urgent or unplanned transportation needs.

Contracted, Interagency and Other Transit Services

Caltrain Peninsula Corridor Joint Powers Board (PCJPB)
Caltrain is the commuter rail service provided by 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. VTA provided capital funding to extend Caltrain from San Jose to Gilroy. Approximately $49 million was spent from a combination of State rail bond grants and local funds to purchase trackage rights and construct Park & Ride lot facilities. The opening of Pacific Bell Park in recent years have had a positive impact on the extension to Gilroy and Caltrain ridership. The funding share of the operating subsidy is apportioned to each member agency is based upon morning peak period boardings in each county, currently about 41% for VTA.

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 (three morning and three afternoon trains). The corridor serves the counties of San Joaquin, Stanislaus, Contra Costa, Alameda and Santa Clara. The 85-mile rail line includes ten stations located in Stockton, Lathrop, Tracy, Livermore (two), Pleasanton, Fremont, Santa Clara (two), and San Jose. VTA provides free shuttles to transport ACE riders between the Great America and Diridion stations and nearby employment. The funding share of the operating subsidy apportioned to each participating county is based upon the proportional share of total daily boardings and alightings that occur in each county, currently about 46% for VTA.

Capitol Corridor Intercity Rail

The Capitol Corridor Intercity Rail Service began in December 1991 and is a 170-mile train corridor from Auburn and Sacramento to San Jose, through Placer, Sacramento, Yolo, Solano, Contra Costa, Alameda and Santa Clara County. Operating on the Union Pacific railroad tracks, Capital Corridor service consists of four daily round trips from Sacramento to San Jose and three daily round trips from Sacramento to Oakland with connecting bus service to and from San Jose. One round trip per day extends beyond Sacramento to Auburn.

The train service parallels the Interstate 80 corridor between Sacramento and Oakland, and Interstate 880 between Oakland and San Jose. Service includes stops in Roseville, Sacramento, Davis, Suisun/Fairfield, Martinez, Richmond, Berkeley, Emeryville, Oakland, Hayward, Fremont, Santa Clara at Great America, and San Jose Diridon Station. On July 1, 1998, the Capitol Corridor Joint Powers Authority (CCJPA), which is comprised of representatives from the eight counties served by the corridor, assumed responsibility for the service. VTA has two representatives on the Joint Powers Board and works with partnering groups to discuss improvement needs and increased services that comes along with anticipated expansion. Under contract with the CCJPA, the Bay Area Rapid Transit District (BART) manages the service and Amtrak operates the service on tracks owned by Union Pacific Railroad. Funding is provided the contract operator by the State of California.

Inter County Bus Service

VTA co-sponsors two inter-county bus services through cooperative arrangements with other transit systems.

The Dumbarton Express is a transbay express bus route between the Union City BART Station and the Stanford Research Park in Palo Alto. It provides the only regularly scheduled public transit service over the Dumbarton Bridge. A consortium comprised of representatives from the Alameda-Contra Costa Transit District (AC Transit), the San Mateo County Transit District (SamTrans), and VTA underwrite the net operating costs of the service. The service is contracted out to a private transit provider. SamTrans and VTA are responsible for 50% of the net operating costs and the other East Bay transit operators are responsible for the rest. The 50% share of operating costs is apportioned based upon all day boardings in the Santa Clara and San Mateo County – currently about 36% for VTA.

Express Service over Highway 17 between Santa Cruz and downtown San Jose is funded and operated through an agreement between the Santa Cruz Metropolitan Transit District and VTA. Santa Cruz Metro operates the service. The two agencies share the net operating costs equally.

1996 Measure B Transportation Improvement Program

In November 1996, voters in Santa Clara County overwhelmingly 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. Subsequently, the County Board of Supervisors adopted a resolution dedicating the tax 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 sales tax legality. In August 1998, the California courts upheld the tax allowing the implementation of the 1996 Measure A transportation projects 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 1996 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 $1.8 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.

The 1996 Measure B Transportation Improvement Program (MBTIP) and other sources provide funds to local jurisdictions for street repair and other transportation projects. Administration and distribution of these funds is managed by the Pavement Management

Program (PMP). Over the life of the 1996 Measure B sales tax, local jurisdictions will receive a combined total of $90 million countywide. Additionally, $37 million in Federal funds previously secured for similar functions will also be administered and distributed through the PMP.

VTA's Board of Directors adopted the 20-year Countywide Bicycle Plan in October 2000 after approval of a ten-year expenditure plan by VTA and the County Board of Supervisors. The 1996 MBTIP has allocated $12 million in funds toward the Bicycle Program.

In order to maximize funding opportunities and operational efficiencies, VTA has agreed to secure Federal or State grant funds for certain 1996 MBTIP projects and to release 1996 MBTIP funds to fund other projects. Currently, fund transfers have been performed on the Tasman East, Vasona, and Capitol Light Rail Projects.

Since the adoption of the FY 2001 Revenue and Expenditure Plan in June 2000, the Board of Supervisors has taken several key actions.

- Allocation of an additional $43.3 million in pavement management and other road projects as part of the fund exchanges with the VTA
- Amendment of the Master Agreement to delegate authority to the County Executive and VTA General Manager to make adjustments to projects within the Caltrain Improvement Plan, as well as provisions regarding project contingencies and budget adjustments
- Re-designation of 1996 Measure B Sales Tax Proceeds to finance light rail vehicles for VTA, subject to the condition that VTA secure non-Measure B funding for a County Expressway Study in an amount not to exceed $2 million.

2000 Measure A Transportation Improvement Program and VTP 2020

In August 2000, the VTA Board of Directors approved placing a measure on the November 7, 2000 General Election ballot that would approve a 30 year half-cent sales tax to take effect in the county after the 1996 Measure B Sales Tax expires (March 31, 2006). More than 70% of voters approved the 2000 Measure A.

It is estimated that over $6 billion (FY 2000 constant dollars) will be collected. The revenue from this Measure may be used to finance the transit projects and operations specified in 2000 Measure A and listed in VTA's Valley Transportation Plan and Expenditure Program (VTP 2020). The activities specified in 2000 Measure A are:

- Connect BART to Milpitas, San Jose, and Santa Clara;
- Build a rail connection from San Jose International Airport to BART, Caltrain, light rail;
- Purchase vehicles for disabled access, senior safety, clean air buses;
- Provide light rail throughout Santa Clara County;
- Expand and electrify Caltrain;

- Increase rail and bus services;
- Provide for related operating expenses.

Staff is currently developing the implementation details of the program for adoption by the VTA Board of Directors.

VTP 2020 provides for a balanced transportation system consisting of transit, roadway, bicycle and pedestrian improvements. It is a twenty-year multi-modal transportation plan that guides overall planning and programming efforts within Santa Clara County. It deals with many transportation issues including decision-making on land use, maintenance and upgrades to the infrastructure, and environmental preservation. VTP 2020 will establish the capital improvement program project selection process and establish a ten-year implementation schedule for the first phase of the Capital Improvement Program (CIP). Over the next year staff will be working with the Member Agencies to develop policies and procedures for identifying projects for inclusion in the ten-year CIP. The Best Practices Land Use Program will also be incorporated into the Implementation Program. The Implementation Plan will be updated every other year to reflect the VTP 2020 update.

Shuttle Program

Light Rail Shuttle

Under this 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 the San Jose Downtown Association provide funding for the service. In addition, VTA operates a free shuttle service from the downtown San Jose Transit Mall to all public events held in the Compaq Center (formerly San Jose Arena). The number of buses operating and frequency of service depend upon the event.

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.

Congestion Management

VTA, as the Congestion Management Agency for Santa Clara County, is responsible for coordinating and prioritizing projects for state and federal transportation funds, administering the Bay Area Air Quality Management Program, and coordinating land use and other transportation planning. Adoption of a Congestion Management Program (CMP) is necessary to qualify for certain transportation funds made available through the state gas tax increase authorized in 1990.

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 operating revenues.

Due to its heavy dependence on the high-tech industry, Santa Clara County's economy has been volatile, with sales tax revenue reflecting the same pattern. For the past seven years, sales tax revenue has seen fluctuations of growth from 22% in FY96 to 3.8% in FY99. While FY01 sales tax revenue increased by 9.4% from last year, we are forecasting a negative growth year for FY02. We project $180 million in FY02 sales tax receipts, nearly a 3% drop compared to the FY01 revised budget. This is due to the continued slowdown in consumer consumption of goods and services; therefore, lowering the sales tax base. We predict that confidence among consumers will begin to slowly return by FY02 end, but not significantly enough to allow an optimistic forecast at this point.
We are projecting that the economy will build itself back up slowly, as it responds to the impact of several Federal Reserve interest rate adjustments. The interest rate cuts, coupled with a reduction of excess inventory should help regain consumer confidence once again.

Ridership & Farebox Revenue

VTA directly operated sytemwide ridership surpassed last year's level by 2.8%, as 56.5 million passengers boarded Bus and Light Rail during FY01. This number is the highest recorded ridership in VTA history. FY01 ridership for the Light Rail system (including historic trolley) was 9.2 million, an increase of 16.7% over the prior year's figure. The increase is largely attributed to a full-year's operation of Tasman West Light Rail service, which began operation on December 20, 1999. Bus ridership for FY01 totaled 47.2 million passengers, an increase of .5% over FY00.

VTA operating revenues exceeded prior year levels by 4.8%. Fare revenue exceeded prior year levels by 4.7%, with over $33.8 million in fares collected during the fiscal year. VTA's operating cost recovery ratio for FY01 decreased slightly to 16.2%, falling short of a goal to achieve 25% for the year.

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. The Eco Pass portion of fare revenues were up 68.9% over last fiscal year with approximately $1.6 million 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 for 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

As noted earlier, 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 1996 Measure B Transportation Improvement Program (1996 MBTIP). VTA is responsible for project management of the Transit and Highway Projects and the administration of the Ancillary Program, including pavement management and bicycle elements of the program.

The Transit Projects, estimated at a cost of $1,014 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 Compaq Center/Caltrain Diridon station 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 Light Rail 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 $614 million include:

1. Interstate 880 widening from four to six lanes from Montague Expressway to U.S. 101, and an auxiliary lane on Southbound I-880 from U.S. 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. U.S. 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 U.S. 101 and Route 156

10. Route 85 Noise Mitigation.

The Measure B Ancillary Program, estimated at a cost of $405.6 million includes:

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 – provides $303.6 million. Through a series of actions taken by VTA's Board of Directors, state, federal, and local funds were programmed to the Tasman East Light Rail and Vasona Light Rail Extensions, in order to release local 1996 Measure B funds to other transportation projects. These projects include the I-680 HOV Lanes, U.S. 101/Bailey Road Interchange, Gateway studies, Montague Expressway Project, U.S. 101/SR-85 HOV Direct Connectors, Local Program Reserve, and the Vasona Winchester extension. Also included is the $184.1 million redesignated 1996 Measure B sales tax to finance light rail low-floor vehicles.

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, certain capital activities, 1996 Measure B Transit Projects and 2000 Measure A Operations and Transit Projects, 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 1996 Measure B – Highway Projects and Congestion Management 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 (BAAQMD) program and the 1996 Measure B Ancillary Programs, which includes the 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.

Separately Issued Financial Statements

VTA issues separate financial statements for the ATU Pension Plan, the Congestion Management Program, and the 2000 Measure A Program. The County of Santa Clara issues separate financial statements for the 1996 Measure B Transportation Improvement 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

Revenues exceeded expenses by $37.3 million resulting in an increase to total reserves for the year ended June 30, 2001 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, 2001.

Budgetary Reserves (in millions)	
Restricted	
Operating Reserves	$ 50.6
Local Share of Approved Capital	183.8
Fund Swap for Redesignated 1996 Measure B Sales Tax	24.8
Total Restricted	$259.2
Unrestricted	72.5
Total Budgetary Reserves	$331.7

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.

Local share of approved capital represents the amount of revenue that VTA must provide towards Board approved capital projects.

Fund Swap for redesignated 1996 Measure B sales tax represents the amount that VTA is required to set aside to complete the fund swap transaction with the County.
In accordance with an agreement with the County, a simultaneous exchange of funds provided that the redesignation of 1996 Measure B funds be made available for the purchase of light rail low floor vehicles. Only $159.3 million of the $184.1 million transaction was recorded during the year.

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 April 1, 2006 upon the expiration of the current County of Santa Clara 1996 Measure B half-cent sales. 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 light rail service, and to provide for related operating expenses.

INTERNAL CONTROLS

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 controls adequately safeguard 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 2001 by the internal audit department are:

- Operational Reviews to improve process effectiveness and efficiency;
- Review of Internal Controls;
- Compliance audits on Contractors/Vendors (these include pre-award and incurred cost audits);
- Analyses of Contractors' proposed costs, and
- Follow up of recommendations by external regulatory agencies.

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

- Successfully negotiated the new four-year labor contract with the ATU.
- Held the first two "VTA Great Job Fairs" to increase recruitment outreach in October 2000 and April 2001.
- Expanded the employer-based Eco Pass Program from 95 to 135 participating employers, representing more than 104,000 employees. The number of employers participating in the Eco Pass Program has increased by approximately 42% during the fiscal year.
- Completed the Downtown/East Valley Major Investment Study and initiated Conceptual Engineering and EIR/EIS.
- Began construction of the Gilroy Caltrain Transit Center Project, the San Martin Park and Ride Lot Interim Expansion Project, the West Valley College Transit Center Project, Monterey Road Bust Stop Improvements, plus an additional 42 facilities modifications and 41 bust stop improvements.
- Completed and opened Ohlone Commons, VTA's second transit-oriented joint development project.
- Purchased 15 additional electric vehicles bringing the total to 20 electric vehicles and installed additional 13 electric vehicle-charging stations for a total of 21 charging stations. One charging station is available for public use.
- Entered into a contract for 40 articulated buses.
- Implemented the Yield to Bus Demonstration Project.
- Increased Caltrain service levels from 68 to 78 weekday trains plus additional service on weekends and for Giants games at PacBell Park. Connecting shuttles in Gilroy and Morgan Hill were also implemented.
- Started third train service for ACE including supporting shuttles.
- Completed the Valley Transportation Plan 2020 (VTP 2020), a 20-year county-wide multi-modal transportation blueprint for Santa Clara County that includes a 36-year expenditure plan.
- Completed the Santa Clara Countywide Bicycle Plan, which includes a 10-year $32 million expenditure plan for constructing key bicycle projects in the County.
- Major accomplishments were achieved in the 1996 Measure B Transportation Improvement Program, including:

  1. May 2001 opening of the Tasman East Light Rail Line from Baypointe Station to the I-880/Milpitas station.
  2. Began construction of the Tasman East Light Rail Project from the I-880/Milpitas station on Tasman Drive, along Great Mall Parkway to the Hostetter Station on Capital Avenue.
  3. Began tunnel construction at Diridion train station for the Vasona Light Rail Project; and advertised railroad segment civil contract.
  4. Began construction of the Capitol Light Rail Project from the Hostetter Station to Alum Rock Station and Park and Ride.
  5. Completed construction of the Route 17/San Tomas Expressway Modification project.

6. Began construction on the Interstate 880 Widening Project from Montague Expressway to North First Street.
7. Completed the design and approval for the Routes 85/87, Route 85/U.S. 101 (North), I-880 widening, Route 237/I-880, Route 85/U.S. 101 (South) and U.S. 101 widening projects.
8. Executed amendments to Pavement Management Program Cooperative Agreements with the cities for disbursement of FY01 1996 Measure B allocation.

<u>Major Initiatives</u>

- Complete the VTP 2020 Implementation Plan, laying out the process for delivering projects in the countywide transportation plan over the next ten years.

- Complete Downtown/East Valley Conceptual Design.

- Complete Major Investment Study of Silicon Valley Rapid Transit Corridor.

- Negotiate agreements with Union Pacific on right-of-way purchases.

- Negotiate Operations & Maintenance agreement with BART regarding service on Silicon Valley Rapid Transit Corridor.

- Begin construction of the Cerone O&R Division.

- Retrofit six key Guadalupe stations with ADA compliant Ticket Vending Machines.

- Select General Design Consultant and complete final design for the Caltrain Service Expansion project to Gilroy.

- Manage the contract for the manufacture and commissioning of 40 articulated low-floor buses, and accept and put into service 136 new low-floor buses.

- Develop a plan to utilize Automated Passenger Counters (APC's) to record passenger activity at stops and monitor vehicle running times.

- Complete the Best Practices for Integrating Transportation and Land Use guidelines manual and provide planning grants for design of Best Practices projects.

- Complete the 2001 Congestion Management Program.

- Lead the Zero Emissions Bus (ZEB) demonstration program.

- Achieve the following 1996 MBTIP milestones:

  1. Advertise and award downtown civil, station and systems contracts for the Vasona Light Rail Project.

2. Begin construction on Guadalupe platform modifications to accommodate low floor LRV's.
3. Continue construction of and award systems contracts for the Tasman East and Capitol Light Rail Projects as scheduled and budgeted.
4. Begin construction on five of the eleven 1996 Measure B Highway projects.
5. Complete the design and environmental approval for the following projects: Route 85/U.S. 101 (North) Interchange project in Mountain View; Route 152 Improvements between U.S. 101 and Gilroy Foods in Gilroy; and Route 87 (North) HOV Lanes project in San Jose.

FINANCIAL HIGHLIGHTS – ENTERPRISE FUND

Revenues

Operating revenues are derived from the sale of monthly passes, tokens, bus fare box 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.

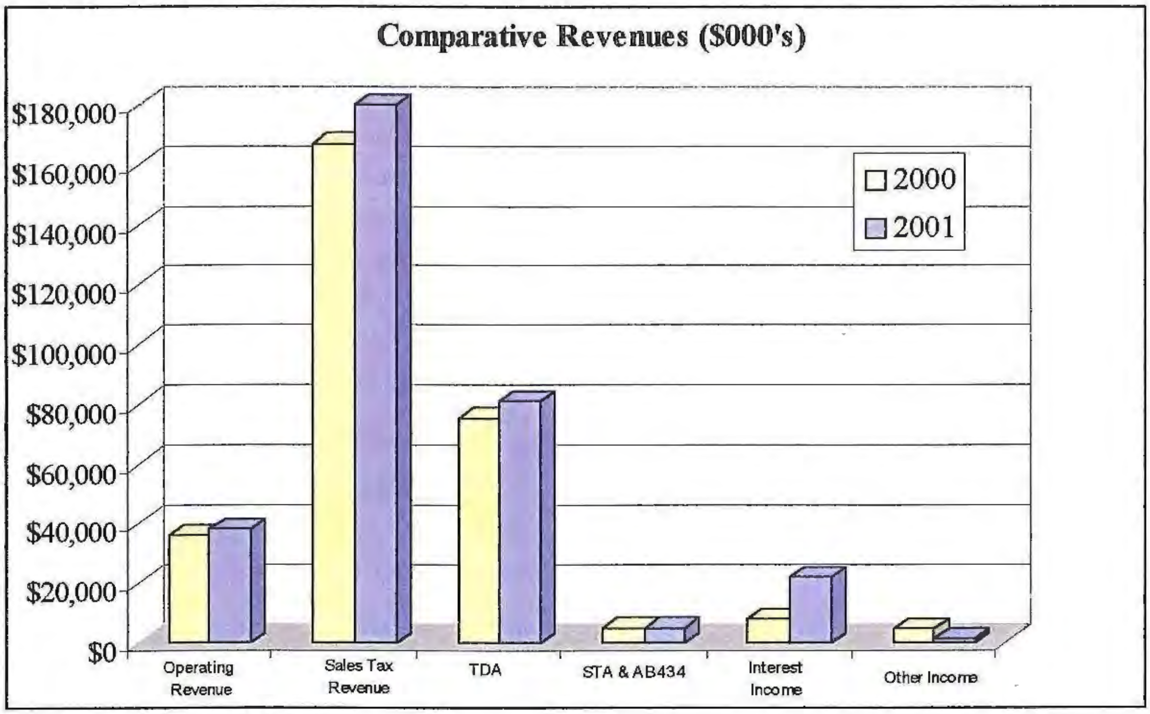
Non-operating revenues include one-half of one percent local sales tax, one quarter of one percent California Transportation Development Act (TDA) funding, State Transit Assist (STA) funding, State license fees (AB434), interest, and federal planning grants.

There was a total increase in selected revenues of 11.7% over FY00, with the most significant change occurring in investment income. Revenue projections for FY02 are conservative. Due to the downshift in consumer spending, there is a projected negative growth in sales tax revenue. Allocation of TDA funding will follow suit, as it is derived from the same tax base. An increase in ridership also boosted the overall revenue during FY01.

Table 1.2 presents a comparison of selected revenue categories for fiscal years 2000 and 2001.

			Change	
(Dollars in $000's)	**2000**	**2001**	**Amount**	**Percent**
Operating Revenue	36,253	37,982	1,729	4.8%
Sales Tax Revenue	166,764	183,540	16,776	10.1%
TDA	75,310	81,183	5,873	7.8%
STA & AB 434	5,126	5,205	79	1.5%
Investment Income	8,286	22,078	13,792	166.5%
Other Income	4,808	1,370	-3,438	-71.5%
TOTAL	**$296,547**	**$331,358**	**$34,811**	**11.7%**

Figure 1.2 presents a graphical comparison of selected revenue categories for fiscal years 2000 and 2001.



Expenses

Operating Expenses are incurred for personnel, support services, contracted services, insurance, purchased transportation and other overhead costs related to bus and light rail operations, services and support programs. The implementation of the goals of VTA's Strategic Plan, is set forth in the Short-Range Transit Plan (SRTP). The SRTP adopted by VTA outlined a number of transit service improvements to be implemented during the year. The plan focused notably on service reliability, headway improvements, service hour expansion, network expansion and the expansion of the light rail system. The resulting expenses for the year are representative of the implementation efforts throughout the organization.

Operating expenses increased overall 7.7% over FY 2000. The increase is attributable to several factors. Among the more critical, VTA experienced a severe labor shortage due primarily to the economic boom within Santa Clara County. The shortage caused VTA to re-open and negotiate the ATU labor contracts resulting in increased wages. The decrease in fringe benefits is directly related to the one-time unfunded liability contribution made to the ATU Pension last year.

In addition, VTA's transit maintenance program increased its effort with an approach that is comprehensive in maintenance and servicing of all vehicles, equipment, and facilities. It emphasizes an aggressive preventive maintenance and component change-out program, overhaul and repair, a running repair effort to avoid removing vehicles from service, and a comprehensive bus and light rail maintenance program. The costs for these efforts increased materials and supplies. Another major factor was the effect of a statewide electricity shortage, rising electricity prices, and the increase in fuel prices.

Increased security services provided a highly visible security presence on buses and trains, at public transit facilities, and, uniformed patrol and peace officers for public safety and emergency response. This too, added to VTA's operating expenses.

Purchased transportation costs for ADA services have increased dramatically due to a higher demand on services within our paratransit system. The number of riders as well as the number of trips taken continue to rise, resulting in the need to increase the amount of vehicles in service.

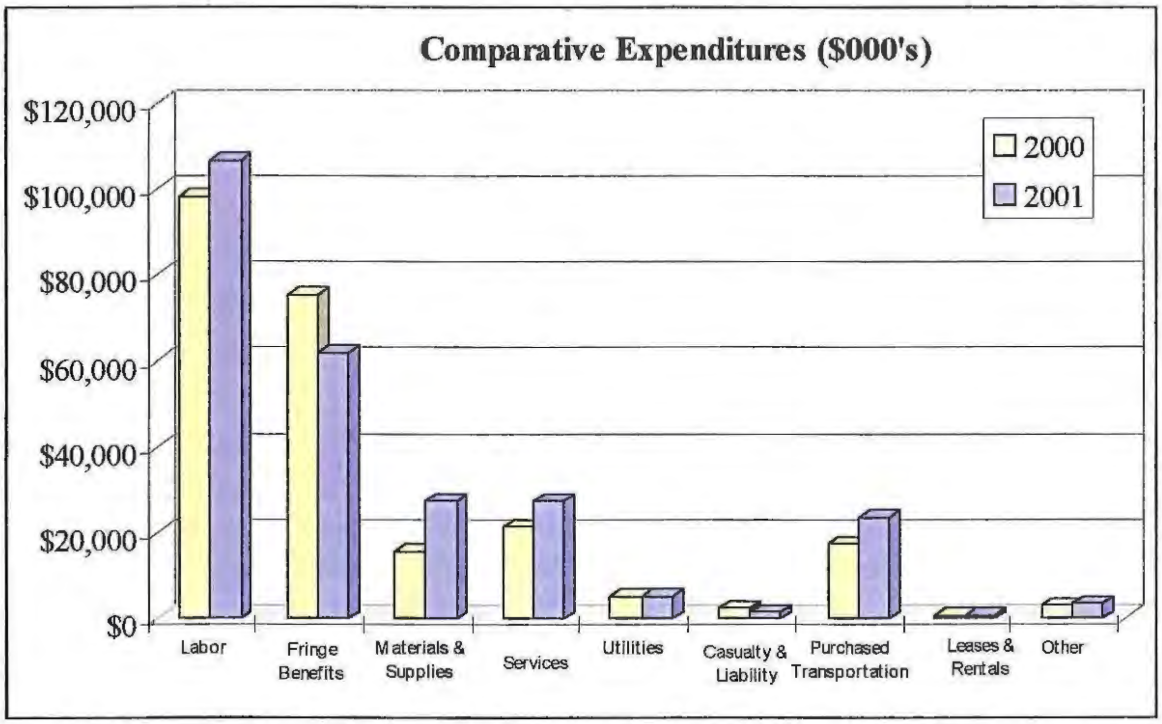
Finally, the decrease in casualty and liability costs can be attributed to an adjustment made to reduce our self-insured liability fund in order to bring it in line with the estimated cost of claims. The overall increase in operating expenses is commensurate with VTA's continued commitment towards improving 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 5% from the previous year, a significant element of the increase can also be attributed to several one-time costs associated with new rail activation.

Table 1.3 presents a comparison of operating expenses for fiscal years 2000 and 2001, by major category.

(Dollars in $000's)	2000	2001	Change Amount	Percent
Labor	98,371	106,878	8,507	8.6%
Fringe Benefits	75,354	61,845	-13,509	-17.9%
Materials & Supplies	15,540	27,428	11,888	76.5%
Services	21,379	27,427	6,048	28.3%
Utilities	5,167	5,071	-96	-1.9%
Casualty & Liability	2,403	1,473	-930	-38.7%
Purchased Transportation	17,456	23,489	6,033	34.6%
Leases & Rentals	637	669	32	5.0%
Other	3,011	3,415	404	13.4%
TOTALS	**$239,318**	**$257,695**	**$18,377**	**7.7%**

Figure 1.3 presents a comparison of operating expenses for fiscal years 2000 and 2001, by major category.



CASH AND INVESTMENTS

VTA's 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 that are either Board designated or legally restricted for the following purposes:

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

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.

Operating/All non-retirement:	Benchmark	Asset Allocation 6/2001	6/2002
1.	US Government Intermediate Fixed Income	100%	100%

Retiree Health:	Benchmark	Asset Allocation 6/2001	6/2002
1.	Lehman Aggregate (Fixed Income)	40%	50%
2.	S & P 500 Index (Equity)	60%	50%

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 VTA/ATU Pension Plan benchmark and asset allocation range as of June 30, 2001.

ATU Pension Plan: Benchmark	Asset allocation 6/2001	6/2002	Target Ranges
Lehman Brother Aggregate (Fixed Income)	40%	39%	35-45%
S&P/Barra Value (Large Cap Equity)	20%	20%	15-25%
Russell 2000 Value (Small Cap Equity)	10%	10%	5-15%
S&P 500 (Large Cap Equity Index)	15%	15%	10-20%
MSCI EAFE (International Equity Index)	15%	15%	10-20%
Cash		1%	0-5%

An addition to the management of this investment fund is the rebalancing of the allocations. The Plan's asset allocation will be reviewed relative to the targets on a monthly basis and action will be taken to re-balance to within the target ranges by means of asset transfers among categories. When necessary and/or available, cash inflows/outflows will be deployed in a manner consistent with the strategic asset allocation on the system. The stated ranges show the ongoing target ranges.

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 increased significantly because of several factors. First, as a result of the lower interest rates, fixed income security holdings appreciated in value. Second, small and large cap value stocks, particularly those that had been most out of favor or suffered worst declines during the technology and internet stocks hype, rallied the most, which caused the fair market value of equity securities to appreciate also. VTA's investment program is actively managed and therefore we "mark-to-market" or increased the value of the securities by $10.3 million for accounting purposes.

Investment earnings, recognized on the Combined Statement of Revenues and Expenses - Enterprise Fund, amounted to approximately $22 million during fiscal year 2001. $20 million in investment earnings is reported on the 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 contribution payments 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 $5 million in restricted investment earnings are accounted for in this manner.

Table 1.4 summarizes the investment earnings for FY 2001.

Enterprise Fund Earnings	$22.078
Special Revenue Fund Earnings	.038
ATU Pension Interest Earnings	20.013
Income Recognized	42.129
Reduction of Contribution	5.180
Total Investment Earnings	$36.949

RISK MANAGEMENT

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 program 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. 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. The highway construction OCIP also is a fully insured program, providing $50 million in General Liability coverage, statutory Workers Compensation coverage and Railroad Protective Liability for construction contractors, at a reduced premium cost to VTA.

DEBT

VTA's debt portfolio comprises fixed and variable rate debt. Outstanding bond issues as of June 30, 2001 total approximately $351 million and include:

2001 Sales Tax Revenue Bonds	$198.3 million
2000 Sales Tax Revenue Bonds	$ 40.0 million
1998 Sales Tax Revenue Bonds	$ 48.9 million
1997 Sales Tax Refunding Bonds	$ 34.0 million
1985 Equipment Trust Certificates	$ 29.7 million

Proceeds from the issues were used for the purchase of low-floor light rail vehicles, an administration facility, and acquisition of 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.

During the year, VTA issued $200 million in sales tax revenue bonds for the reimbursement of expenditures to the County for Tasman East, Vasona, and Capitol Light Rail Extensions and committed the redesignated 1996 Measure B funds to advance purchase 2000 Measure A low floor light rail vehicles. This bond issuance served to preserve VTA's future business options and financing flexibility.

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 2001 was Macias, Gini & Company, which issued an unqualified opinion on the VTA's June 30, 2001 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

The preparation of this Comprehensive Annual Financial Report required a concerted team effort throughout VTA, including team members from Financial Accounting, Disbursements, Revenue Services, Contracts and Purchasing, Risk Management, Budgeting, Investments, Service and Operations Planning, and Program and Project support departments. The team members demonstrated a commendable degree of personal dedication and determination in producing this award-winning document.

In addition, special thanks to Macias, Gini & Company for their contribution, as well as all other VTA staff for responding positively and promptly to the request for information that occurs with each annual audit. The Copy Center and the Marketing and Customer Service Division also made significant contributions to the form, content, and production of the report.

August 31, 2001

Peter M. Cipolla
General Manager

Scott Buhrer
Chief Financial Officer

2001 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.

Manuel Valerio, Chairperson
Ron Gonzales, Vice-Chairperson

GROUP 1	
City of San Jose	Cindy Chavez
	David Cortese
	Pat Dando
	Ron Gonzales
	Forrest Williams
	Ken Yeager, Alt.

GROUP 2	
City of Los Altos	
Town of Los Altos Hills	
City of Mountain View	Sally Lieber
City of Palo Alto	Sandra Eakins, Alt.
City of Santa Clara	Judy Nadler
City of Sunnyvale	Manuel Valerio

GROUP 3	
City of Campbell	Jane P. Kennedy
City of Cupertino	
Town of Los Gatos	Randy Attaway, Alt.
City of Monte Sereno	
City of Saratoga	

GROUP 4	
City of Gilroy	Thomas Springer, Alt.
City of Milpitas	
City of Morgan Hill	Dennis Kennedy

GROUP 5	
County of Santa Clara	Blanca Alvarado
	Don Gage
	Pete McHugh, Alt.

GROUP 6	
Ex-Officio	
Metropolitan	Jim Beall, Jr., Alt.
Transportation	John McLemore
Commission	

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. Administrative and Finance Committee (A & F)

2. Congestion Management Program and Planing 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)

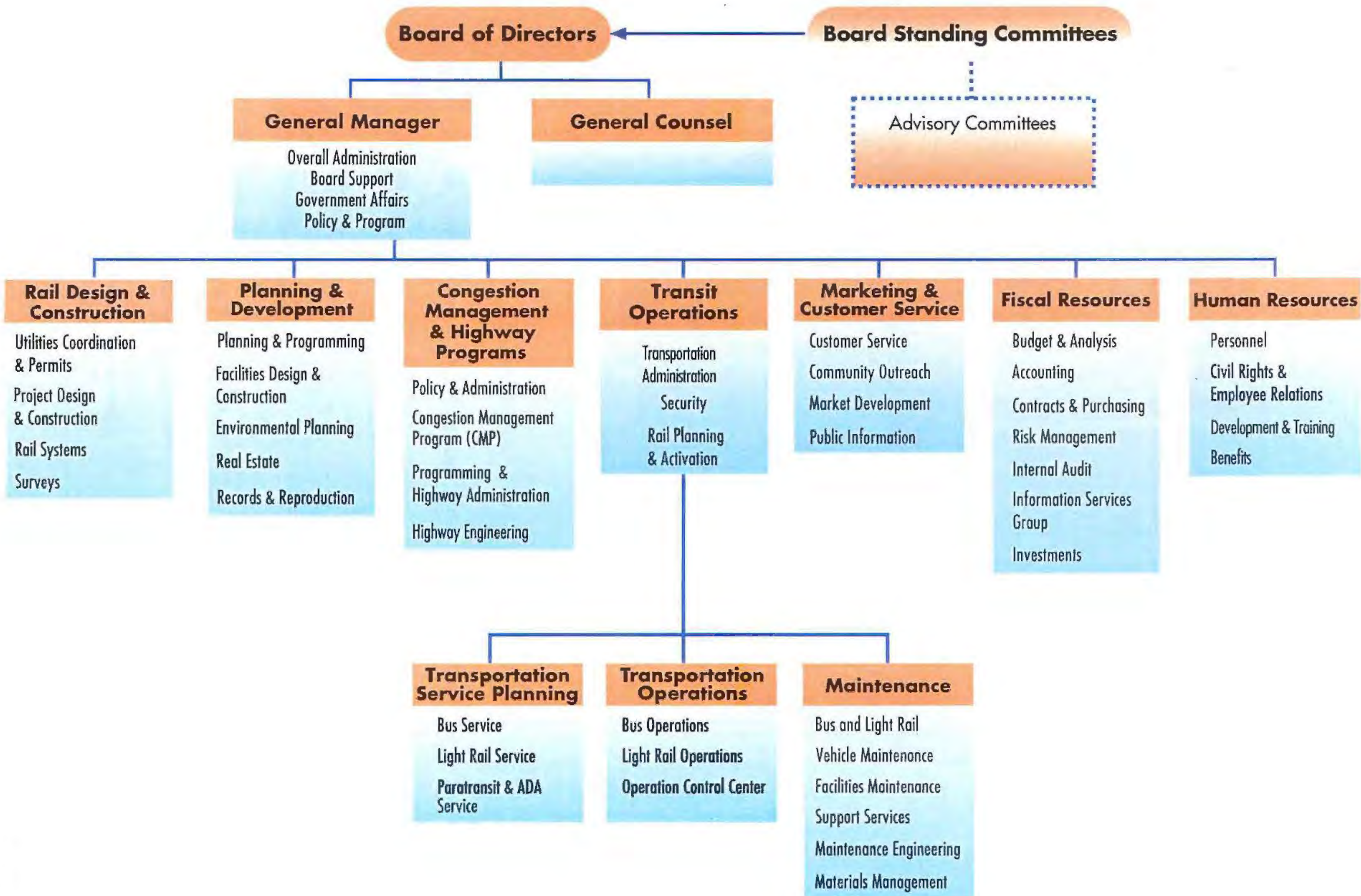
3. Countywide Bicycle Advisory Committee (BAC)

4. Technical Advisory Committee (TAC)

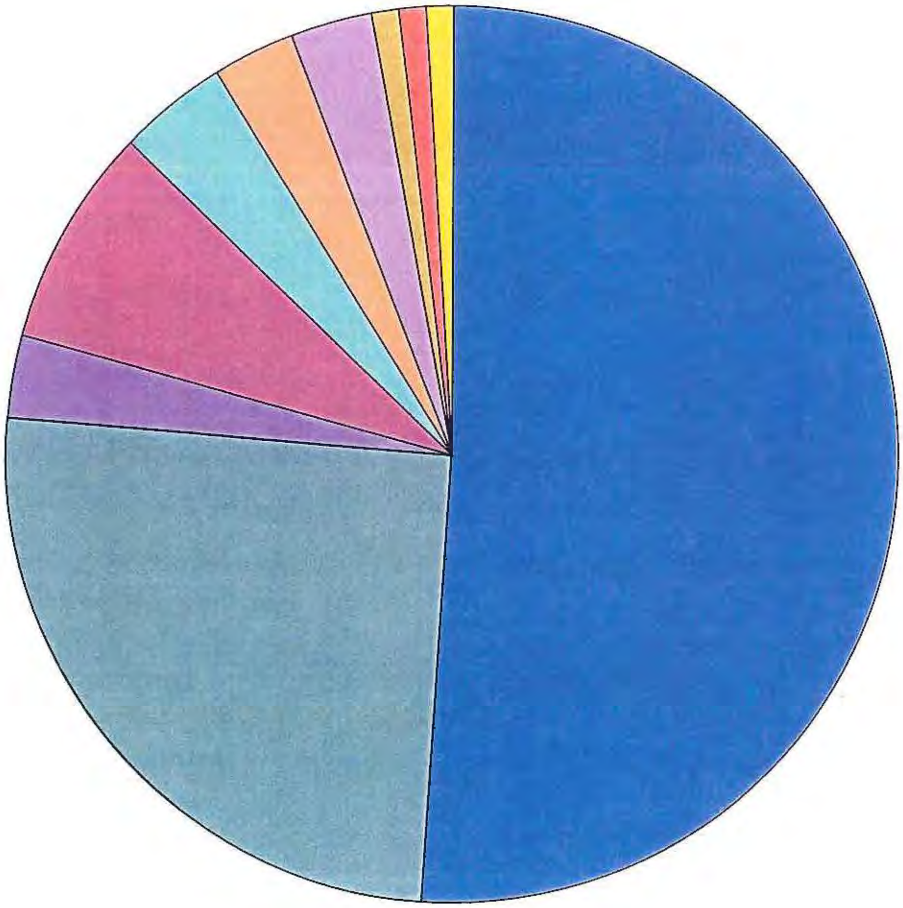
5. Policy Advisory Committee (PAC)

6. Transportation Corridor Policy Advisory Boards (PABs)

Santa Clara Valley Transportation Authority



Number of Employee Positions in Organizational Units

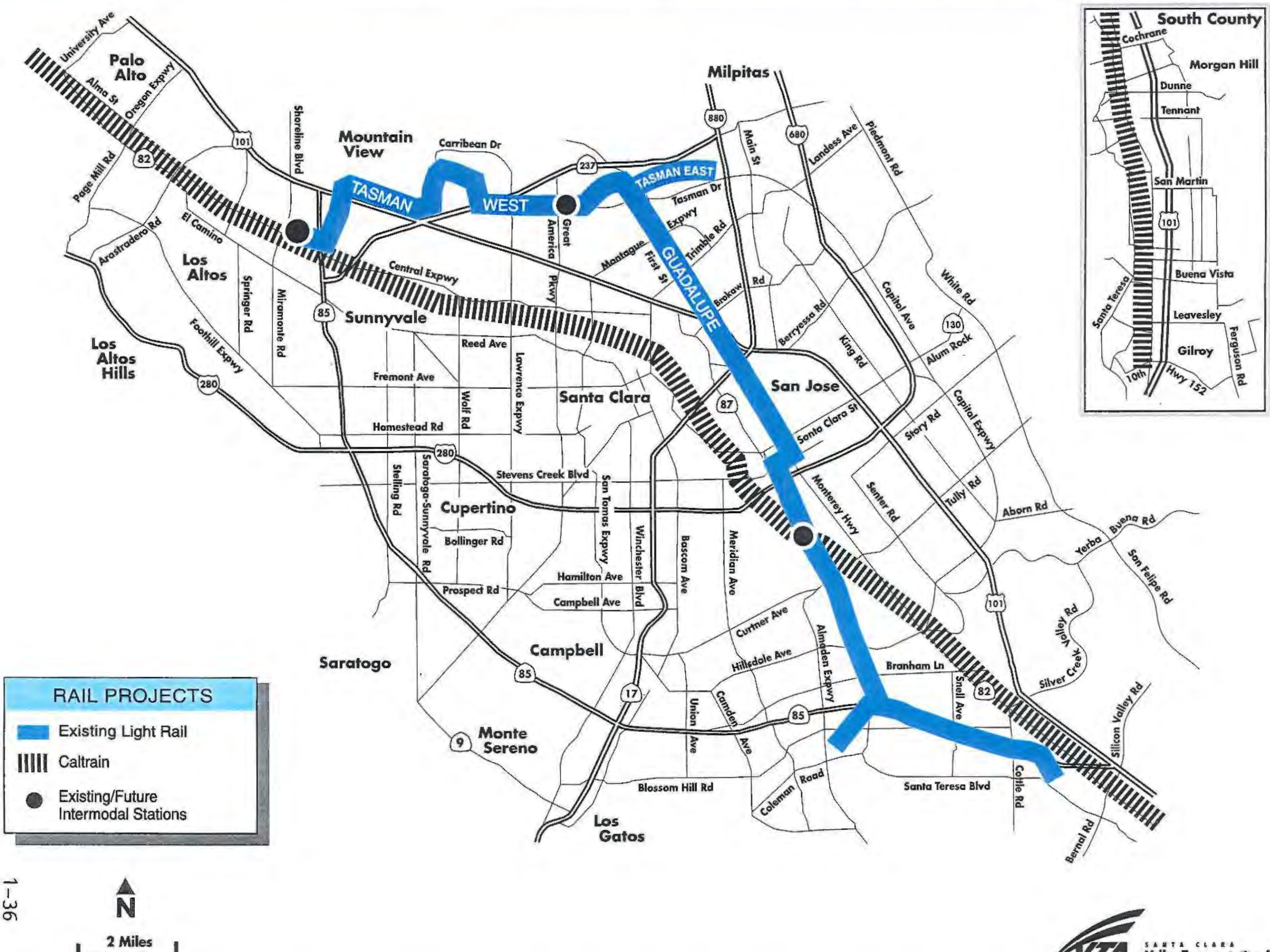


Transportation Operations	1309	48%
Transportation Maintenance	764	28%
Planning & Development	86	3%
Fiscal Resources	212	8%
Human Resources	126	4%
Marketing & Customer Service	82	3%
Rail Design & Construction	81	3%
Congestion Management & Highway Programs	28	1%
General Counsel	9	1%
Generol Manager	24	1%

Principal Officials

General Manager	Peter M. Cipolla
General Counsel	Suzanne Gifford
Board Secretary	Sandra Weymouth
Chief Financial Officer	Scott Buhrer
Chief Information Officer	Richard Kurk
Congestion Management & Highway Programs	Michael P. Evanhoe, Director
Congestion Management & Highway Programs	Jeff Funk, Deputy Director
Fiscal Resources	Gerald 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
Operations	Matthew Tucker, Deputy 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



SANTA CLARA Valley Transportation Authority

SECTION 2 — FINANCIALS

INDEPENDENT AUDITOR'S REPORT

GENERAL-PURPOSE FINANCIAL STATEMENTS

- Combined Balance Sheet – All Fund Types
- Statement of Revenues, Expenses and Changes in Retained Earnings – Enterprise Fund
- Combined Statement of Revenues, Expenditures and Changes in Fund Balances – All Governmental Fund Types and Expendable Trust Fund
- Combined Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Special Revenue Funds
- Statement of Changes in Net Assets – Pension Trust Fund
- Statement of Cash Flows – Enterprise Fund
- Notes to General-Purpose Financial Statements

REQUIRED SUPPLEMENTARY INFORMATION

- Schedule of Funding Progress – ATU Pension Plan
- Schedule of Funding Progress – CalPERS Plan

SUPPLEMENTARY DATA

Enterprise Fund

- Comparative Balance Sheet
- Comparative Statement of Revenues, Expenses and Changes in Retained Earnings
- Schedule of Budget versus Actual Revenues and Expenses
- Comparative Statement of Cash Flows
- Schedule of Restricted Assets and Related Liabilities

Special Revenue Funds

- Combining Balance Sheet
- Combining Statement of Revenues, Expenditures and Changes in Fund Balances
- Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual

Capital Project Funds

- Combining Balance Sheet
- Combining Statement of Revenues and Expenditures

Fiduciary Fund Type

- Combining Balance Sheet
- Combining Balance Sheet – Trust Funds
- Combining Balance Sheet – Agency Funds
- Combining Statement of Changes in Assets and Liabilities – Agency Funds

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY (VTA)

General Purpose Financial Statements

June 30, 2001

(With Independent Auditor's Report Thereon)

Macias, Gini & Company LLP
Certified Public Accountants and Management Consultants

Partners
Kenneth A. Macias, Managing Partner
Ernest J. Gini
Kevin J. O'Connell
Richard A. Green
Jan A. Rosati
James V. Godsey

Mt. Diablo Plaza
2175 N. California Boulevard
Suite 620
Walnut Creek, CA 94596-3565
925•274•0190
925•274•3819 FAX
www.maciasgini.com

The Board of Directors
Santa Clara Valley Transportation Authority

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying general purpose financial statements of the Santa Clara Valley Transportation Authority, California (the Authority), as of and for the fiscal year ended June 30, 2001, as listed in the accompanying table of contents. These general purpose financial statements are the responsibility of the Authority'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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose 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 in the first paragraph present fairly, in all material respects, the financial position of the Authority as of June 30, 2001, the results of its operations, the changes in net assets of its Pension Trust Fund, and the cash flows of its enterprise fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2*(a)* to the general purpose financial statements, the Authority changed its method of accounting and financial reporting for certain grants to comply with the provisions of Governmental Accounting Standards Board Statements No. 33, *Accounting and Financial Reporting for Nonexchange Transactions,* and No. 36, *Recipient Reporting for Certain Shared Nonexchange Revenues—an amendment of GASB Statement No. 33.*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2001 on our consideration of the Authority'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 designated as required supplementary information in the table of contents are not a required part of the general purpose financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplementary data listed in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the Authority. 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 presented, in all material respects, in relation to the general purpose financial statements taken as a whole.

The statistical section listed in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the Authority. Such additional information has not been subjected to the auditing procedures applied in the audit of the general purpose financial statements, and accordingly, we express no opinion thereon.

Macias, Gini & Company LLP

Certified Public Accountants

Walnut Creek, California
August 31, 2001

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Combined Balance Sheet
June 30, 2001

	Proprietary	Governmental		Fiduciary	
	Enterprise Fund	Special Revenue Funds	Capital Projects Funds	Trust and Agency Funds	Total (Memorandum Only)
ASSETS					
Current assets:					
Cash and cash equivalents	$ 1,168,184	$ 228	$ -	$ -	$ 1,168,412
Investments	80,967,452	102,840	-	-	81,070,292
Receivables, net	6,258,040	3,222	-	-	6,261,262
Due from other funds	957,474	-	-	-	957,474
Due from other governmental agencies	55,741,907	1,177,667	-	-	56,919,574
Inventories	15,634,062	-	-	-	15,634,062
Other current assets	9,178,327	-	-	-	9,178,327
Total current assets	169,905,446	1,283,957	-	-	171,189,403
Restricted assets:					
Cash and cash equivalents	17,101,988	-	2,010,174	3,592,124	22,704,286
Cash and investments with fiscal agents	65,673,775	-	-	-	65,673,775
Investments	233,632,667	-	-	378,188,173	611,820,840
Receivables, net	937,579	-	-	1,098,138	2,035,717
Due from other funds	37,591,028	-	6,878,484	-	44,469,512
Due from other governmental agencies	38,346,625	-	5,144,683	-	43,491,308
Total restricted assets	393,283,662	-	14,033,341	382,878,435	790,195,438
Other noncurrent assets:					
Deferred bond issuance costs	1,937,142	-	-	-	1,937,142
Property, facilities and equipment:					
Land and right-of-way	571,682,204	-	-	-	571,682,204
Caltrain - Gilroy extension	48,774,692	-	-	-	48,774,692
Buildings, improvements, furniture and fixtures	229,819,861	-	-	-	229,819,861
Vehicles	185,850,634	-	-	-	185,850,634
Light-rail tracks and electrification	272,749,787	-	-	-	272,749,787
Construction in progress	332,369,648	-	-	-	332,369,648
Other operating equipment	27,452,508	-	-	-	27,452,508
Total property, facilities and equipment	1,668,699,334	-	-	-	1,668,699,334
Less accumulated depreciation	(239,634,821)	-	-	-	(239,634,821)
Total property, facilities and equipment, net	1,429,064,513	-	-	-	1,429,064,513
Total assets	$ 1,994,190,763	$ 1,283,957	$ 14,033,341	$ 382,878,435	$ 2,392,386,496

(Continued)

See accompanying notes to general purpose financial statements.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Combined Balance Sheet (Continued)
June 30, 2001

	Proprietary	Governmental		Fiduciary	
	Enterprise Fund	Special Revenue Funds	Capital Projects Funds	Trust and Agency Funds	Total (Memorandum Only)
LIABILITIES AND EQUITY					
Liabilities:					
Current liabilities:					
Current portion of long-term debt	$ 7,951,653	$ -	$ -	$ -	$ 7,951,653
Accounts payable	21,506,471	349,276	-	-	21,855,747
Other accrued liabilities	6,170,180	26,533	-	-	6,196,713
Due to other funds	6,878,484	432,721	-	-	7,311,205
Due to other governmental agencies	4,297,737	75,904	-	-	4,373,641
Total current liabilities	46,804,525	884,434	-	-	47,688,959
Liabilities payable from restricted assets:					
Accounts payable	73,867,833	-	14,023,916	5,317,779	93,209,528
Other accrued liabilities - current	5,488,708	-	-	-	5,488,708
Due to other funds	-	-	1,034	38,114,747	38,115,781
Due to other governmental agencies	-	-	8,391	125,554,474	125,562,865
Restricted portion of long-term debt	14,049,932	-	-	-	14,049,932
Other accrued liabilities - noncurrent	91,239,151	-	-	-	91,239,151
Total liabilities payable from restricted assets	184,645,624	-	14,033,341	168,987,000	367,665,965
Noncurrent liabilities:					
Long-term debt, excluding current and restricted portions	329,012,454	-	-	-	329,012,454
Other accrued liabilities	42,693	135,522	-	-	178,215
Total noncurrent liabilities	329,055,147	135,522	-	-	329,190,669
Total liabilities	560,505,296	1,019,956	14,033,341	168,987,000	744,545,593
Equity:					
Contributed capital:					
Federal grants	469,621,673	-	-	-	469,621,673
State grants	213,855,047	-	-	-	213,855,047
Other	61,289,648	-	-	-	61,289,648
Total contributed capital	744,766,368	-	-	-	744,766,368
Fund balances:					
Undesignated	-	264,001	-	-	264,001
Reserved for employees' pension benefits	-	-	-	207,691,472	207,691,472
Reserved for medical trust	-	-	-	6,199,963	6,199,963
Total fund balances	-	264,001	-	213,891,435	214,155,436
Retained earnings:					
Reserved	208,638,038	-	-	-	208,638,038
Unreserved	480,281,061	-	-	-	480,281,061
Total retained earnings	688,919,099	-	-	-	688,919,099
Total equity	1,433,685,467	264,001	-	213,891,435	1,647,840,903
Total liabilities and equity	$ 1,994,190,763	$ 1,283,957	$ 14,033,341	$ 382,878,435	$ 2,392,386,496

See accompanying notes to general purpose financial statements.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Statement of Revenues, Expenses and Changes in Retained Earnings
Enterprise Fund
For the Year Ended June 30, 2001

OPERATING REVENUES:	
Passenger fares	$ 33,837,418
Advertising and other	4,144,280
Total operating revenues	37,981,698
OPERATING EXPENSES:	
Labor	106,878,425
Fringe benefits	61,845,432
Materials and supplies	27,428,007
Services	27,427,617
Utilities	5,070,826
Casualty and liability	1,472,704
Purchased transportation	23,488,884
Leases and rentals	668,600
Miscellaneous	3,414,544
Total operating expenses before depreciation	257,695,039
Operating loss before depreciation	(219,713,341)
DEPRECIATION EXPENSE:	
On assets acquired with capital grants	19,226,656
On assets otherwise acquired	12,201,421
Total depreciation expense	31,428,077
Operating loss	(251,141,418)
NONOPERATING REVENUES (EXPENSES):	
Sales tax revenue	183,540,308
Federal operating assistance grants	17,867,231
State and local operating assistance grants	86,387,503
CalTrain subsidy	(14,821,111)
Altamont Commuter Express subsidy	(656,932)
Investment income	22,077,809
Interest expense	(6,805,934)
Other income	1,370,638
Other expense	(435,020)
Nonoperating revenue, net	288,524,492
Net income before capital contributions	37,383,074
Capital contributions	154,647,899
Net Income	192,030,973
Charge to contributed capital - depreciation on fixed assets acquired with contributions	19,226,656
Retained earnings, beginning of year:	
As previously reported	479,670,032
Restatement	(2,008,562)
As restated	477,661,470
Retained earnings, end of year	$ 688,919,099

See accompanying notes to general purpose financial statements.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Combined Statement of Revenues, Expenditures and Changes in Fund Balances
All Governmental Fund Types and Expendable Trust Fund
For the Year Ended June 30, 2001

	Governmental			
	Special Revenue Funds	Capital Project Funds	Expendable Trust Fund	Total (Memorandum Only)
REVENUES:				
Member agency assessment revenue	$ 1,239,993	$ -	$ -	$ 1,239,993
Federal technical studies operating assistance grants	452,451	-	-	452,451
Sales tax	70,548	-	-	70,548
Medical contributions	-	-	1,085,483	1,085,483
Administrative fees	53,021	-	-	53,021
State operating assistance grants	118,091	-	-	118,091
Local grant revenue	144,086	40,963,382	-	41,107,468
Other revenues	35,272	-	-	35,272
Investment earnings	37,455	-	604,646	642,101
Total revenues	2,150,917	40,963,382	1,690,129	44,804,428
EXPENDITURES:				
Current:				
Congestion management:				
Salaries and benefits	1,550,880	-	-	1,550,880
Services	1,469,506	-	-	1,469,506
Medical benefit payments	-	-	270,842	270,842
Capital outlay:				
Capital improvement projects	-	40,963,382	-	40,963,382
Total expenditures	3,020,386	40,963,382	270,842	44,254,610
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(869,469)	-	1,419,287	549,818
FUND BALANCES, BEGINNING OF YEAR	1,133,470	-	4,780,676	5,914,146
FUND BALANCES, END OF YEAR	$ 264,001	$ -	$ 6,199,963	$ 6,463,964

See accompanying notes to general purpose financial statements.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Combined Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - Special Revenue Funds
For the Year Ended June 30, 2001

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Member agency assessment revenue	$ 1,240,000	$ 1,239,993	$ (7)
Federal technical studies operating assistance grants	885,000	452,451	(432,549)
Sales tax	-	70,548	70,548
Administrative fees	114,000	53,021	(60,979)
State operating assistance grants	704,000	118,091	(585,909)
Local grant revenue	-	144,086	144,086
Other revenues	45,000	35,272	(9,728)
Investment earnings	5,000	37,455	32,455
Total revenues	2,993,000	2,150,917	(842,083)
EXPENDITURES:			
Current:			
Congestion management:			
Salaries and benefits	1,292,892	1,550,880	(257,988)
Services	2,246,100	1,469,506	776,594
Total expenditures	3,538,992	3,020,386	518,606
DEFICIENCY OF REVENUES UNDER EXPENDITURES	$ (545,992)	(869,469)	$ (323,477)
FUND BALANCE, BEGINNING OF YEAR		1,133,470	
FUND BALANCE, END OF YEAR		$ 264,001	

See accompanying notes to general purpose financial statements.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Statement of Changes in Net Assets
Pension Trust Fund
For the Year Ended June 30, 2001

ADDITIONS:	
Pension contributions	$ 7,349,143
Net investment income:	
Investment income	4,756,211
Net appreciation in the fair value of investments	15,256,699
Investment expense	(748,566)
Net investment income	19,264,344
Total additions	26,613,487
DEDUCTIONS:	
Benefit payments	6,664,165
Other benefits paid to participants	22,099
Administrative expenses	187,543
Total deductions	6,873,807
Net increase	19,739,680
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS:	
BEGINNING OF YEAR	187,951,792
END OF YEAR	$ 207,691,472

See accompanying notes to general purpose financial statements.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Statement of Cash Flows
Enterprise Fund
For the Year Ended June 30, 2001

CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from passenger fares	$	31,055,846
Cash received from advertising		4,144,280
Cash paid to employees		(161,651,960)
Cash paid to suppliers		(44,426,133)
Cash paid for purchased transportation		(23,488,884)
Net cash used in operating activities		(194,366,851)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating grants received		103,594,825
Sales tax received		191,116,107
CalTrain subsidy		(14,821,111)
Altamont Commuter Express subsidy		(656,932)
Other noncapital receipts		21,380,589
Other noncapital payments		(7,313,013)
Net cash provided by noncapital financing activities		293,300,465
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from bond issuance		240,000,000
Costs of issuing bonds		(384,227)
Payment of long-term debt		(2,124,298)
Interest paid on long-term debt		(6,636,012)
Acquisition and construction of capital assets		(210,699,604)
Payment to the Measure B Ancillary Fund		(159,318,378)
Capital contributions from other governments		152,649,779
Net cash provided by capital and related financing activities		13,487,260
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments		1,250,114,514
Purchases of investments		(1,314,459,042)
Investment income received		14,985,253
Net cash used in investing activities		(49,359,275)
NET INCREASE IN CASH AND CASH EQUIVALENTS		63,061,599
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		20,882,348
CASH AND CASH EQUIVALENTS, END OF YEAR	$	83,943,947

(Continued)

See accompanying notes to general purpose financial statements

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Statement of Cash Flows (Continued)

Enterprise Fund

For the Year Ended June 30, 2001

RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	$	(251,141,418)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation		31,428,077
Changes in operating assets and liabilities:		
Receivables		(2,781,572)
Inventories		1,371,758
Other current assets		(620,914)
Accounts payable		20,305,321
Other current liabilities		7,071,897
Net cash used in operating activities	$	(194,366,851)
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash and cash equivalents, end of year:		
Unrestricted	$	1,168,184
Restricted		82,775,763
	$	83,943,947
Noncash financing and investing transactions:		
Reduction of contributed capital for depreciation on assets acquired with capital grants	$	19,226,656

See accompanying notes to general purpose financial statements

NOTE 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 County Board of Supervisors, five City Council members from the City of San Jose, and five City Council members selected from among the remaining incorporated cities in the County.

The accompanying general purpose financial statements also include the financial activities of the Santa Clara Valley Transportation Authority Amalgamated Transit Union (ATU) Pension Plan (the Plan) in the Pension Trust Fund (Note 13). The financial activities of the Plan are blended in the general purpose financial statements because the Plan exclusively serves the employees of VTA.

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 a 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 development and implementation of the Valley Transportation Plan 2020 (VTP2020), the long-range transportation and land use plan for the County, and for preparing and implementing the State mandated Congestion Management Program. It is also responsible for the programming and oversight of discretionary federal, State and local funds, and for serving as the program manager for certain county-wide grant funds, including the Transportation Fund for Clean Air (TFCA) and the County's Measure B Transportation Improvement Program's (MBTIP) Ancillary Program. 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.

The Santa Clara Valley Transportation Authority 2000 Measure A Program (the MAP) was created in response to the Measure A ballot approved by the voters of Santa Clara County on November 7, 2000. The MAP is not legally separate from VTA. The MAP is responsible for a number of key capital transit projects, including the connection of rapid transit to San Jose, increased bus and light rail service and providing for related operating expenses. The MAP will be funded by a half-cent sales tax to be imposed for a period of 30 years and to take effect upon expiration of the current County of Santa Clara 1996 Measure B half-cent sales tax, on April 1, 2006. VTA will receive the half-cent sales tax directly. The accompanying general purpose financial statements include the financial activities of the MAP in the Enterprise Fund.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Pronouncements Implemented During the Year

In December 1998 and in April 2000, the GASB issued Statements No. 33, *Accounting and Financial Reporting for Nonexchange Transactions,* and No. 36, *Recipient Reporting for Certain Shared Nonexchange Revenues—an amendment of GASB Statement No. 33* (statements). These statements establish accounting and financial reporting standards for nonexchange transactions involving financial and capital resources (for example, most taxes, grants and private donations). VTA implemented these statements for the fiscal year ended June 30, 2001. As a result of these statements, VTA now reports grants received for the acquisition of property, facilities, and equipment, as capital contributions on the statement of revenues, expenses and changes in retained earnings instead of additions to contributed capital.

(b) 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.

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, the activities of the Measure B Transit Projects and 2000 Measure A operations and 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 Enterprise Fund). The activities of the Congestion Management and Measure B Highway Programs are accounted for in the Capital Projects Funds.

Fiduciary Fund Types (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 SCVTA/ATU Pension Plan, ATU Medical Trust, the Bay Area Air Quality Management District (BAAQMD) Program, and the Measure B Ancillary Program. The SCVTA/ATU Pension Plan is reported as a pension trust fund and the ATU Medical Trust is reported as an expendable trust fund. The BAAQMD and the Measure B Ancillary Programs are reported as agency funds.

(c) Basis of Accounting

The Enterprise Fund 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 Enterprise Fund is segregated into contributed capital and retained earnings components. Enterprise Fund and Pension Trust Fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in total net 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.

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, grants and interest earnings are susceptible to accrual and recognized as revenue under the modified accrual basis of accounting.

(d) 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 Funds are budgeted on a multi-year basis and therefore annual information is not available for the fund. The budget for the Enterprise Fund is developed on an accrual basis, and the budgets for the Special Revenue Funds are 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 general purpose financial statements.

(e) Cash and Investments

VTA contracts with money management firms to manage its investment portfolio. VTA's investment program manager has oversight responsibility for investments managed by these firms. The securities are held by a third-party custodial bank. Purchases and sales of securities are reflected on the trade date. Investment income is recognized as earned.

The remaining cash balances in certain VTA funds are 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. Restricted and unrestricted cash and cash equivalents and cash and investments with fiscal agents are considered to be cash and cash equivalents for purposes of the accompanying statement of cash flows. Access to cash and investments with fiscal agents is similar to that of a demand deposit account and, therefore, investments are considered to be cash equivalents.

VTA has reported its investments at fair value based on quoted market information 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.

(f) 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.

(g) ***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

(h) ***Deferred Bond Issuance Costs***

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

(i) ***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	5 to 50 years
Vehicles	5 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 year 2000/01.

(j) ***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.

(k) 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 17).

(l) 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. Grants spent for the acquisition of property, facilities, and equipment are recorded as capital contributions when the related expenditures are incurred. Depreciation recognized on assets acquired or constructed (prior to the implementation of GASB 33 and 36) 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.

(m) Sales Tax Revenues

Sales tax revenues are recognized in the accounting period in which the sales 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.

(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 (GAAP). Actual results could differ from those estimates.

(o) Total Memorandum Only

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 GAAP, nor is such data comparable to a consolidation. Eliminations of interfund activity have been made within fund types but not between fund types.

(p) ***Pronouncements to be Implemented Next Year***

GASB Statement Nos. 34 and 37

In June 1999 and in June 2001, the GASB approved Statements No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments,* and No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus*, respectively. These statements establish new financial reporting requirements for state and local governments throughout the United States. When implemented, these statements will require new information and will restructure much of the information that governments have presented in the past. VTA is in the planning stages and anticipates various complex analyses to be required before the full impact of these statements can be determined.

GASB Statement No. 38

In June 2001, the GASB approved Statement No. 38, *Certain Financial Statement Disclosures*. This statement modifies, adds and deletes various note disclosure requirements. The statement addresses disclosure requirements for revenue recognition policies, actions taken in response to legal violations, debt service requirements, variable-rate debt, receivable and payable balances, interfund transfers and balances, and short-term debt.

NOTE 3 - CASH AND INVESTMENTS

As of June 30, 2001, VTA's cash and investments consisted of the following:

Cash and deposits	$ 23,872,698
Investments	758,564,907
	$ 782,437,605

Deposits

As of June 30, 2001, the carrying amount of VTA's deposit balance, which includes restricted deposits, was $23,872,698 and the bank balance was $36,114,601. The difference between the carrying amount and the bank balance is due to outstanding checks and deposits in transit. All deposits are fully collateralized in accordance with Section 53652 of the California Government Code.

The California Government Code requires California banks and savings and loan associations to secure governmental 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. The California Government Code also allows financial institutions to secure governmental deposits by pledging first trust deed mortgage notes having a value of 150% of those deposits. Such collateral is held by the pledging financial institutions' trust department or agent in VTA's name.

VTA maintains 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. At June 30, 2001, the carrying amount of the cash balance was $20,694,112, of which $17,101,988 was reported in the Enterprise Fund and $3,592,124 was reported in the Measure B Ancillary Program Agency Fund.

In March 2001, VTA opened a checking account for the Congestion Management and Highway Programs (CM&HP). The checking account earns interest based on the bank's monthly sweep average repurchase agreement rate. The carrying amount of the cash balance was $2,010,174 as of June 30, 2001.

Investments

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, the State of California Local Agency Investment Fund (LAIF), 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.

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

The County Treasury commingled pool (the 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. The value of the pool shares in the commingled pool which may be withdrawn is determined on an amortized cost basis, which is different than the fair value of the VTA's position in the pool.

As of June 30, 2001, the VTA's investment in LAIF is $15,260,616. The total amount invested by all public agencies in LAIF at June 30, 2001 is $54,944,446,059. Of that amount, 95.494% is invested in non-derivative financial products and 4.506% in structured notes and asset-backed securities. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State Statute. The value of the pool shares in LAIF which may be withdrawn is determined on an amortized cost basis, which is different than the fair value of the VTA's position in the pool.

Information is not available on whether the various mutual funds in which the VTA has invested used or held derivative financial products during the year ended June 30, 2001.

Investments are categorized below to give an indication of the custodial credit risk assumed by VTA as of June 30, 2001. 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.

A summary of the VTA's investments at June 30, 2001 is shown below.

	Category		Fair
	1	2	Value
Investments subject to categorization:			
Equity securities – pension plan	$ 68,224,090	-	68,224,090
Corporate notes (commercial paper)	12,000,000	-	12,000,000
Corporate bonds	120,632,353	-	120,632,353
Corporate bonds – pension plan	39,710,686	-	39,710,686
U.S. Treasury and government agency notes	328,889,309	-	328,889,309
U.S. Treasury and government agency notes – pension plan	43,451,812	-	43,451,812
Repurchase agreements	-	1,516,104	1,516,104
Total investments subject to categorization	$ 612,908,250	1,516,104	614,424,354
Uncategorized investments:			
Investments commingled in County Treasury			7,829,942
State of California Local Agency Investment Fund			15,260,616
Retention escrow fund			5,192,189
Mutual funds			60,205,386
Mutual funds – pension plan			55,652,420
Total investments			$ 758,564,907

Reconciliation to the Balance Sheet

Total cash and investments as of June 30, 2001, are reported in the accompanying general purpose financial statements as follows:

Unrestricted:	
Cash and cash equivalents	$ 1,168,412
Investments	81,070,292
Total unrestricted	82,238,704
Restricted cash and investments:	
Cash and cash equivalents	22,704,286
Cash and investments with fiscal agents	65,673,775
Investments	611,820,840
Total restricted	700,198,901
Total cash and investments	$ 782,437,605

NOTE 4 - DUE TO AND DUE FROM OTHER FUNDS

Due to other funds and due from other funds are expected to be repaid in the normal course of business during the following year and are comprised of the following at June 30, 2001:

	Due from other funds			Due to other funds		
	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total
Enterprise Fund	$ 957,474	37,591,028	38,548,502	6,878,484	-	6,878,484
Special Revenue Fund:						
Congestion Management Program	-	-	-	432,721	-	432,721
Capital Project Funds:						
Congestion Management and Highway Program	-	-	-	-	1,034	1,034
Measure B Highway Program	-	6,878,484	6,878,484	-	-	-
Total Capital Project Funds	-	6,878,484	6,878,484	-	1,034	1,034
Fiduciary Funds:						
SCVTA/ATU Pension Plan – Pension Trust Fund	-	-	-	-	413,584	413,584
BAAQMD Program Agency Fund	-	-	-	-	110,135	110,135
Measure B Ancillary Program Agency Fund	-	-	-	-	37,591,028	37,591,028
Total Fiduciary Funds	-	-	-	-	38,114,747	38,114,747
Total	$ 957,474	44,469,512	45,426,986	7,311,205	38,115,781	45,426,986

NOTE 5 - DUE FROM AND DUE TO OTHER GOVERNMENTAL AGENCIES

Due from other governmental agencies as of June 30, 2001 consisted of the following:

	Enterprise Fund	Special Revenue Funds	Capital Projects Funds	Total
Federal government	$ 17,813,495	-	-	17,813,495
State government	43,469,739	658,085	-	44,127,824
County of Santa Clara	31,862,153	-	5,144,683	37,006,836
Others	943,145	519,582	-	1,462,727
Total	$ 94,088,532	1,177,667	5,144,683	100,410,882

Due from other governmental agencies as of June 30, 2001, is reported in the accompanying general purpose financial statements as follows:

	Enterprise Fund	Special Revenue Funds	Capital Projects Funds	Total
Current Assets	$ 55,741,907	1,177,667	-	56,919,574
Restricted	38,346,625	-	5,144,683	43,491,308
Total	$ 94,088,532	1,177,667	5,144,683	100,410,882

Due to other governmental agencies as of June 30, 2001, consisted of the following:

	Enterprise Fund	Special Revenue Funds	Capital Projects Funds	Trust and Agency Funds	Total
Federal government	$ -	74,144	-	-	74,144
State government	1,353,309	1,760	8,391	-	1,363,460
Others	2,944,428	-	-	125,554,474	128,498,902
Total	$ 4,297,737	75,904	8,391	125,554,474	129,936,506

Due to other governmental agencies as of June 30, 2001, is reported in the accompanying general purpose financial statements as follows:

	Enterprise Fund	Special Revenue Funds	Capital Projects Funds	Trust and Agency Funds	Total
Current Assets	$ 4,297,737	75,904	-	-	4,373,641
Restricted	-	-	8,391	125,554,474	125,562,865
Total	$ 4,297,737	75,904	8,391	125,554,474	129,936,506

NOTE 6 – CONSTRUCTION IN PROGRESS

Construction in progress (CIP), included in property, facilities, and equipment, and related right-of-way acquisitions include capitalized costs associated with the following projects as of June 30, 2001:

New Rail Vehicles	$ 76,002,326
Tasman Corridor Project Extensions	69,285,276
Vasona Corridor Project	64,960,269
Facilities Modifications	61,491,436
Capitol Corridor Projects	41,448,495
Guadalupe Corridor	20,600,411
Coach Replacement	11,434,225
Study Projects	2,237,874
Software Development	1,555,263
Fremont Rail Connection	1,146,731
VTA Administration Building Improvement	1,042,458
Caltrain Service Improvements	773,813
Environmental Building and Site Modifications	665,945
Silicon Valley Rapid Transit Corridor	126,663
Total project costs expended to date	352,771,185
Less right-of-way acquisitions not yet settled [1]	(20,401,537)
CIP, as reported on the balance sheet at 6/30/01	$ 332,369,648

[1] The projects listed above include $20,401,537 paid for right-of-way acquisitions that have not yet settled. During the process of acquiring right-of-way, VTA makes deposits with the County of Santa Clara, which are reported as due from other governments. Upon settlement of the purchase and transfer of title into the name of VTA, these acquisitions will be reported as construction in progress under property, facilities, and equipment.

Additional information regarding projects in progress as of June 30, 2001, follows:

Total Board approved project budget	$ 1,530,696,768
Expended to date	352,771,185
Expenditure budget available for CIP	$ 1,177,925,583
Anticipated funding sources are as follows:	
Federal, State, and other local assistance (Note 11)	$ 994,119,754
Local contribution (Note 11)	183,805,829
Total funding sources	$ 1,177,925,583

VTA has outstanding commitments of $345,472,000 as of June 30, 2001, related to the above capital projects.

NOTE 7 - LONG-TERM DEBT

Long-term debt as of June 30, 2001, consisted of the following:

2001 Series A Senior Lien Sales Tax Revenue Bonds, net of unamortized discount of $1,699,226	$ 198,300,774
2000 Series A Junior Lien Sales Tax Revenue Bonds	40,000,000
1998 Series A Junior Lien Sales Tax Revenue Bonds	48,890,000
1997 Series A Sales Tax Revenue Refunding Bonds, net of unamortized discount of $332,669 and unamortized deferred amount on refunding of $3,051,610	34,060,721
Series 1985A Equipment Trust Certificates	29,660,000
Improvement Bond Series 22R	102,544
Total debt	351,014,039
Current portion	(7,951,653)
Long-term debt, excluding current portion	$ 343,062,386

Long-term debt, excluding the current portion, as of June 30, 2001, is reported in the accompanying general purpose financial statements as follows:

Restricted portion of long-term debt	$ 14,049,932
Long-term debt, excluding current and restricted portion	329,012,454
	$ 343,062,386

(a) 2001 Series A Senior Lien Sales Tax Revenue Bonds

In June 2001, VTA issued $200,000,000 of 2001 Series A Senior Lien Sales Tax Revenue Bonds (2001 Bonds) to finance portions of the Tasman East, Vasona, and Capitol Corridor Light Rail projects. Issuance costs are being amortized over the term of the debt. The 2001 Bonds are special obligations of VTA, which are payable and secured by sales tax revenues.

The 2001 Bonds mature serially beginning June 1, 2002 through June 1, 2026. Future annual principal payments range from $4,770,000 to $17,945,000 and bear interest at rates ranging from 4.5% to 5.5%.

(b) 2000 Series A Junior Lien Sales Tax Revenue Bonds

In November 2000, through the California Transit Variable Rate Program of the California Transit Finance Authority, VTA issued $40,000,000 of 2000 Series A Junior Lien Sales Tax Revenue Bonds (2000 Bonds) to finance certain capital expenditures. Issuance costs related to such bonds are being amortized over the term of the debt. The 2000 Bonds are special obligations of VTA, which are payable from and secured by sales tax revenue.

The 2000 Bonds mature serially beginning October 1, 2001 through October 1, 2027. Future annual principal payments range from $950,000 to $2,175,000 and bear a variable rate of interest not to exceed 12%. In fiscal year 2001, actual weighted average interest rate was 2.96%.

(c) 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 21), 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 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%.

(d) 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, 2001, the 1991 Series A bonds were paid in full and $4,265,000 of the Series C Certificates remains outstanding.

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%.

(e) 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 sales tax revenue and an irrevocable letter of credit in the amount of $30,074,000, which expires on June 1, 2015.

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, 2001, VTA had repaid $23,200,000 of the 1985A Certificates. As a result of making payments prior to scheduled maturity dates, the next required sinking fund payments are due in 2007 through 2015 and range from $460,000 to $4,800,000.

(f) 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 $31,700 to $36,900.

(g) *Scheduled Payments*

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

Year ending June 30,	
2002	$ 31,453,274
2003	31,261,819
2004	31,076,220
2005	30,819,499
2006	30,617,797
Thereafter	566,284,710
Total debt service requirements	721,513,319
Less:	
Amounts representing interest	(365,415,775)
Unamortized bond discount	(2,031,895)
Unamortized deferred amount on refunding	(3,051,610)
Total debt	351,014,039
Less current portion	(7,951,653)
Long-term debt, excluding current portion	$ 343,062,386

(h) *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.

(i) *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.

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.

(j) ***Japanese Operating Lease***

In 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 semi-annual 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, VTA realized a financial benefit of $2,022,0000.

NOTE 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 $1,632,000 in fiscal year 2000/01.

NOTE 9 – VTA PROGRAMS FUNDED THROUGH LOCAL SALES TAX MEASURES

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 light-rail 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 Projects in the Enterprise Fund, Measure B Highway Projects in the Capital Projects funds and the Measure B Ancillary Program, which includes pavement management and bicycle elements in the Agency Fund.

During the year, VTA and the County entered into two agreements for Fund Swap arrangements, whereby VTA agreed to secure Federal and/or State grant funds and program them for certain 1996 MBTIP Projects in exchange for the County to release the corresponding 1996 MBTIP Project funds for other local projects. The Tasman East Light Rail Project was programmed for $72.8 million in grant funds with $67.9 million being available for other local projects and the Vasona Light Rail Project was programmed for $51.6 million with the same amount being available for other local projects.

A third agreement provided for a simultaneous exchange of funds. VTA secured 2001 Series A Senior Lien Sales Tax Revenue Bonds to reimburse the County approximately $184.1 million of 1996 MBTIP project costs, namely the Tasman East, Vasona and Capitol Corridor Light Rail Projects. The reimbursement of 1996 MBTIP project costs made $184.1 million available for the acquisition of low floor vehicles. Of the $184.1 million authorized, $159.3 million was reimbursed during the year with the remaining balance of $24.8 to be reimbursed during fiscal year 2001/02. The reimbursement was made to the Measure B Ancillary Program Agency Fund, of which, $37,591,028 was due to VTA at June 30, 2001 for the first installment of light rail vehicles that were received before year-end.

2000 Measure A Program

The Santa Clara Valley Transportation Authority 2000 Measure A Program (the MAP) was created in response to the Measure A ballot approved by the voters of Santa Clara County on November 7, 2000. The MAP is responsible for a number of key capital transit projects, including the connection of rapid transit to San Jose, increased bus and light rail service and providing for related operating expenses.

The MAP is funded by the half-cent sales tax to be imposed for a period of 30 years and to take effect upon expiration of the current county of Santa Clara 1996 Measure B half-cent sales tax, April 1, 2006. VTA will receive the half-cent sales tax directly. During the year, VTA advanced the MAP $442,293 and $126,662 in funds for the Downtown East Valley Project and the Silicon Valley Rapid Transit Project, respectively.

NOTE 10 - CHANGES IN ENTERPRISE EQUITY

Changes in enterprise equity for the year ended June 30, 2001, were as follows:

	Contributed	Retained Earnings		
	Capital	Reserved	Unreserved	Total
Balances, July 1, 2000	$ 851,493,664	116,360,539	363,309,493	1,331,163,696
Prior period adjustment	-	-	(2,008,562)	(2,008,562)
Net Income	-	-	192,030,973	192,030,973
Capital grants	(1,388,002)	-	-	(1,388,002)
Measure B funding	(86,112,638)	-	-	(86,112,638)
Depreciation on assets acquired with capital grants	(19,226,656)	-	19,226,656	-
Increase in reserved retained earnings	-	92,277,499	(92,277,499)	-
Total	$ 744,766,368	208,638,038	480,281,061	1,433,685,467

The prior period adjustment of $2,008,562 represents the correction of an overstatement of capitalized project costs, discovered this year. Duplicate costs were included in the project balance when uploaded during a system conversion, resulting in an overstated asset when capitalized during fiscal year 1999/2000.

Amounts reported under contributed capital represent total capital contributions received through June 30, 2000 from various federal, state and local funding sources, less the portion of accumulated depreciation that relates to those contributed assets. During the year, VTA recognized capital contributions as revenue, rather than increases to contributed capital, in accordance with the requirements of GASB 33. Contributed capital reductions, reflected as "capital grants" and "Measure B funding" adjustments in the table above, resulted from reimbursements made to federal and local funding sources. The reduction of contributed capital related to local reimbursements represent eligible Measure B project costs incurred prior to fiscal year 2000/01 that were reimbursed with bond proceeds, thereby redesignating the Measure B funds for other purposes. The reimbursement made to Measure B comprised primarily of the portion of prior year project costs related to the simultaneous exchange of funds set forth in Note 9. Of the amounts reimbursed, $37,591,028 was reprogrammed and recognized as capital contributions revenue during the year, and the remaining amounts will be recognized when qualifying expenditures are made.

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, 2001, totaled $208,638,038.

NOTE 11 - 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, 2001, are summarized as follows:

	Enterprise Funds	Special Revenue Funds
Operating assistance grants:		
FTA Section 9	$ 17,486,570	-
Job Access and Reverse Commute Program	373,887	-
Federal Technical Studies	6,774	452,451
Total operating assistance grants	17,867,231	452,451
Capital grants:		
FTA Section 3	23,098,517	-
FTA Section 9	36,547,048	-
Total capital grants	59,645,565	-
Total federal grants	$ 77,512,796	452,451

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.

The Job Access and Reverse Commute Program was authorized in Section 3037 of the Transportation Equity Act for the 21st Century (TEA-21). This program, administered by the FTA, is intended to implement a variety of transportation services that will connect welfare recipients to employment and other job-related activities and opportunities.

(b) State and Local Grants and Assistance

State and local grants for the year ended June 30, 2001, are summarized as follows:

Operating assistance grants:	
Transportation Development Act	$ 81,182,666
State Transit Assistance	4,262,739
AB434	942,098
Total operating assistance grants	86,387,503
Capital grants:	
Transit Capital Improvement	242,216
Proposition 116	404,961
Traffic Congestion Relief Program	126,662
State Flexible Congestion Relief	1,240,754
AB434	782,197
General Fund	3,814,500
State/Local Partnership	1,164,319
Total capital grants	7,775,609
Total state and local grants	$ 94,163,112

Transportation Development Act (TDA) funds represent VTA' 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.

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.

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

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.

General funds are received from the State of California through its Business Transportation and Housing Agency, Department of Transportation. The funds are to be used to reimburse project costs relating to the Vasona Lightrail-Winchester Extension 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.

NOTE 12 - SANTA CLARA VALLEY TRANSPORTATION AUTHORITY 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. Effective February 1, 2004, basic retirement benefits were improved to increase benefits for retirees. These benefit improvements have been considered by the Plan's actuary and resulted in a significant increase in the actuarial accrued liability. Separately issued audited financial statements of the Plan are available from VTA.

The current membership of the Plan as of June 30, 2001, is comprised of the following:

Retirees and beneficiaries currently receiving benefits	521
Terminated vested members not yet receiving benefits	153
Active members	1,796
Total	2,470

(c) *Funding Policy*

Active members in VTA's CalPERS Plan (CalPERS Plan) are not required to contribute to the CalPERS Plan. VTA elected 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, 2000 through June 30, 2001, was 4.491% 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 be amended by CalPERS.

(d) *Net Pension Obligation*

VTA's net pension obligation to the CalPERS Plan was zero as of June 30, 2001.

For fiscal year 2000/01, VTA's annual pension cost was approximately $5,077,000, which was fully contributed. The required contribution for fiscal year 2000/01 was determined as part of the June 30, 1998, 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.

Three-year trend information follows:

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/99	$ 5,462,000	100%	-
6/30/00	5,502,000	100%	-
6/30/01	5,077,000	100%	-

NOTE 14 - ATU MEDICAL TRUST

VTA had assets and related liabilities as of June 30, 2001 of $6,199,963 for the ATU Medical Trust (the Trust), which includes the Spousal Trust and Retiree Vision and Dental Trust. The Spousal Trust is a medical insurance benefit for eligible pensioners' spouses. Pursuant to a collective bargaining agreement, VTA is required to contribute to the Spousal Trust at a rate of $0.20 per hour worked by all ATU employees. As of June 30, 2001, there were 186 participating spouses who were eligible for benefits from the Spousal Trust. Contributions, which were expensed by VTA, were approximately $806,000. Benefit payments made by the Spousal Trust for fiscal year 2000/01 were approximately $271,000.

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 $0.10 per hour worked by ATU employees. As of June 30, 2001, there were 467 eligible participants. Contributions, which were expensed by VTA, were approximately $280,000 for the Retiree Vision and Dental Trust.

NOTE 15 - 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, 2001, 503 retirees met the eligibility requirements. VTA pays medical premiums for its eligible retirees.

(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, 2001, 119 retirees met the eligibility requirements.

(c) Actuarial Information

An actuarial study as of January 1, 2001, 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 $55,677,000 and $23,544,000 for the ATU and Non-ATU Programs, respectively. VTA's contributions are advance funded on an actuarially determined basis and recorded as a restricted activity in the Enterprise Fund. For the year ended June 30, 2001, VTA made contributions to both the ATU and Non-ATU programs, which were expensed, of approximately $4,528,000 (which includes a one-time contribution of $1,606,000). Benefits paid to participants of the program were approximately $1,920,000.

The actuarial cost method used for determining the benefit obligations is the projected unit benefit cost method. The significant economic assumptions used were as follows: 1) a discount rate of 8.0%, 2) a projected salary increase of 5%, and 3) a health inflation assumption of 7%, graded down 0.5% per year to 6% after 2 years.

As of June 30, 2001, VTA had restricted assets and related liabilities of $29,011,696 to cover future costs of the ATU and Non-ATU Programs.

NOTE 16 - 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.

NOTE 17 – 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, 2001:

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.

(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 and claims adjustment expenses. 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, 2001, and a 6% average discount rate for general liability as of June 30, 2001, 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 and general claims liabilities for the two years ended June 30, 2001, are as follows:

	Workers' Compensation	General Liability
Unpaid claims, at June 30, 1999	$ 24,478,000	21,267,000
Provision for claims and claims adjustment expense	16,760,000	(6,834,000)
Payment for claims	(6,997,000)	(2,070,000)
Unpaid claims at June 30, 2000	34,241,000	12,363,000
Provision for claims and claims adjustment expense	10,618,000	2,380,000
Payment for claims	(7,815,000)	(2,279,000)
Unpaid claims at June 30, 2001	$ 37,044,000	12,464,000

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

NOTE 18 – 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 $668,600 in fiscal year 2000/01. The future lease payments under noncancellable lease agreements is as follows:

Year ending June 30,	
2002	$ 528,000
2003	443,000
2004	395,000
2005	207,000
2006	216,000
Thereafter	1,190,000
Total	$ 2,979,000

NOTE 19 – LITIGATION

Claims and litigation are outstanding for which VTA cannot determine the ultimate outcome and resulting liability, if any. However, VTA's management believes its actuarially determined reserves and excess insurance coverage will adequately cover estimated potential material adverse losses as of June 30, 2001.

NOTE 20 – RELATED PARTY TRANSACTIONS – COUNTY OF SANTA CLARA

The County provides support services to VTA for protection (Office of the Sheriff), fuel for vehicles and vehicle maintenance and repairs. Amounts paid to the County for such services were approximately $1,009,000 during fiscal year 2000/01.

NOTE 21 - 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 41.66%, 43.20%, and 15.14%, respectively, of the member agencies' total reimbursement for such expenses.

During the year ended June 30, 2001, VTA paid approximately $13,314,000 to the PCJPB for operating costs and $1,829,000 for capital contributions and other costs. Operating costs were subsequently reduced when VTA reclassified $322,049 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, 2001 (unaudited), is as follows:

Total assets	$ 739,748,808
Total liabilities	(135,493,650)
Total equity	$ 604,255,158
Operating revenues	$ 29,459,238
Operating expenses	(60,533,864)
Nonoperating revenues, net	31,074,626
Net loss	$ -

Complete financial statements for the PCJPB can be obtained from SamTrans 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, Santa Clara, and San Jose. 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 now provides three daily round trip commuter rail service from Stockton through the Tri-Valley Area of Alameda County to Santa Clara County. The operating maintenance and management costs of the service is reimbursed by the members at a rate of approximately 43% from VTA, 23% from San Joaquin Regional Rail Commission and 34% from the Alameda County Congestion Management Agency. During the year ended June 30, 2001, VTA contributed approximately $2,522,000 for operating costs.

Operating costs were subsequently reduced when VTA reclassified $1,865,406 to prepaid contributions to recognize its share of uncommitted member contributions paid to ACE to date.

Complete financial statements for ACE can be obtained from the San Joaquin Regional Rail Commission at 5000 South Airport Way, Room 201, Stockton, California 95213.

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

VTA participates in providing the Capitol Corridor Intercity Rail Service, which runs nine round trips from Sacramento to Oakland. Four of these round trips extend to San Jose, while one round trip extends to Auburn. 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 is a participant 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. Through the Program, VTA issued $50,000,000 of Junior Lien Sales Tax Revenues Bonds in March of 1999 and $40,000,000 in November 2000 (Note 7).

NOTE 22 - 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.

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.

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, 2001, 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.

Required Supplementary Information (Unaudited)

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Schedule of Funding Progress [a]

Santa Clara Valley Transportation Authority Amalgamated Transit Union Pension Plan

(Unaudited)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL	Funded Ratio	Covered Payroll	Unfunded AAL as a Percentage of Covered Payroll
1/1/1999[b]	$165,253,455	$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%
1/1/2001[c]	204,874,533	226,732,913	21,858,380	90.4%	81,984,832	26.7%

(a) The schedule of funding progress presents the most recent actuarial information regarding the funding progress of the Santa Clara Valley Transportation Authority Amalgamated Transit Union Pension Plan.

(b) Change in actuarial assumption for mortality.

(c) Benefit improvements effective February 1, 2001, February 1, 2003, and February 1, 2004 all reflected in the 1/1/2001 valuation.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Schedule of Funding Progress

Santa Clara Valley Transportation Authority CalPERS Plan

(Unaudited)

Actuarial Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Overfunded Liability	Funded Ratio	Annual Covered Payroll	Overfunded Liability as a Percentage of Covered Payroll
6/30/1997	$46,533,900	$50,970,126	$(4,416,226)	109.5%	$25,952,524	(17.017%)
6/30/1998	52,867,475	62,650,398	(9,782,923)	118.5%	29,010,893	(33.722%)
6/30/1999	63,226,750	75,445,690	(12,218,940)	119.3%	34,844,154	(35.067%)

Supplementary Data

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Comparative Balance Sheet
Enterprise Fund
June 30, 2001 and 2000

	2001	2000
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,168,184	$ 1,168,184
Investments	80,967,452	45,195,963
Receivables, net	6,258,040	5,131,953
Due from other funds	957,474	509,331
Due from other governmental agencies	55,741,907	36,880,196
Inventories	15,634,062	17,005,820
Other current assets	9,178,327	7,110,468
Total current assets	169,905,446	113,001,915
Restricted assets:		
Cash and cash equivalents	17,101,988	6,621,028
Cash and investments with fiscal agents	65,673,775	13,093,136
Investments	233,632,667	197,959,914
Receivables, net	937,579	179,119
Due from other funds	37,591,028	155,462
Due from other governmental agencies	38,346,625	33,191,026
Total restricted assets	393,283,662	251,199,685
Other noncurrent assets:		
Deferred bond issuance costs	1,937,142	1,204,928
Other	-	111,300
Total other noncurrent assets	1,937,142	1,316,228
Property, facilities and equipment:		
Land and right of way	571,682,204	515,329,096
CalTrain - Gilroy extention	48,774,692	48,763,312
Buildings, improvements, furniture and fixtures	229,819,861	204,246,962
Vehicles	185,850,634	178,102,660
Light-rail tracks and electrification	272,749,787	245,809,151
Construction in progress	332,369,648	217,897,481
Other operating equipment	27,452,508	29,010,158
Total property, facilities and equipment	1,668,699,334	1,439,158,820
Less: accumulated depreciation	(239,634,821)	(208,592,490)
Total property, facilities and equipment, net	1,429,064,513	1,230,566,330
Total assets	$ 1,994,190,763	$ 1,596,084,158

(Continued)

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Comparative Balance Sheet (Continued)
Enterprise Fund
June 30, 2001 and 2000

	2001	2000
LIABILITIES AND EQUITY		
Liabilities:		
Current liabilities:		
Current portion of long-term debt	$ 7,951,653	$ 2,124,298
Accounts payable	21,506,471	11,508,550
Other accrued liabilities	6,170,180	7,883,987
Due to other funds	6,878,484	150,627
Due to other governmental agencies	4,297,737	4,273,339
Total current liabilities	46,804,525	25,940,801
Liabilities payable from restricted assets:		
Accounts payable	73,867,833	36,737,663
Other accrued liabilities - current	5,488,708	5,173,053
Restricted portion of long-term debt	14,049,932	8,448,646
Other accrued liabilities - noncurrent	91,239,151	84,479,784
Total liabilities payable from restricted assets	184,645,624	134,839,146
Noncurrent liabilities:		
Long-term debt, excluding current and restricted portions	329,012,454	104,094,697
Other accrued liabilities	42,693	45,818
Total noncurrent liabilities	329,055,147	104,140,515
Total liabilities	560,505,296	264,920,462
Equity:		
Contributed capital:		
Federal grants	469,621,673	488,381,828
State grants	213,855,047	215,694,591
Other	61,289,648	147,417,245
Total contributed capital	744,766,368	851,493,664
Retained earnings:		
Reserved	208,638,038	116,360,539
Unreserved	480,281,061	363,309,493
Total retained earnings	688,919,099	479,670,032
Total equity	1,433,685,467	1,331,163,696
Total liabilities and equity	$ 1,994,190,763	$ 1,596,084,158

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Comparative Statement of Revenues, Expenses and Changes in Retained Earnings
Enterprise Fund
For the Years Ended June 30, 2001 and 2000

	2001	2000
OPERATING REVENUES:		
Passenger fares	$ 33,837,418	$ 32,325,602
Advertising and other	4,144,280	3,927,672
Total operating revenues	37,981,698	36,253,274
OPERATING EXPENSES:		
Labor	106,878,425	98,371,717
Fringe benefits	61,845,432	75,354,169
Materials and supplies	27,428,007	15,539,528
Services	27,427,617	21,379,301
Utilities	5,070,826	5,167,026
Casualty and liability	1,472,704	2,403,204
Purchased transportation	23,488,884	17,455,793
Leases and rentals	668,600	636,625
Miscellaneous	3,414,544	3,011,015
Total operating expenses before depreciation	257,695,039	239,318,378
Operating loss before depreciation	(219,713,341)	(203,065,104)
DEPRECIATION EXPENSE:		
On assets acquired with capital grants	19,226,656	13,506,113
On assets otherwise acquired	12,201,421	12,404,151
Total depreciation expense	31,428,077	25,910,264
Operating loss	(251,141,418)	(228,975,368)
NONOPERATING REVENUES (EXPENSES):		
Sales tax revenue	183,540,308	166,764,390
Federal operating assistance grants	17,867,231	6,050,541
State and local operating assistance grants	86,387,503	80,436,297
CalTrain subsidy	(14,821,111)	(7,850,284)
Altamont Commuter Express subsidy	(656,932)	(3,820,614)
Investment income	22,077,809	8,285,635
Interest expense	(6,805,934)	(4,615,642)
Other income	1,370,638	4,808,287
Other expense	(435,020)	(1,409,014)
Nonoperating revenue, net	288,524,492	248,649,596
Net Income before capital contributions	37,383,074	19,674,228
Capital contributions	154,647,899	-
Net Income	192,030,973	19,674,228
Charge to contributed capital - depreciation on fixed assets acquired with contributions	19,226,656	13,506,113
Retained earnings, beginning of year:		
As previously reported	479,670,032	446,489,691
Restatement	(2,008,562)	-
As restated	477,661,470	446,489,691
Retained earnings, end of year	$ 688,919,099	$ 479,670,032

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Schedule of Budget versus Actual Revenues and Expenses
Enterprise Fund
For the Year Ended June 30, 2001

	Budget [a]	Actual	Variance Favorable (Unfavorable)
OPERATING REVENUES:			
Passenger fares	$ 35,066,000	$ 33,837,418	$ (1,228,582)
Advertising and other	4,617,000	4,144,280	(472,720)
Total operating revenues	39,683,000	37,981,698	(1,701,302)
OPERATING EXPENSES:			
Labor and fringe benefits	188,613,000	168,723,857	19,889,143
Services and supplies	80,398,000	65,482,298	14,915,702
Purchased transportation	23,418,000	23,488,884	(70,884)
Total operating expenses	292,429,000	257,695,039	34,733,961
Operating loss	(252,746,000)	(219,713,341)	33,032,659
NONOPERATING REVENUES (EXPENSES):			
Sales tax revenue	170,000,000	183,540,308	13,540,308
Federal operating assistance grants	7,582,000	17,867,231	10,285,231
State and local operating assistance grants	86,525,000	86,387,503	(137,497)
CalTrain subsidy	(16,994,000)	(14,821,111)	2,172,889
Altamont Commuter Express subsidy	(3,332,000)	(656,932)	2,675,068
Investment income	10,702,000	22,077,809	11,375,809
Interest expense	(8,104,000)	(6,805,934)	1,298,066
Other income	2,487,000	1,370,638	(1,116,362)
Other expense	(614,000)	(435,020)	178,980
Nonoperating revenues, net	248,252,000	288,524,492	40,272,492
Net income (loss) - budget basis, before capital contributions	(4,494,000)	68,811,151	73,305,151
Capital contributions	154,647,899	154,647,899	-
Net income - budget basis	150,153,899	223,459,050	73,305,151
Depreciation	(31,000,000)	(31,428,077)	(428,077)
Net income - GAAP basis	$ 119,153,899	$ 192,030,973	$ 72,877,074

[a] The budget for the year ended June 30, 2001, represents the revised budget as amended to reflect all subsequently approved budget modifications throught the end of fiscal year 2000/01, as well as adjustments to add back carried forward encumbrances from fiscal year 1999/2000, and subtract outstanding commitments as of June 30, 2001.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Comparative Statement of Cash Flows
Enterprise Fund
For the Years Ended June 30, 2001 and 2000

	2001	2000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from passenger fares	$ 31,055,846	$ 27,984,685
Cash received from advertising	4,144,280	3,826,569
Cash paid to employees	(161,651,960)	(177,569,162)
Cash paid to suppliers	(44,426,133)	(11,506,320)
Cash paid for purchased transportation	(23,488,884)	(24,087,812)
Net cash provided by (used in) operating activities	(194,366,851)	(181,352,040)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating grants received	103,594,825	98,343,530
Sales tax received	191,116,107	159,113,676
CalTrain subsidy	(14,821,111)	(7,850,284)
Altamont Commuter Express subsidy	(656,932)	(3,820,614)
Other noncapital receipts	21,380,589	16,423,417
Other noncapital payments	(7,313,013)	(1,409,014)
Net cash provided by (used in) noncapital financing activities	293,300,465	260,800,711
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from bond issuance	240,000,000	-
Costs of issuing bonds	(384,227)	-
Payment of long-term debt	(2,124,298)	(782,022)
Interest paid on long-term debt	(6,636,012)	(4,615,642)
Acquisition and construction of capital assets	(210,699,604)	(145,455,474)
Payment to the Measure B Ancillary Fund	(159,318,378)	-
Capital contribution from other governments	152,649,779	126,361,990
Proceeds from the sale of capital assets	-	389,657
Net cash provided by (used in) capital and related financing activities	13,487,260	(24,101,491)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	1,250,114,514	1,166,102,687
Purchases of investments	(1,314,459,042)	(1,227,427,478)
Investment income received	14,985,253	8,561,254
Net cash provided by investing activities	(49,359,275)	(52,763,537)
NET INCREASE IN CASH AND CASH EQUIVALENTS	63,061,599	2,583,643
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	20,882,348	18,298,705
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 83,943,947	$ 20,882,348

(Continued)

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Comparative Statement of Cash Flows (Continued)
Enterprise Fund
For the Years Ended June 30, 2001 and 2000

	2001	2000
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	$ (251,141,418)	$ (228,975,368)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	31,428,077	25,910,264
Changes in operating assets and liabilities:		
Receivables	(2,781,572)	(4,442,020)
Inventories	1,371,758	(4,776,731)
Other current assets	(620,914)	(6,536,066)
Accounts payable	20,305,321	41,311,157
Other current liabilities	7,071,897	(3,843,276)
Net cash used in operating activities	$ (194,366,851)	$ (181,352,040)
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash and cash equivalents, end of year:		
Unrestricted	$ 1,168,184	$ 1,168,184
Restricted	82,775,763	19,714,164
	$ 83,943,947	$ 20,882,348
Noncash financing and investing transactions:		
Reduction of contributed capital for depreciation on assets acquired with capital grants	$ 19,226,656	$ 13,506,113

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Schedule of Restricted Assets and Related Liabilities
Enterprise Fund
June 30, 2001

	Capital and Operating	General Liability Insurance	Workers' Compensation Insurance	Retiree Health Care	Accrued Vacation and Sick Leave	Debt Service	Total
RESTRICTED ASSETS:							
Cash and cash equivalents	$ 17,101,988	$ -	$ -	$ -	$ -	$ -	$ 17,101,988
Cash and investments with fiscal agents	51,623,843	-	-	-	-	14,049,932	65,673,775
Investments	136,907,453	12,463,490	37,044,068	29,011,696	18,205,960	-	233,632,667
Receivables, net	937,579	-	-	-	-	-	937,579
Due from other funds	37,591,028	-	-	-	-	-	37,591,028
Due from other governmental agencies	38,346,625	-	-	-	-	-	38,346,625
Total assets	282,508,516	12,463,490	37,044,068	29,011,696	18,205,960	14,049,932	393,283,662
LIABILITIES PAYABLE FROM RESTRICTED ASSETS:							
Accounts payable	73,867,833	-	-	-	-	-	73,867,833
Other accrued liabilities - current	2,645	-	-	-	5,486,063	-	5,488,708
Long-term debt	-	-	-	-	-	14,049,932	14,049,932
Other accrued liabilities - noncurrent	-	12,463,490	37,044,068	29,011,696	12,719,897	-	91,239,151
Total liabilities	73,870,478	12,463,490	37,044,068	29,011,696	18,205,960	14,049,932	184,645,624
NET ASSETS:							
Restricted	$ 208,638,038	$ -	$ -	$ -	$ -	$ -	$ 208,638,038

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Combining Balance Sheet
Special Revenue Funds
June 30, 2001

	Traffic Authority	Congestion Management Program	Total
ASSETS			
Current assets:			
Cash and cash equivalents	$ -	$ 228	$ 228
Investments	25,679	77,161	102,840
Receivables, net	1,422	1,800	3,222
Due from other governmental agencies	101,634	1,076,033	1,177,667
Total assets	$ 128,735	$ 1,155,222	$ 1,283,957
LIABILITIES AND FUND BALANCES			
Current liabilities:			
Accounts payable	$ -	$ 349,276	$ 349,276
Other accrued liabilities	-	26,533	26,533
Due to other funds	-	432,721	432,721
Due to other governmental agencies	74,144	1,760	75,904
Total current liabilities	74,144	810,290	884,434
Non current liabilities:			
Other accrued liabilities	-	135,522	135,522
Total liabilities	74,144	945,812	1,019,956
Fund balances:			
Unreserved, undesignated:	54,591	209,410	264,001
Total fund balances	54,591	209,410	264,001
Total liabilites and fund balances	$ 128,735	$ 1,155,222	$ 1,283,957

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Special Revenue Funds
For the Year Ended June 30, 2001

	Traffic Authority	Congestion Management Program	Total
REVENUES:			
Member agency assessment revenue	$ -	$ 1,239,993	$ 1,239,993
Federal technical studies operating assistance grants	-	452,451	452,451
Sales tax	70,548	-	70,548
Administrative fees	-	53,021	53,021
State operating assistance grants	-	118,091	118,091
Local grant revenue	144,086	-	144,086
Other revenues	23,574	11,698	35,272
Investment earnings	12,720	24,735	37,455
Total revenues	250,928	1,899,989	2,150,917
EXPENDITURES:			
Current:			
Congestion management:			
Salaries and benefits	-	1,550,880	1,550,880
Services	-	1,469,506	1,469,506
Total expenditures	-	3,020,386	3,020,386
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	250,928	(1,120,397)	(869,469)
FUND BALANCES, BEGINNING OF YEAR	(196,337)	1,329,807	1,133,470
FUND BALANCES, END OF YEAR	$ 54,591	$ 209,410	$ 264,001

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Special Revenue Funds
For the Year Ended June 30, 2001

	Traffic Authority			Congestion Management Program			Total		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:									
Member agency assessment revenue	$ -	$ -	$ -	$ 1,240,000	$ 1,239,993	$ (7)	$ 1,240,000	$ 1,239,993	$ (7)
Federal technical studies operating assistance grants	-	-	-	885,000	452,451	(432,549)	885,000	452,451	(432,549)
Sales tax	-	70,548	70,548	-	-	-	-	70,548	70,548
Administrative fees	-	-	-	114,000	53,021	(60,979)	114,000	53,021	(60,979)
State operating assistance grants	-	-	-	704,000	118,091	(585,909)	704,000	118,091	(585,909)
Local grant revenue	-	144,086	144,086	-	-	-	-	144,086	144,086
Other revenues	-	23,574	23,574	45,000	11,698	(33,302)	45,000	35,272	(9,728)
Investment earnings	-	12,720	12,720	5,000	24,735	19,735	5,000	37,455	32,455
Total revenues	-	250,928	250,928	2,993,000	1,899,989	(1,093,011)	2,993,000	2,150,917	(842,083)
EXPENDITURES:									
Current:									
Congestion management:									
Salaries and benefits	-	-	-	1,292,892	1,550,880	(257,988)	1,292,892	1,550,880	(257,988)
Services	-	-	-	2,246,100	1,469,506	776,594	2,246,100	1,469,506	776,594
Total expenditures	-	-	-	3,538,992	3,020,386	518,606	3,538,992	3,020,386	518,606
NET CHANGES IN FUND BALANCES	$ -	250,928	$ 250,928	$ (545,992)	(1,120,397)	$ (574,405)	$ (545,992)	(869,469)	$ (323,477)
FUND BALANCES (Deficit), BEGINNING OF YEAR		(196,337)			1,329,807			1,133,470	
FUND BALANCES, END OF YEAR		$ 54,591			$ 209,410			$ 264,001	

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Combining Balance Sheet
Capital Project Funds
June 30, 2001

	Congestion Management & Highway Program	Measure B Highway Program	Total
ASSETS			
Restricted assets:			
Cash and cash equivalents	$ 2,010,174	$ -	$ 2,010,174
Due from other funds	-	6,878,484	6,878,484
Due from other governmental agencies	-	5,144,683	5,144,683
Total assets	$ 2,010,174	$ 12,023,167	$ 14,033,341
LIABILITIES			
Liabilities payable from restricted assets:			
Accounts payable	$ 2,009,140	$ 12,014,776	$ 14,023,916
Due to other funds	1,034	-	1,034
Due to other governmental agencies	-	8,391	8,391
Total liabilities	$ 2,010,174	$ 12,023,167	$ 14,033,341

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Combining Statement of Revenues and Expenditures
Capital Projects Funds
For the Year Ended June 30, 2001

	Congestion Management & Highway Program	Measure B Highway Program	Total
REVENUES:			
Local grant revenue	$ 682,823	$ 40,280,559	$ 40,963,382
EXPENDITURES:			
Capital outlay:			
Capital improvement projects	682,823	40,280,559	40,963,382
Excess of revenues over expenditures	$ -	$ -	$ -

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Combining Balance Sheet
Fiduciary Fund Types
June 30, 2001

	Trust Funds	Agency Funds	Total
ASSETS			
Restricted assets:			
Cash and cash equivalents	$ -	$ 3,592,124	$ 3,592,124
Investments	213,238,971	164,949,202	378,188,173
Receivables, net	1,098,138	-	1,098,138
Total assets	$ 214,337,109	$ 168,541,326	$ 382,878,435
LIABILITIES AND FUND BALANCE			
Liabilities payable from restricted assets:			
Accounts payable	$ 32,090	$ 5,285,689	$ 5,317,779
Due to other funds	413,584	37,701,163	38,114,747
Due to other governmental agencies	-	125,554,474	125,554,474
Total liabilities	445,674	168,541,326	168,987,000
Fund balance:			
Reserved for employees' pension benefits	207,691,472	-	207,691,472
Reserved for spousal medical trust	5,617,080	-	5,617,080
Reserved for retiree vision and dental	582,883	-	582,883
Total fund balance	213,891,435	-	213,891,435
Total liabilites and fund balance	$ 214,337,109	$ 168,541,326	$ 382,878,435

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Combining Balance Sheet
Trust Funds
June 30, 2001

	SCVTA/ATU Pension Plan	ATU Medical Trust	Total
ASSETS			
Restricted assets:			
Investments	$ 207,039,008	$ 6,199,963	$ 213,238,971
Receivables, net	1,098,138	-	1,098,138
Total assets	$ 208,137,146	$ 6,199,963	$ 214,337,109
LIABILITIES AND FUND BALANCE			
Liabilities payable from restricted assets:			
Accounts payable	$ 32,090	$ -	$ 32,090
Due to other funds	413,584	-	413,584
Total liabilities	445,674	-	445,674
Fund balance:			
Reserved for employees' pension benefits	207,691,472	-	207,691,472
Reserved for spousal medical trust	-	5,617,080	5,617,080
Reserved for retiree vision and dental	-	582,883	582,883
Total fund balance	207,691,472	6,199,963	213,891,435
Total liabilites and fund balance	$ 208,137,146	$ 6,199,963	$ 214,337,109

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Combining Balance Sheet
Agency Funds
June 30, 2001

	BAAQMD Program	Measure B Ancillary Program	Total
ASSETS			
Restricted assets:			
Cash and cash equivalents	$ -	$ 3,592,124	$ 3,592,124
Investments	5,630,824	159,318,378	164,949,202
Total restricted assets	$ 5,630,824	$ 162,910,502	$ 168,541,326
LIABILITIES			
Liabilities payable from restricted assets:			
Accounts payable	$ 5,285,689	$ -	$ 5,285,689
Due to other funds	110,135	37,591,028	37,701,163
Due to other governmental agencies	235,000	125,319,474	125,554,474
Total liabilities	$ 5,630,824	$ 162,910,502	$ 168,541,326

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2001

	Balance July 1, 2000	Additions	Deductions	Balance June 30, 2001
BAAQMD Program				
Restricted assets:				
Investments	$ 5,948,548	$ 296,749	$ 614,473	$ 5,630,824
Liabilities payable from restricted assets:				
Accounts payable	$ 4,988,940	$ 296,749	$ -	$ 5,285,689
Due to other funds	311,830	-	201,695	110,135
Due to other governmental agencies	647,778	-	412,778	235,000
Total liabilities payable from restricted assets	$ 5,948,548	$ 296,749	$ 614,473	$ 5,630,824
Measure B Ancillary Program				
Restricted assets:				
Cash and cash equivalents	$ -	$ 23,447,586	$ 19,855,462	$ 3,592,124
Investments	248,532	159,318,378	248,532	159,318,378
Due from other governmental agencies	4,861,178	-	4,861,178	-
Total restricted assets	$ 5,109,710	$ 182,765,964	$ 24,965,172	$ 162,910,502
Liabilities payable from restricted assets:				
Due to other funds	$ -	$ 37,591,028	$ -	$ 37,591,028
Due to other governmental agencies	5,109,710	145,174,936	24,965,172	125,319,474
Total liabilities payable from restricted assets	$ 5,109,710	$ 182,765,964	$ 24,965,172	$ 162,910,502
Totals - All Agency Funds				
Restricted assets:				
Cash and cash equivalents	$ -	$ 23,447,586	$ 19,855,462	$ 3,592,124
Investments	6,197,080	159,615,127	863,005	164,949,202
Due from other governmental agencies	4,861,178	-	4,861,178	-
Total restricted assets	$ 11,058,258	$ 183,062,713	$ 25,579,645	$ 168,541,326
Liabilities payable from restricted assets:				
Accounts payable	$ 4,988,940	$ 296,749	$ -	$ 5,285,689
Due to other funds	311,830	37,591,028	201,695	37,701,163
Due to other government agencies	5,757,488	145,174,936	25,377,950	125,554,474
Total liabilities payable from restricted assets	$ 11,058,258	$ 183,062,713	$ 25,579,645	$ 168,541,326

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

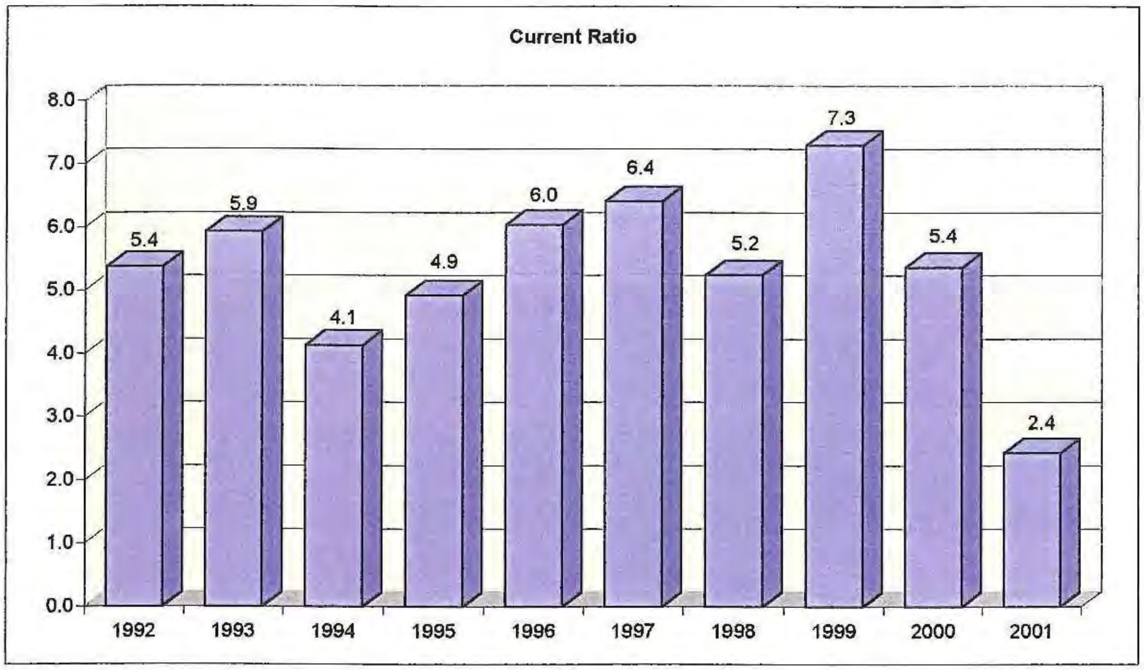
BUS AND RAIL SYSTEM FACTS

- CURRENT BUS SYSTEM DATA
- CURRENT RAIL SYSTEM DATA

FINANCIAL RATIOS 1992 - 2001

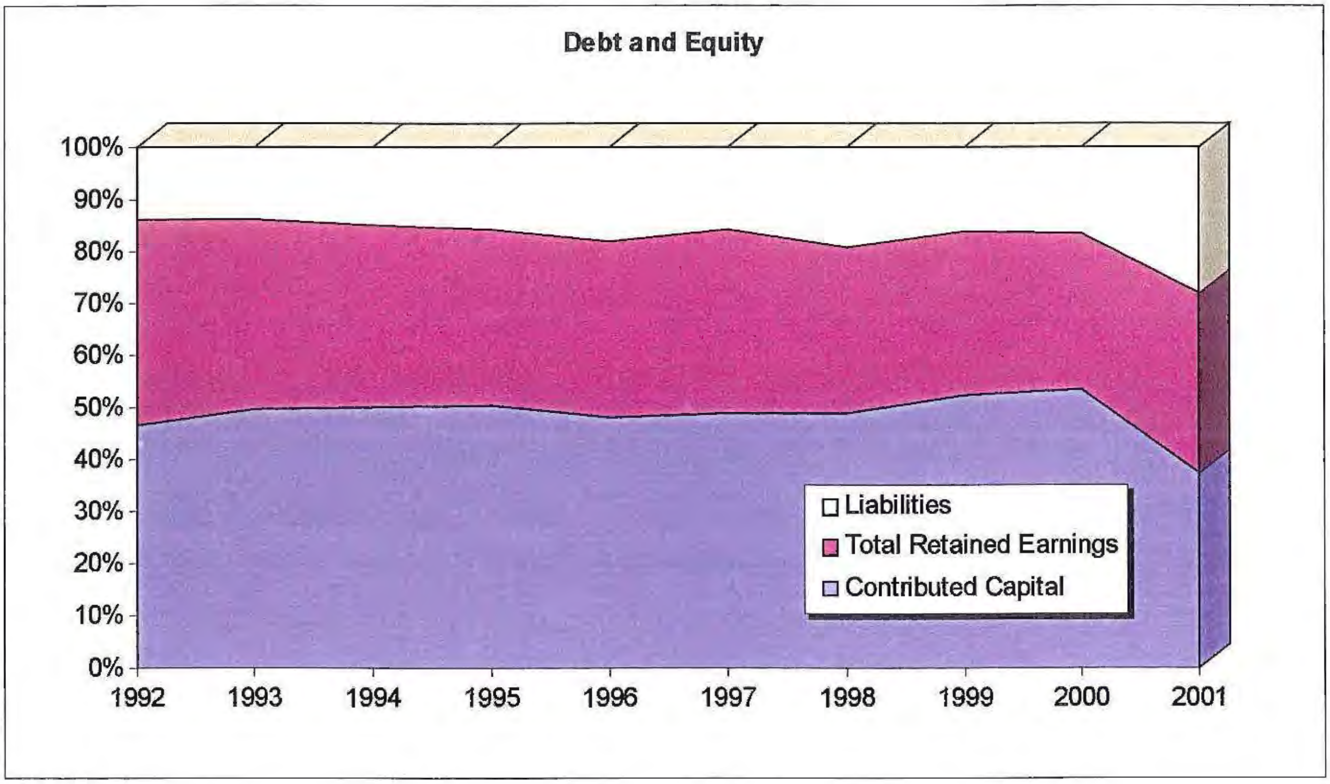
Current Ratios

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 2.4.



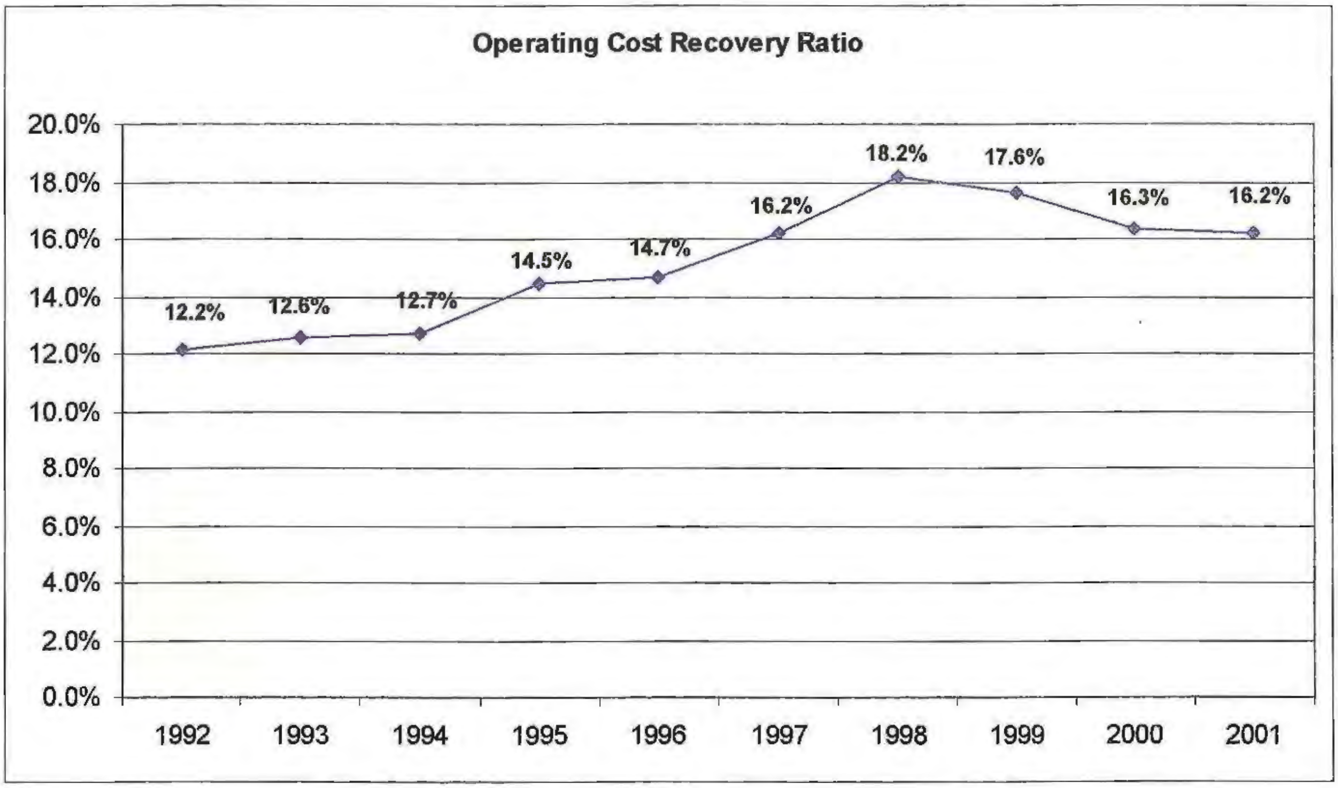
Debt and Equity Ratios

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 2001 experienced an increase in liabilities largely due to bond issuance of approximately $240 million. The Retained Earnings account increased slightly in Fiscal Year 2001. Contributed Capital experienced a large decrease attributed to the transaction to redesignate Measure B sales tax to finance low floor vehicles.



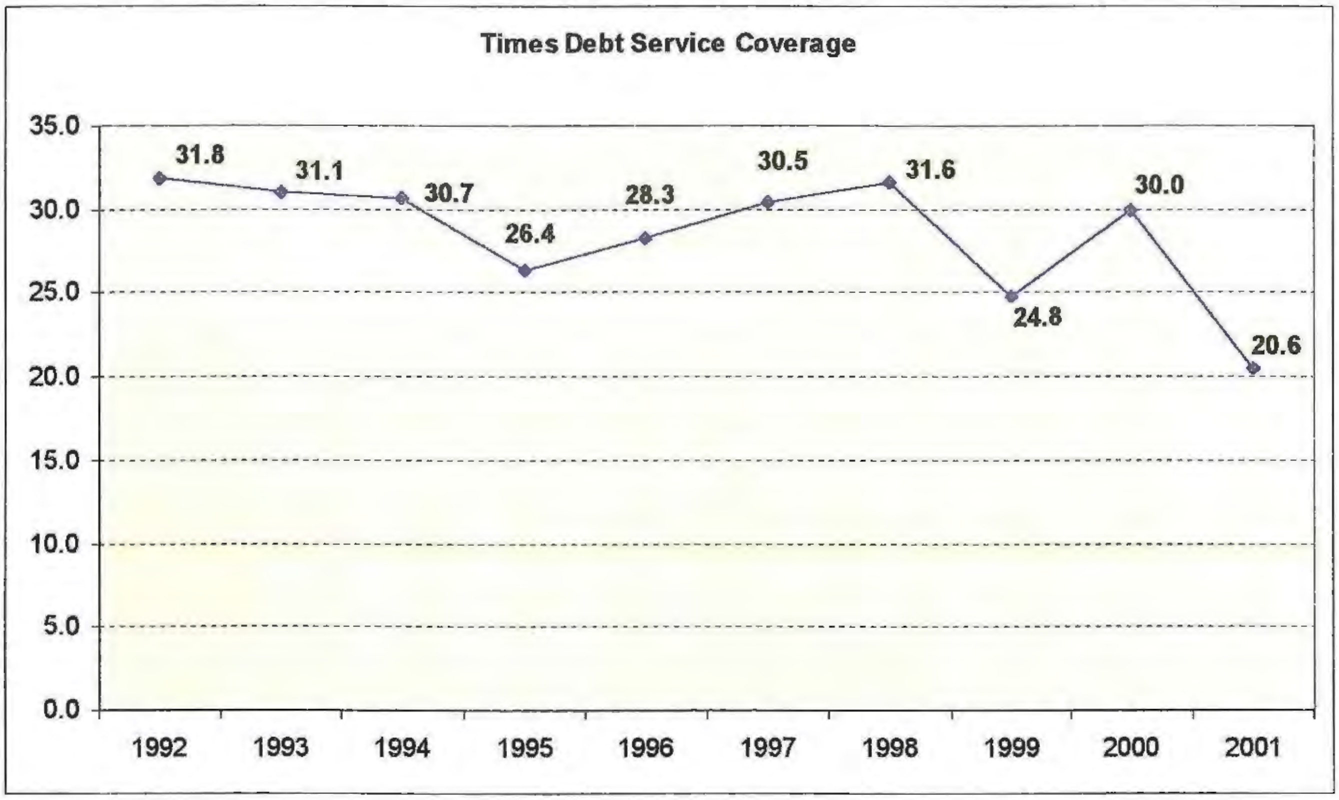
Operating Recovery Ratio

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 VTA's strategic plan. The Operating Recovery Ratio for fiscal year 2001 decreased slightly to 16.2%, falling short of a goal to achieve 25% in FY01.



Times Debt Service Coverage

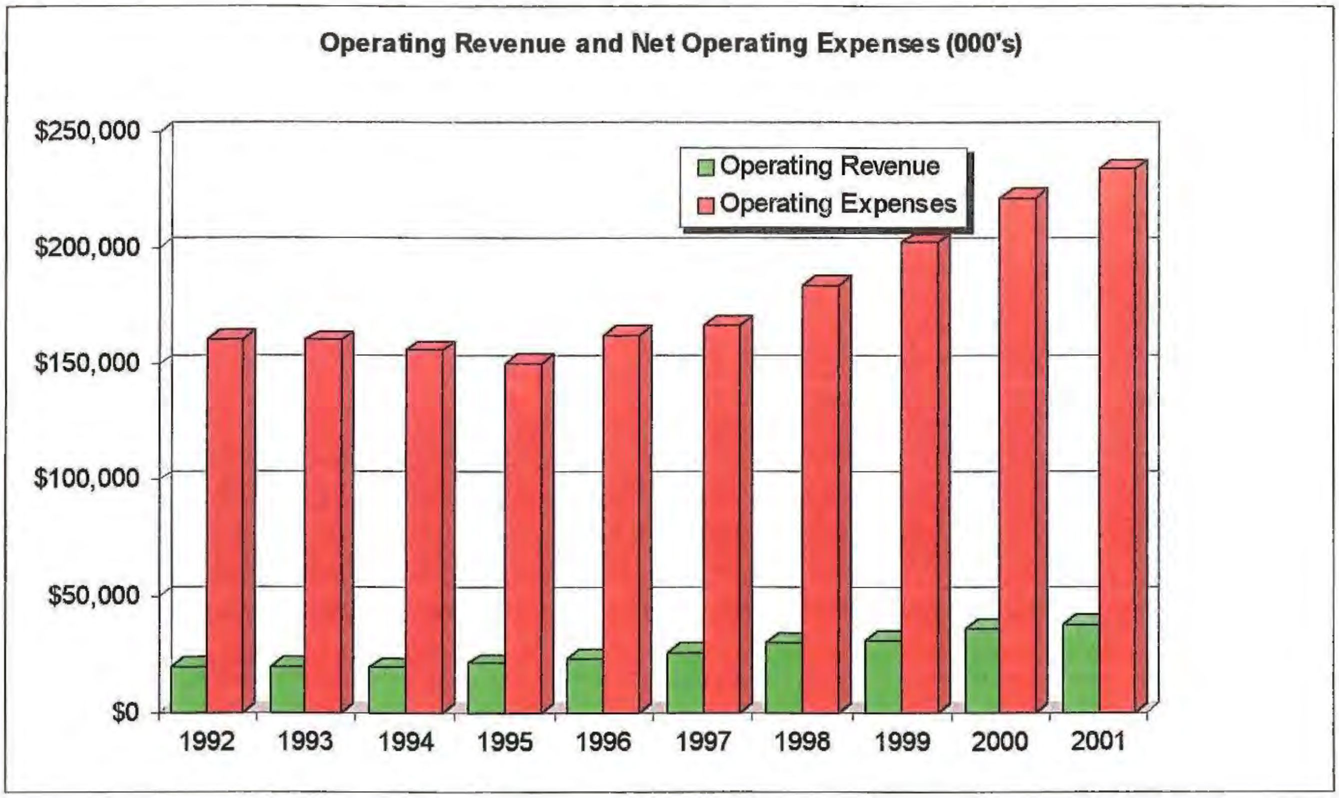
The Times-Debt-Service-Coverage Ratio indicates VTA's financial position to cover its debt service with operating income and is determined by dividing sales tax revenue by debt service. For fiscal year 2001, the ratio decreased to 20.6%. The main factor for this occurrence is that the VTA issued more debt in FY01, in turn increasing the cost of borrowing. At the same time, sales tax revenue increased at a lower rate, not proportionate with the increase in debt service.



TEN - YEAR COMPARISONS (1992 - 2001)

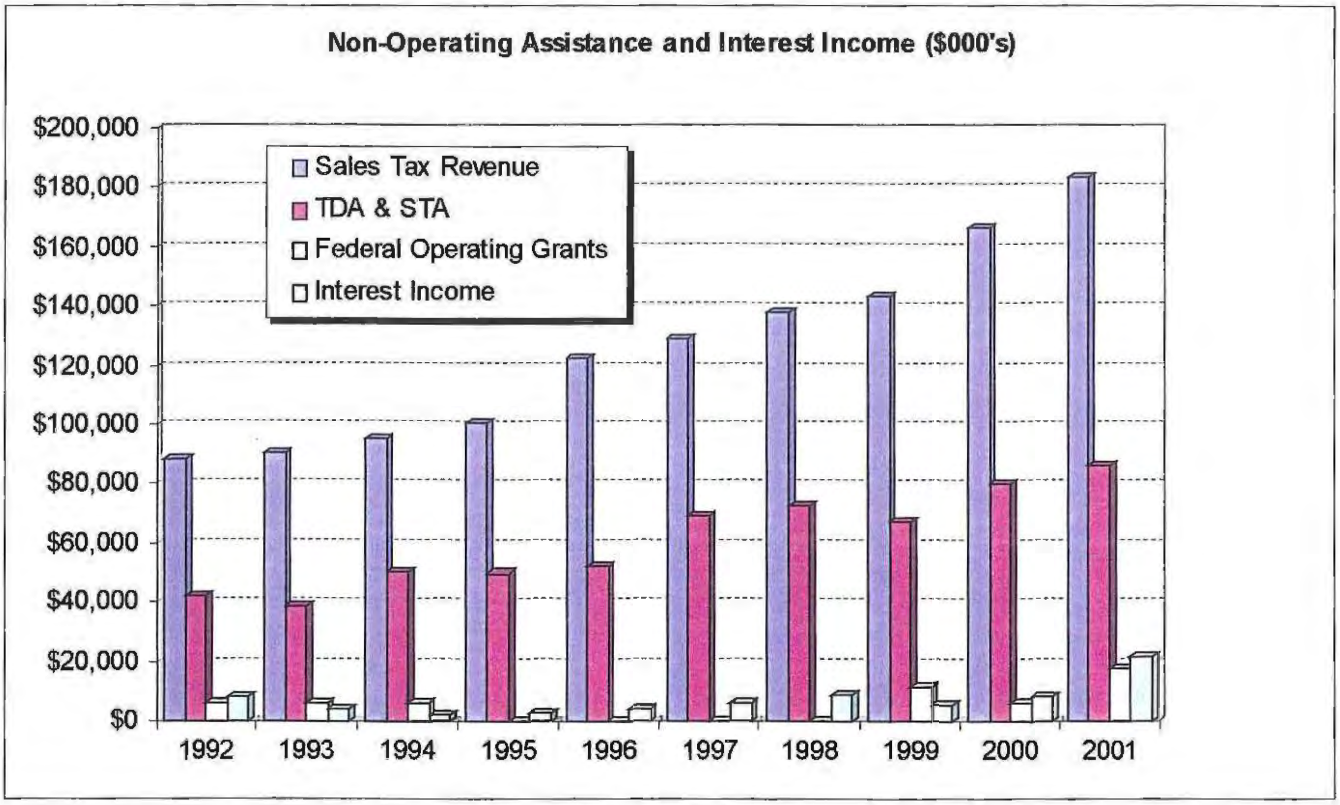
Operating Revenues and Net Operating Expenses

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.



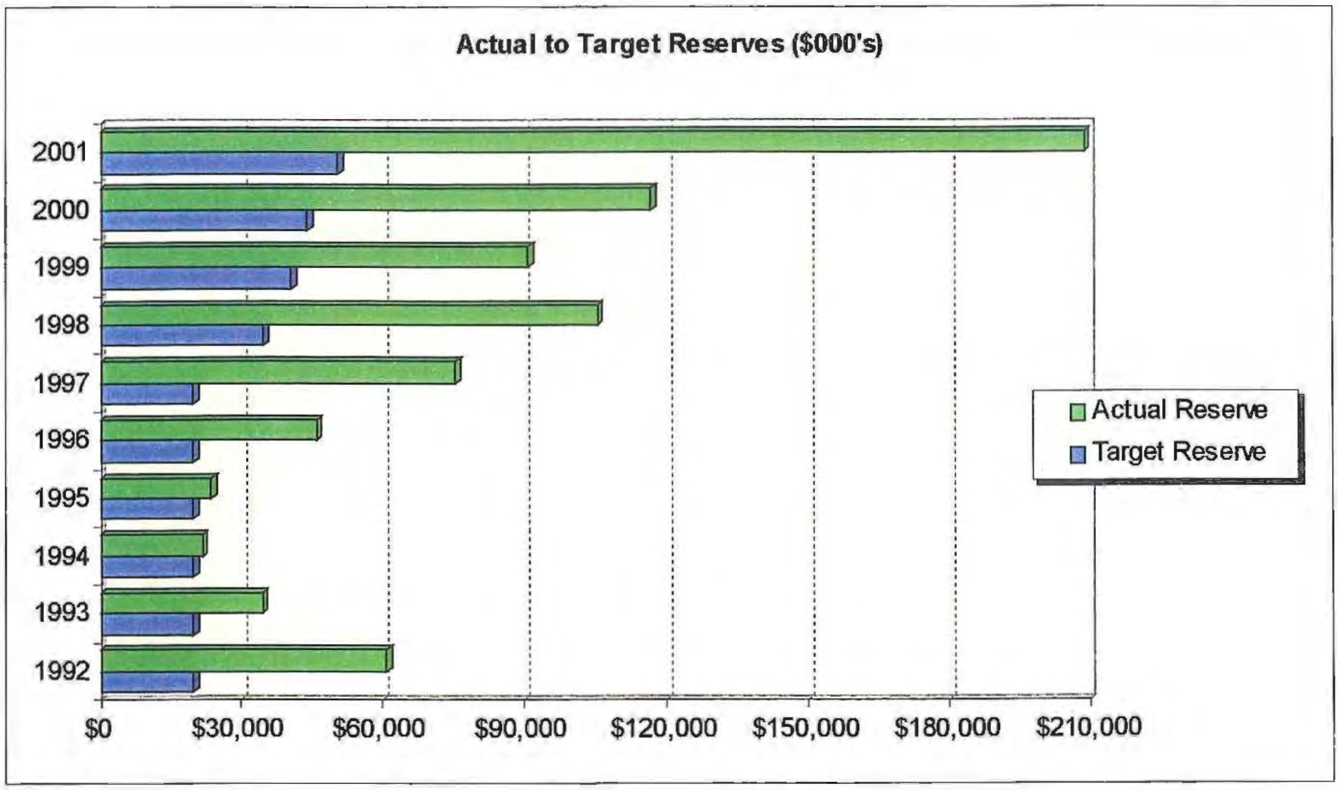
Non-operating Assistance and Interest Income

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



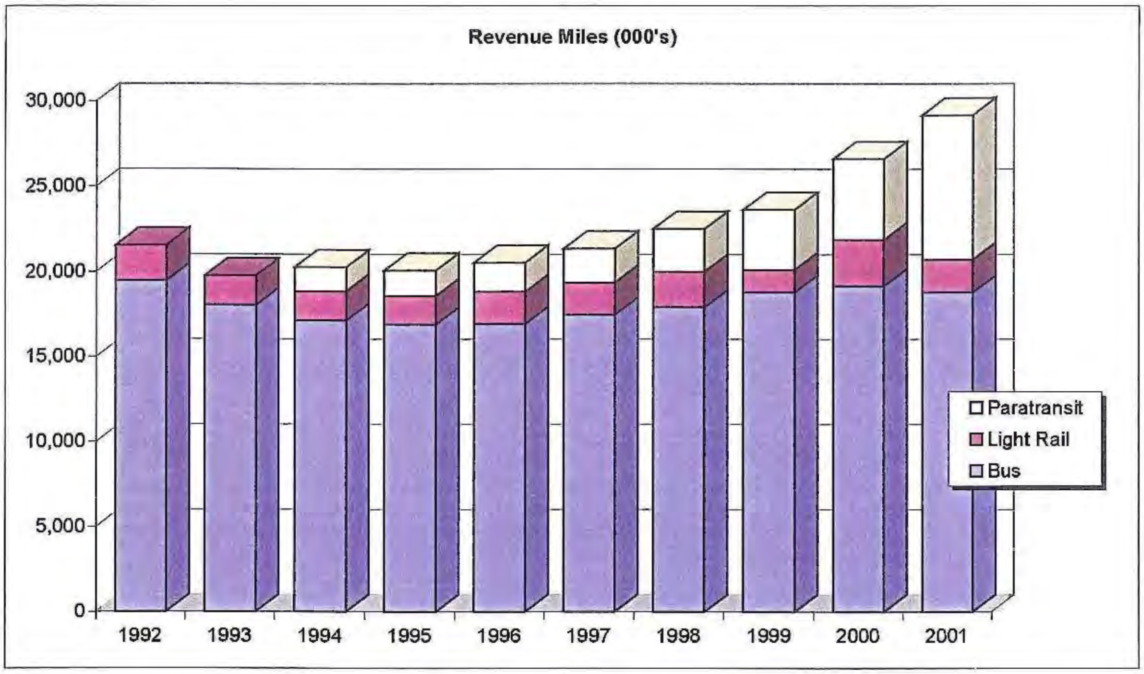
Actual Reserves to Target Reserves

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 light rail and other capital expansion programs.



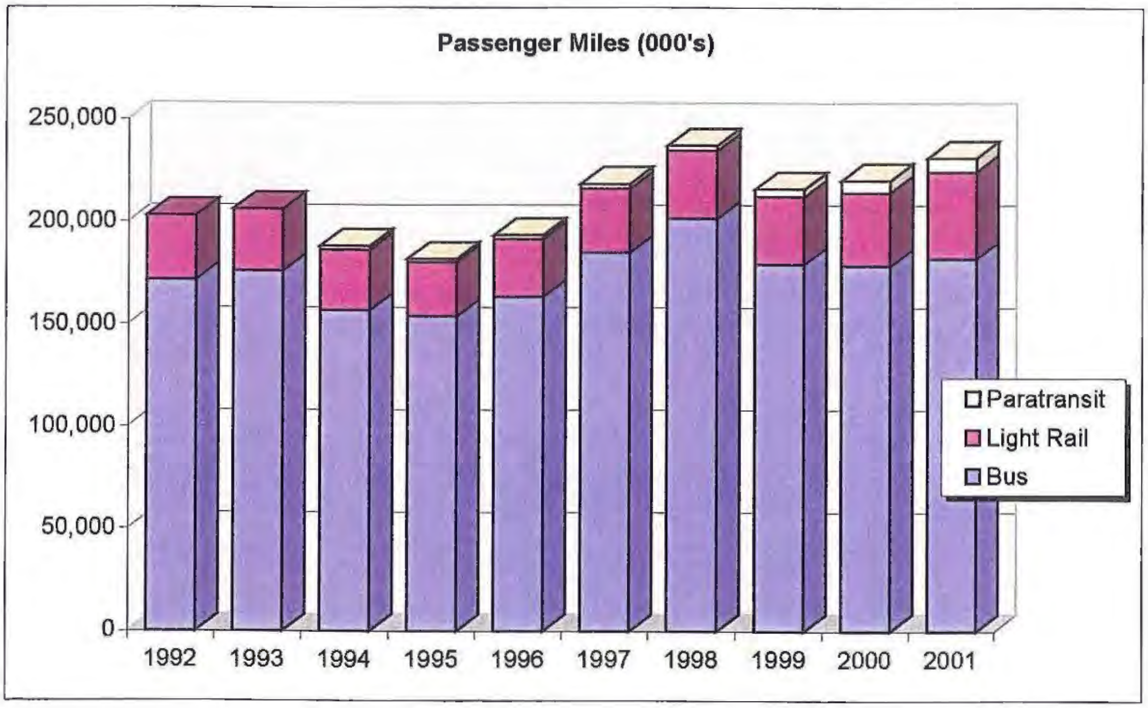
Vehicle Revenue Miles

The following chart depicts vehicle miles in revenue service. Paratransit miles have continued to increase in order to meet the requirements of the federal Americans with Disabilities Act as well as service demand. During 2001, VTA scaled back bus and light rail service due to a labor shortage, but overall revenue miles increased with Paratransit service as noted.



Passenger Miles

Passenger mile statistics are presented in the chart below. The dip in passenger miles during FY94 and FY95 represent service cuts which were implemented. In FY01, Motor Bus service appears steady compared to the previous year and Light Rail service increased slightly due in part to the opening of the Tasman West route extension. Although service was scaled back during this past year, passenger miles continued to make a slight increase in FY01.



Section - 3
Selected Financial Data

(Dollars in $000's)	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
OPERATING REVENUES	$ 19,484	$ 19,705	$ 19,279	$ 21,096	$ 22,964	$ 25,577	$ 30,003	$ 30,956	$ 36,253	$ 37,982
OPERATING EXPENSES										
LABOR	68,361	67,458	67,387	68,533	71,810	77,297	82,030	88,779	98,372	106,878
FRINGE BENEFITS	54,235	50,719	44,100	39,146	46,457	43,054	48,661	53,575	75,354	61,845
MATERIALS AND SUPPLIES	13,599	13,536	15,455	14,582	16,649	16,911	17,044	19,646	15,540	27,428
SERVICES	15,343	13,954	12,449	10,400	12,310	12,583	14,709	15,200	21,379	27,428
UTILITIES	2,775	3,300	3,152	3,337	3,277	3,409	3,603	4,071	5,167	5,071
CASUALTY AND LIABILITY	3,641	5,419	6,102	7,200	4,120	2,413	3,923	3,895	2,403	1,473
PURCHASED TRANSPORTATION	238	3,240	4,340	4,714	5,746	8,916	11,821	15,487	17,456	23,489
LEASES & RENTALS	1,535	1,710	1,448	1,079	773	299	394	467	637	669
MISCELLANEOUS	854	779	1,592	1,576	1,184	1,628	1,915	1,107	3,011	3,415
TOTAL OPERATING EXPENSES	160,581	160,115	156,025	150,567	162,326	166,510	184,100	202,227	239,318	257,695
DEPRECIATION EXPENSE	13,187	14,784	15,043	17,263	23,266	24,418	24,322	24,263	25,910	31,428
NON-OPERATING REVENUES/(EXPENSES)										
SALES TAX REVENUE	88,731	90,547	95,134	100,638	122,274	128,969	138,429	143,712	166,764	183,540
FEDERAL OPRERATING ASSISTANCE GRANT	6,324	6,042	6,067	146	110	49	59	11,656	6,051	17,867
TDA & STA	41,954	38,897	50,411	50,007	52,597	69,243	72,624	67,589	80,436	86,388
CALTRAIN SUBSIDY	(4,733)	(4,803)	(11,793)	(11,900)	(11,973)	(11,689)	(12,254)	(11,291)	(7,850)	(14,821)
ACE SUBSIDY	-	-	-	4,972	2,086	2,584	-	(837)	(3,821)	(657)
INTEREST INCOME	7,932	4,236	2,310	2,554	4,148	5,943	8,785	5,535	8,286	22,078
INTEREST EXPENSE	(2,786)	(2,915)	(2,932)	(3,640)	(3,863)	(3,731)	(4,014)	(4,763)	(4,616)	(6,806)
OTHER REVENUES/(EXPENSES)	(3,246)	(7,525)	291	(1,355)	(231)	(550)	234	8,896	3,399	936
CONTRIBUTION TO FUND UNFUNDED LIABILITY							(22,889)			
TOTAL NON OPERATING REVENUES - NET	134,176	124,479	139,488	141,422	165,148	190,818	180,974	220,497	248,649	288,524
CAPITAL CONTRIBUTIONS										154,648
NET INCOME (LOSS)	$ (20,108)	$ (30,715)	$ (12,301)	$ (5,312)	$ 2,520	$ 25,467	$ 2,555	$ 24,963	$ 19,674	$ 192,031

Selected Financial Data (continued)

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Current Assets ($000's)	$ 168,608	$ 151,356	$ 145,373	$ 164,755	$ 219,762	$ 245,843	$ 334,148	$ 328,355	$ 364,166	$ 563,189
Current Liabilities	31,364	25,546	35,175	33,443	36,375	38,328	63,682	44,974	67,816	231,450
Net Working Capital	$ 137,244	$ 125,810	$ 110,198	$ 131,312	$ 183,387	$ 207,515	$ 270,466	$ 286,381	$ 296,350	$ 331,739
Current Ratio	5.4	5.9	4.1	4.9	6.0	6.4	5.2	7.3	5.4	2.4
Total Assets ($000's)	$ 915,941	$ 931,217	$ 966,761	$ 1,007,266	$ 1,046,516	$ 1,105,068	$ 1,297,983	$ 1,427,642	$ 1,596,048	$ 1,994,191
Contributed Capital	425,256	460,037	483,864	505,388	501,599	540,365	634,828	746,779	851,494	744,766
Retained Earnings Restricted	39,453	31,531	25,451	31,693	29,165	33,159	122,914	90,828	116,361	208,638
Retained Earnings Unrestricted	323,523	308,871	313,100	311,910	326,650	358,089	286,849	355,661	366,309	480,281
Total Retained Earnings	362,976	340,402	338,551	343,603	355,815	391,248	409,763	446,490	479,670	688,919
Liabilities	127,709	130,778	144,345	158,275	189,101	173,455	253,392	234,393	264,884	560,505
Actual Reserve (including minimum target level)	$ 80,900	$ 54,600	$ 41,800	$ 43,744	$ 66,195	$ 95,310	$ 125,410	$ 136,400	$ 160,910	$ 259,245
DEBT SERVICE ($000's)	$ 2,786	$ 2,915	$ 3,096	$ 3,817	$ 4,323	$ 4,231	$ 4,382	$ 5,786	$ 5,568	$ 8,930
Times Debt Service Coverage	31.8	31.1	30.7	26.4	28.3	30.5	31.6	24.8	30.0	20.6
OPERATING REVENUE	$ 19,484	$ 19,705	$ 19,279	$ 21,096	$ 22,964	$ 25,577	$ 31,275	$ 32,898	$ 36,253	$ 37,982
OPERATING EXPENSES	160,581	160,115	156,025	150,567	162,326	166,510	184,100	202,227	239,318	257,695
EXCLUSIONS (purchased transportation)	(238)	(3,240)	(4,340)	(4,714)	(5,746)	(8,916)	(11,821)	(15,487)	(17,456)	(23,489)
NET OPERATING EXPENSES	$ 160,343	$ 156,875	$ 151,685	$ 145,853	$ 156,580	$ 157,594	$ 172,279	$ 186,740	$ 221,862	$ 234,206
OPERATING COST RECOVERY RATIO	12.2%	12.6%	12.7%	14.5%	14.7%	16.2%	18.2%	17.6%	16.3%	16.2%

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
FAREBOX REVENUE ($000's)	$ 18,702	$ 18,841	$ 18,343	$ 19,884	$ 21,523	$ 23,633	$ 27,201	$ 27,070	$ 32,326	$ 33,837
VEHICLE REVENUE MILES (000's)										
BUS	19,445	18,027	17,112	16,896	16,931	17,451	17,904	18,784	19,140	18,770
LIGHT RAIL	2,080	1,724	1,715	1,662	1,868	1,888	2,092	1,328	2,722	1,924
PARATRANSIT			1,406	1,511	1,729	1,994	2,494	3,523	4,748	8,495
PASSENGER MILES (000's)										
BUS	171,642	176,029	156,872	153,902	163,348	185,226	201,818	179,561	178,688	182,187
LIGHT RAIL	31,396	30,183	29,501	26,413	28,428	31,037	32,992	32,820	35,758	42,462
PARATRANSIT			1,937	1,795	1,881	2,420	2,494	3,798	6,013	6,711
FLEET										
ACTIVE BUS	512	605	464	460	460	470	508	520	512	502
LIGHT RAIL	55	56	55	55	55	55	55	55	55	54
CASH FARE SINGLE RIDE										
ADULT	$1.00	$1.00	$1.10	$1.10	$1.10	$1.10	$1.10	$1.10	$1.25	$1.25
YOUTH	$0.50	$0.50	$0.55	$0.55	$0.55	$0.60	$0.60	$0.60	$0.70	$0.70
SENIOR	$0.25	$0.25	$0.35	$0.35	$0.35	$0.35	$0.35	$0.35	$0.40	$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 1,723,680 as of January 1, 2001, representing an increase of 15.1 percent over 1990. All of the cities in the County reported population increases, with Morgan Hill posting the fastest population growth (44.6 percent). The number of residents living in the unincorporated areas of the County decreased by almost 4%. In the next 20 years, it is predicted that the County will continue to experience steady growth in population. In 2020, the population is expected to reach 2,196,800.

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

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

County of Santa Clara Population

	1960	1970	1980	1990	2000	2001
Campbell	11,863	24,731	26,843	36,048	38,138	38,672
Cupertino	3,664	18,216	34,297	40,263	50,546	51,334
Gilroy	7,348	12,665	21,641	31,487	41,464	43,539
Los Altos	19,696	24,872	25,769	26,303	27,693	28,093
Los Altos Hills	3,412	6,862	7,421	7,514	7,902	8,017
Los Gatos	9,036	23,466	26,906	27,357	28,592	29,083
Milpitas	6,572	27,149	37,820	50,686	62,698	63,823
Monte Sereno	1,506	3,074	3,434	3,287	3,483	3,524
Morgan Hill	3,151	6,485	17,060	23,928	33,556	34,596
Mountain View	30,889	54,206	58,655	67,460	70,708	72,242
Palo Alto	52,475	55,999	55,225	55,900	58,598	60,835
San Jose	204,196	445,779	629,400	782,248	894,943	918,833
Santa Clara	58,880	87,717	87,700	93,613	102,361	104,616
Saratoga	14,861	27,199	29,261	28,061	29,843	30,186
Sunnyvale	51,898	95,408	106,618	117,229	131,760	133,983
Unincorporated	162,056	152,181	127,021	106,193	100,300	102,304
County Total*	641,503	1,066,009	1,295,071	1,497,577	1,682,585	1,723,680
California	15,717,204	18,136,045	23,668,145	29,760,021	33,871,648	34,818,249

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 nine years, with the County's 2.0 percent average rate in 2000 almost 3 percentage points lower than the State's average of 4.9 percent. The County unemployment rate is still relatively low, but expected to rise as job cuts continue due to the declining technology economy. The job hunt is becoming more difficult as the opportunities become increasingly scarce. Continued foreign economic decline is worrying some Economists, as Silicon Valley produces over a third of the nonagricultural exports in California at this time. Continued slowdown in the overseas markets could be even more crippling to the economy and employment scenario.

The County, with over one million wage and salary jobs in 2000, has the largest employment base of any county in Northern California. In 2000, the County experienced a strong gain of 54,000 wage and salary positions. Three major industry sectors comprise 74 percent of the County's employment: manufacturing (25.2%), services (35.4%) and retail trade (13.5%). The percentage share of County payrolls for these sectors has remained relatively constant over the past nine years.

Sources: Department of Finance, Statistics & Demographic Research
Business Week online, April 30, 2001

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

	1992	1993	1994	1995	1996	1997	1998	1999	2000
Civilian Labor Force *	835.7	856.2	860.6	867	895.0	937.5	958.8	965.5	1003.3
Civilian Employment	777.8	797.9	806.9	824.2	862.8	909.2	927.9	936.3	983.4
Civilian Unemployment	57.9	58.3	53.7	42.8	32.2	28.3	30.9	29.2	19.9
Civilian Unemployment Rate									
County	6.9%	6.8%	6.2%	4.9%	3.6%	3.0%	3.2%	3.0%	2.0%
State of California	9.3%	9.4%	8.6%	7.8%	7.2%	6.3%	5.9%	5.2%	4.9%
Wage and Salary Employment **									
Total Farm Agriculture	5.1	5.4	5.1	4.5	5.1	5.1	5.2	5.3	5.3
Construction and Mining	27.5	26.3	26.5	28.8	32.8	37.4	41.8	45.6	48.9
Manufacturing	236.8	231.7	226.0	231.2	245.9	258.2	261.3	250.7	260.2
Transportation & Public Utilities	22.4	23.6	23.8	24.0	25.4	27.2	28.3	28.3	29.1
Wholesale Trade	47.2	45.5	46.0	48.7	52.4	56.0	56.4	56.0	56.4
Retail Trade	111.4	112.2	114.3	117.4	122.2	126.7	130.1	134.0	139.3
Finance, Insurance & Real Estate	31.5	31.5	30.0	28.7	30.0	30.6	31.8	32.3	32.1
Services	226.6	237.9	245.1	265.3	283.9	301.8	317.8	332.9	364.5
Government	88.8	87.9	88.3	87.8	87.4	88.5	88.9	91.4	94.7
Total ***	797.3	802.0	805.1	836.4	885.1	931.5	961.6	976.5	1030.5

* 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 2000.

** Wage and salary employment is reported by place of work. Data are benchmarked to 2000.

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

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

Major Employers

The County is the location of many 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 largest 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 Ames Research Center alone has approximately 2,000 contractor personnel, 1,500 civilian employees, and about 300 other miscellaneous employees working at the facility.

Source: www.arc.nasa.gov/about_ames/human_res.html

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
Cisco Systems	16,000	Networking
Santa Clara County	15,500	County Government
Hewlett-Packard	12,000	Computers and Peripherals
Stanford University	8,600	Education and Research
Intel	7,750*	Computer Chips, PCs, Networking
Kaiser Permanente	7,595*	Health Care Provider
Applied Materials Inc.	7,500	Semiconductor Production Equipment
Selectron Corp.	7,300	Electronics Manufacturing
Lockheed Martin Missiles & Space	7,000	Commercial and Military Space Products
City of San Jose	6,930	Municipal government
New United Motor Mfg. 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
VA Palo Alto Health Care System	3,160*	Health Care Provider
San Jose Unified School District	3,100	Public Education
National Semiconductor Corp.	3,000	Semiconductor design, Manufacturing, Marketing
Apple Computer Inc.	3,000*	Computer Manufacturing
3 Com Corp.	2,955*	Global Networking
San Jose State University	2,823	Higher Education
Santa Clara Valley Transportation Authority	2,550	Transportation Authority
Raychem Corp.	2,500*	Electronics Manufacturing
Advanced Micro Devices	2,300*	Integrated Circuit Manufacturing
Seagate Technology	2,150	Peripheral Manufacturing
Cupertino Electric Inc.	2,105	Provider of Sophisticated Electrical Infrastructure Solutions
LSI Logic Corp.	2,090	Semiconductor Supply Manufacturing

*Represents information available last year. The 2001 data is unconfirmed.

Source: San Jose and Silicon Valley Business Journal (Book of Lists 2001)
Contact: Research Department

Commercial Activity

Santa Clara 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 2000.

County of Santa Clara
Taxable Transactions by Sector
1991 to 2000
(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
2000	33,843,217

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 $2.87 billion in 2000, representing an increase of over 1 billion dollars compared to 1999. The number of single-family units decreased to 2,834 and the number of multi-family units was 4,220; total new housing units increased by .6% while the valuation of total new units jumped by 33.3% compared to 1999.

This disparity is reflected in housing affordability. In June 2001, a median-priced home in Santa Clara County was priced at $530,000, a drop of 5.4% compared to April of 2000. Although prices have dropped slightly, there continues to be a lack of affordable housing in this valley, which encourages longer commutes from outside the region and increases traffic congestion.

The following table provides a summary of building permit valuations and the number of new dwelling units authorized in the County since 1991.

County of Santa Clara
Building Permit Valuations
1991 to 2000

Year	Valuation ($ millions)			New Dwelling Units		
	New Residential	Non-Residential	Total	Single Family	Multiple Family	Total
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	3,244.3	4,367	4,443	8,810
1998	1,294.6	1,882.0	3,176.6	3,911	3,615	7,526
1999	1,306.0	1,856.0	3,162.0	3,333	3,677	7,010
2000	1,348.8	2,865.9	4,214.7	2,834	4,220	7,054
Sources: Construction Industry Research Board Department of Finance, Statistics & Demographic Research.						

VTA FACTS

Current Bus System Data

August 2001

Level of Service

County Population*	1,716,868	Total Number of Stops	4,668
Urbanized Service Area (sq. mi.)	326	Total Number of Shelters	716
Route Mileage (round trip)	2,910		

*Estimation based on 2000 U.S. Census Bureau count & 2005 ABAG population projection

Routes by Category		Total: 77	Deployment	Vehicles Scheduled
Grid		15	AM Peak	393
			Midday	29
Crosstown		27	PM Peak	402
Regular	*19*		Evenings	104
Limited Stop	*7*			
Feeder		26	Saturday	207
Neighborhood	*22*		Sunday	188
Shuttle	*4*			
Express		10	Total Active Fleet	493
Commute	*8*		Base / Peak	67%
Regional	*2*			

Park-and-Ride Lots	*Bus*	*Light Rail*	*Caltrain*	*Total*
Number of Lots	15	14	15	44
Number of Parking Spaces	770	5,901	4,383	11,054

Historical Data

Fiscal Year	*Active Fleet*	*Scheduled Hours*	*Scheduled Miles*	*Annual Ridership (million)*	*Avg Weekday Ridership*
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	457	1,371,163	20,452,092	42.63	139,787
1997	468	1,407,690	20,721,893	45.89	150,224
1998	506	1,464,965	21,184,989	46.12	150,537
1999	522	1,565,500	22,399,973	47.49	154,082
2000	512	1,623,603	22,923,518	47.01	151,480
2001	502	1,616,941	22,640,469	47.24	152,708

VTA® FACTS

Current Light Rail System Data
August 2001

Level of Service

County Population*	1,716,868	% of Platforms Lift Equipped	100%
Urbanized Service Area (square miles)	326	Active Fleet Size (Cars)	50
		Historic Trolley Fleet (Cars)	4
		Service Coverage	24 hours

*Estimation based on 2000 U.S. Census Bureau count & 2005 ABAG population projection

Headways:

Weekday	10 minutes
Saturday	15 minutes
Sunday	15 minutes

	Guadalupe	Tasman
Total Number of Stations	31	18
Length of Line	18.0 miles	11.3 miles
Route Mileage (Round Trip)	36.0 miles	22.6 miles

Park-and-Ride Lots	*Light Rail*	*Caltrain**	*Total*
Number of Lots	14	1	15
Number of Parking Spaces	5,901	338	6,239

*Downtown Mountain View Caltrain Station (non-VTA lot)

System Line Openings

Younger St. to Old Ironsides	December 11, 1987	7.6 miles
Downtown to Old Ironsides	June 17, 1988	8.3 miles
Tamien Station to Old Ironsides	August 17, 1990	10.4 miles
Santa Teresa to Old Ironsides *	April 25, 1991	20.1 miles
Downtown Mtn.View to Baypointe Station	December 20, 1999	9.9 miles
I-880 / Milpitas Station to Downtown Mtn.View	May 17, 2001	11.3 miles

*includes Almaden / Ohlone-Chynoweth spur

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	88,800	1,359,589	6,819,307	43,398	6,862,705	22,510
2000	112,644	1,648,334	7,874,710	39,020	7,913,730	25,673
2001	136,483	1,986,763	9,200,445	36,629	9,237,074	30,383

9/10/01

Prepared by Operations Analysis x5856