Santa Clara Valley Transportation Authority

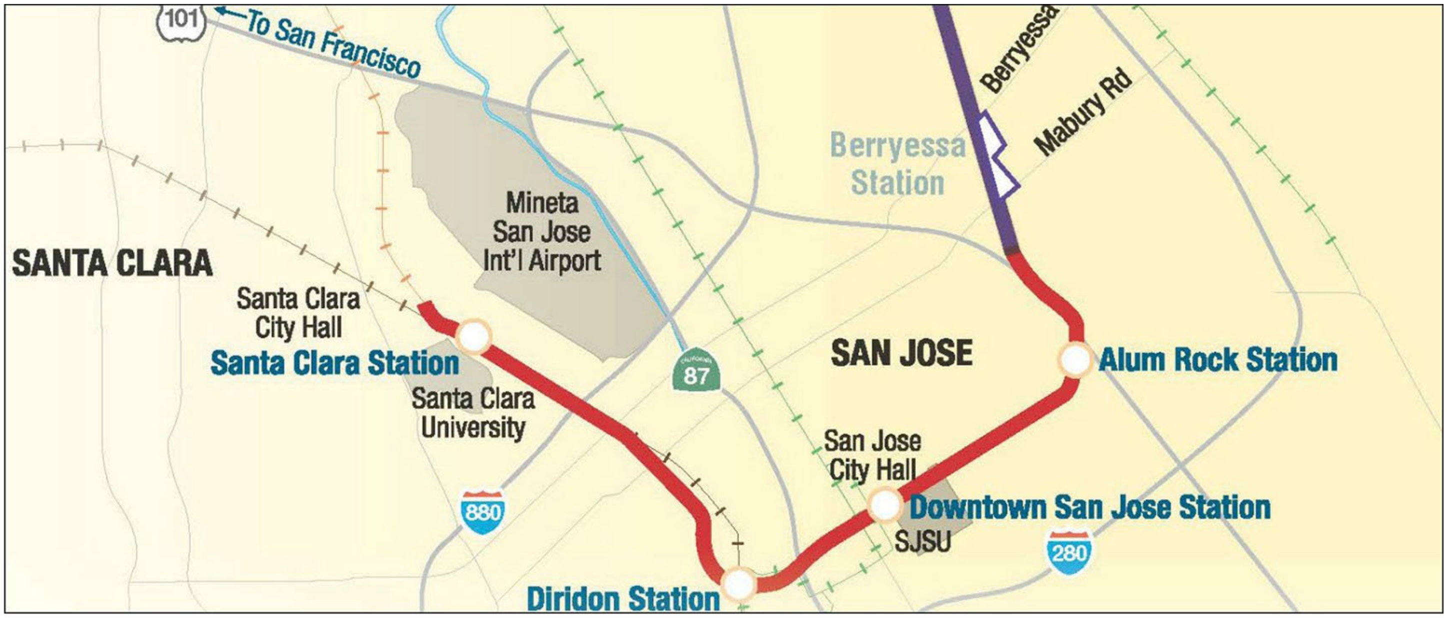
Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2018

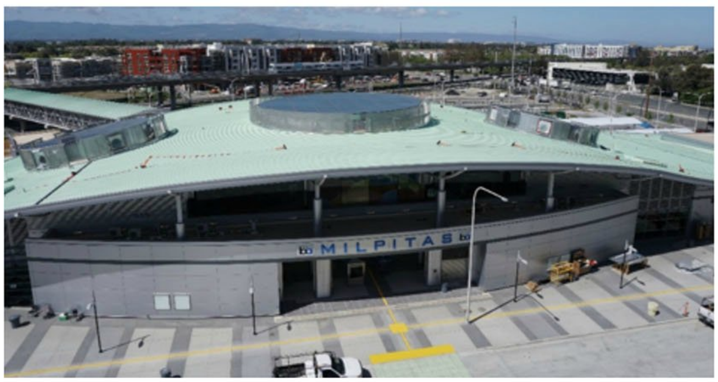
Santa Clara County, California

Santa Clara Valley Transportation Authority

Solutions that move you



VTA receives Federal Record of Decision for BART Silicon Valley Phase II Extension Project

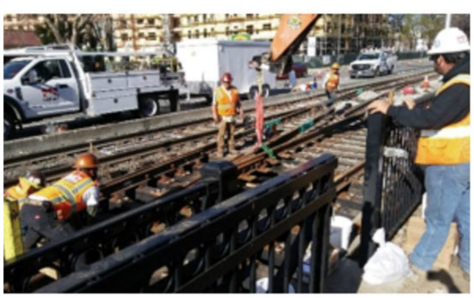


Milpitas BART Station – VTA Silicon Valley BART Extension

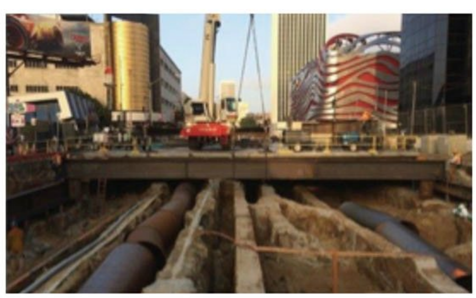
Berryessa BART Station – VTA Silicon Valley BART Extension

Landscaping project on McCathy Boulevard in Milpitas

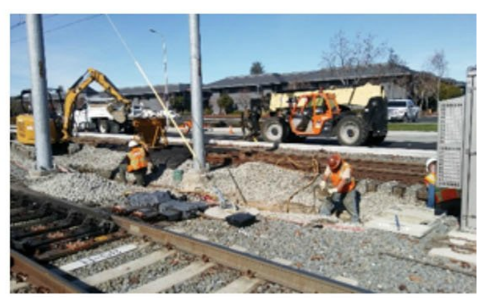
The Santa Clara Caltrain Station Pedestrian Underpass Extension received the 2018 Golden Award for its innovative design features.



Installing new NB crossover - Karina LR Station



5-mile subway single bore tunneling for VTA's BART SV Phase II Extension Project



Tasman Signal Interlocking

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

SAN JOSE, CALIFORNIA

Comprehensive Annual Financial Report (CAFR)
For Fiscal Year Ended June 30, 2018

Prepared by:
Finance and Budget Division

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SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Comprehensive Annual Financial Report
For the Year Ended June 30, 2018

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Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Santa Clara Valley

Transportation Authority, California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morrill

Executive Director/CEO

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INTRODUCTORY SECTION

LETTER OF TRANSMITTAL

BOARD OF DIRECTORS

ORGANIZATIONAL CHART

PRINCIPAL OFFICIALS

SERVICE AREA MAP

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LETTER OF TRANSMITTAL

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Santa Clara Valley Transportation Authority

October 27, 2018

Board of Directors
Santa Clara Valley Transportation Authority

Subject: Comprehensive Annual Financial Report

In accordance with state law and Santa Clara Valley Transportation Authority (VTA) Administrative Code, it is a pleasure to submit to you the Comprehensive Annual Financial Report (CAFR) of the VTA for the year ended June 30, 2018. The CAFR was prepared in accordance with the guidelines recommended by the Government Finance Officers Association of the United States and Canada (GFOA). VTA Management assumes responsibility for the accuracy and completeness of the data and the clarity of the presentation, including all disclosures. To the best of our knowledge, the enclosed report is presented in conformity with Generally Accepted Accounting Principles (GAAP), and is complete and reliable in all material respects.

Vavrinek, Trine, Day & Company LLP, a firm of licensed Certified Public Accountants, has audited the financial statements. The goal of the audit is to obtain a reasonable assurance that the financial statements are free of material misstatements. Vavrinek, Trine, Day & Company LLP concluded, based on the audit, that there was a reasonable basis for rendering an unmodified opinion on the financial statements for the fiscal year ended June 30, 2018, and that the financial statements are fairly stated, in all material respects, in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

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

PROFILE OF THE GOVERNMENT

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

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

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

ECONOMIC ENVIRONMENT

The operation of a government entity is ordinarily affected by economic conditions. Understanding the related impacts of these conditions is key in analyzing and interpreting the information presented in the financial statements.

The County of Santa Clara is located at the southern end of the San Francisco Bay and encompasses an area of approximately 1,300 square miles. The County's population of nearly 1.9 million is the fifth largest in the state.[1] The northwest portion of the County, known as Silicon Valley, is home to many leading computer and electronic companies such as Google, Apple, Cisco, Hewlett-Packard, Yahoo, eBay, Facebook, and Intel among others. It is reported that in 2017, seven of the top ten Fortune 500 companies were headquartered in Santa Clara County.[2] With the existence of multi-cultural residents and varied businesses, Santa Clara County has enjoyed diverse employment and revenue base.

The technology industry remains the main engine of the Bay Area economy. Analysis of information compiled by Beacon Economics shows that the technology sector prompted much of the job growth in the Bay Area. Tech employment includes professional scientific and technical services; information services and products, and computer and electronic manufacturing. Other large industry groups supporting the Bay Area economic performance included construction, retail and healthcare.[3]

In June 2018, the County's unemployment rate fell to a record low of 2.9% from 3.5% the prior year. Santa Clara County's employment growth over a one-year period ending February 2018 outperformed the pace of employment expansion in the nation.[4] There are continuing expansions, leases and land acquisitions by tech companies in Santa Clara County and the Bay Area.[5] These expansion plans are anticipated to face challenges of housing shortages, lack of affordability and increasing traffic delay. Higher density housing units near transit hubs continue to be constructed with the aim of easing the region's housing crunch and road congestion.

According to the US Department of Labor report in June 2018, the national unemployment rate dropped to 4% and the number of unemployed persons was 6.6 million, compared to prior year's statistics during the same period, when unemployment rate was 4.4% and the number of unemployed persons was 7.0 million. The national unemployment rate is at historically low level. It is reported that the last time the jobless rate remained below 4% for a sustained period was in the late 1960s.[6] Economists expect that low unemployment

[1]County of Santa Clara News. May 2018.
[2]Newmark. "2017 Bay Area Economic Engine". October 2017.
[3]Bay Area News Group. "Bay Area Job Market Reaches record-high levels again". March 2018.
[4]Ibid.
[5]Bay Area News. "California Jobless Rate Hits Record Low". January 2018.
[6]Kitroeff, Natalie. The New York Times. "Unemployment Rate Hits a Rare Low". May 2018.

will lead to higher payroll for workers as job market becomes more competitive.

California's seasonally adjusted unemployment rate held steady at its record low of 4.2% in June 2018.[7] This is the lowest on record in a data series stretching back to 1976 when the state started tracking data consistently.[8] Although the State has addressed long-standing problems such as restoring fiscal health to its retirement benefit plans and making capital improvements, California's 2019 Budget projects a healthy surplus which will be used to build up the Rainy Day Fund. The State is able to bank higher revenues into reserves and earmark the surplus on one-time spending to address infrastructure needs, homelessness and mental health. The State acknowledges that despite strong fiscal health in the short-term, the risks to the long-term health of the state budget continue to exist which include, among others, the uncertainty on new federal policies, as well as a host of global risk and the volatility brought about by the stock market.[9]

With the State's financial condition remaining in good shape, the Transportation Development Act (TDA) revenue increased by $3.6 million. The State Transportation Assistance (STA) revenue also rose by $12.1 million in FY 2018. Aside from the continuous climb in diesel prices in 2018, the jump in STA is largely a result of additional allocation for the performance of mid-year overhaul on the light rail vehicle fleet. Both revenues are state programs that provide funds to operate bus and rail systems in California.

VTA's largest revenue sources for operations and capital activities, the 1976 half-cent, 2000 Measure A, and BART Operating sales taxes, amounted to $207.6 million, $207.9 million, $49.8 million, respectively, during FY 2018. The newest tax Measure approved by the Santa Clara County voters in November 2016 is referred to as the 2016 Measure B. This is a 30-year half-cent sales tax to enhance transit, highways, expressways and active transportation. Tax collection began in April 2017. From inception to June 30, 2018, the total 2016 Measure B sales tax amounted to $255.1 million. This was reported under a special revenue fund and formed part of the liability as the tax Measure continues to face legal challenge.

Although sales tax revenues remained generally constant from the prior year, there were indications that sales tax returns were not completely processed during the last quarter of the year. The California Department of Tax and Fee Administration (CDTFA) acknowledged certain system problems for the untimely processing. In keeping with GASB 33 guidelines for Derived Tax Revenue Transactions, VTA did not to accrue any sales tax revenues in addition to the sales tax revenues it received from CDTFA for the year.

[7] State of California EDD. Labor Market Info. July 2018.

[8] Bureau of Labor Statistics Data, July 2018.

[9] 2018-19 Revised California Budget. May 2018.

ENTERPRISE NET POSITION OVERVIEW

Total FY 2018 Net Position is provided below (in thousands):

Net Investment in Capital Assets		$ 4,839,251
Restricted:		
Swap collateral	$ 6,023	
Debt service	2,217	
1996 Measure B projects	1,670	9,910
Unrestricted:		
Local share of capital projects	$ 154,278	
Debt reduction	5,000	
Operating reserve	54,807	
Sales tax stabilization	35,000	
Inventory and prepaid items	36,665	
Express Lane	1,909	
BART Operating	288,853	
Joint Development	23,136	
Net OPEB Asset (GASB 75) [a]	57,978	
Unrestricted before GASB 68 adjustment	657,626	
Net Pension Liability (GASB 68)[b]	(233,639)	423,987
Total Net Position		$ 5,273,148

[a]FY2017 showed a Net OPEB Asset of $15.9 million. To comply with GASB 75, an increase in Net Position of $42.1 million was recognized. This was based on the actuarial report which provides that total Net OPEB Asset (less deferrals) was $58 million.

[b]This is a decrease of the Unrestricted Net Position to set aside amount for Net Pension Liability to comply with GASB 68 requirements. The breakdown consists of $91.2 million and $142.4 million for CALPERS and ATU, respectively.

SIGNIFICANT FINANCIAL POLICIES

Long-Range Planning

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

Biennial Budget and Budgetary Controls

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

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

Internal Control

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

Reserves

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

Reserve	Balance as of June 30, 2018 (in millions)	Remarks
Operating Reserve	$ 54.807	The operating reserve goal is 15% of the subsequent year's final operating budget in the VTA Transit Enterprise Fund. These funds are to remain unappropriated for any operating or capital use except to meet emergency needs that cannot be funded from any other source. The purpose of this reserve is to ensure that sufficient funds are always available in the event of either unanticipated shortfalls or unavoidable expenditure needs. FY 2018 balance is less than the goal by $19.2 million. Detailed calculation and information on the operating reserve is shown in Table 7 of the Statistical Section.
Sales Tax Stabilization	$ 35.000	This reserve mitigates the impact of sales tax receipt volatility on service levels and the operating budget. VTA Transit Sales Tax Stabilization reserve is at its current ceiling.
Debt Reduction	$ 5.000	This reserve may be used to reduce long-term liabilities or provide funding for approved transit-related capital improvements and replacement of capital assets. This reserve is used to fund local portion of the VTA Transit capital program in order to keep assets in a state of good repair.

Financial Stability Policy

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

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

MAJOR INITIATIVE

VTA's BART Silicon Valley Project

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

The cost of the SVBX Project is approximately $2.4 billion, which includes $900 million in federal assistance, $388.2 million in state and other local funding, and $1.133 billion from 2000 Measure A sales tax. In March 2012, VTA received a $900 million grant commitment from the FTA for the project, along with the first $100 million allocation, as provided for in the Full Funding Grant Agreement (FFGA). The FFGA is a multi-year contractual agreement that formally defines the project scope, cost, and schedule, and establishes the terms of the federal financial assistance. Execution of the FFGA allowed the commencement of construction of the 10-mile, two-station BART extension. As of June 30, 2018, $696.1 million of the total $702.6 million grant award, has been expended and received.

In August 2014, VTA received the Traffic Congestion Relief Program (TCRP) funds in the amount of $39 million which constitutes the final installment of the State of California's $649 million TCRP allocation plan adopted by the California Transportation Commission (CTC) in 2008. As of June 2018, all of the TCRP grant award have been expended.

The project scope includes BART vehicles, VTA feeder buses, double-track grade-separated guideway, traction power substations, high voltage substations, a communication system, passenger drop-off facilities, surface and structured parking facilities, bus transit centers, a pedestrian bridge, real estate acquisition, drainage improvements, environmental mitigation, financing, startup and revenue testing, and other elements necessary for project delivery. The project also includes facility additions to the existing BART Hayward Yard to provide fleet management operations for the revenue vehicles procured by BART for the extension, as well as the purchase of 40 BART vehicles. Track installation was completed and building interior, including mechanical/electrical/plumbing installation and elevator testing, is underway at Milpitas and Berryessa stations. At both stations, field installation testing and field functional testing of mechanical, electrical and communications systems, are ongoing. Project schedule estimates closeout for Phase 1 to be completed in late 2019.

VTA continues project development activities for the second 6-mile phase of the project. This includes four stations, with a five-mile-long subway tunnel through downtown San Jose and ends at grade in Santa Clara near the Caltrain Station. The project also includes the construction of a maintenance facility at the current Newhall Yard, the Newhall Maintenance Facility, as well as the purchase of 48 BART vehicles. In June 2018, Federal Transit Administration (FTA) notified VTA that a Record of Decision (ROD) was issued for the Phase II project. Receiving the ROD is a required next step for projects seeking federal funding. It signifies that VTA satisfied the requirements of the National Environmental Policy Act (NEPA) for the project.

VTA continued efforts to develop deliverables necessary for the pursuit of federal funding through the FTA's Capital Investment Grant (CIG) Program. These efforts included continued interaction with FTA on participation in the CIG Expedited Project Delivery (EPD) Pilot Program. Participation in this program would enable VTA to secure a Full Funding Grant Agreement (FFGA) with FTA through an alternate process that includes a Public Private Partnership component. VTA is developing an EPD proposal which will demonstrate the project's justification, funding plan, public-private partnerships opportunities, and areas where VTA can self-certify capabilities to carry out an award of federal assistance. VTA anticipates the General Engineering Consultant selection process to be completed by Fall 2018.

The cost of the Santa Clara Extension, which includes the construction of Newhall Maintenance Facility and purchase of 48 BART vehicles, is approximately $4.8 billion. The project will be paid by 2000 Measure A, 2016 Measure B sales tax funding along with Federal New Starts and state funds. Revenue service for Phase 2 is anticipated to occur in late 2026.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to VTA for its FY 2017 Comprehensive Annual Financial Report. This is the 22nd consecutive year that VTA achieved this prestigious award.

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

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

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

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

Nuria I. Fernandez
General Manager/CEO

Raj Srinath
Chief Financial Officer

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2018 VTA BOARD OF DIRECTORS

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

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

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

BOARD OF DIRECTORS

June 2018

Sam Liccardo, Chairperson

Teresa O'Neill, Vice Chairperson

GROUP 1 (San Jose)

City of San José	Charles "Chappie" Jones Lan Diep Johnny Khamis Sam Liccardo* Raul Peralez Devora "Dev" Davis, Alternate

GROUP 2 (North West) (*Alternate Vacant*)

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

GROUP 3 (West Valley)

City of Campbell	
City of Cupertino	Savita Vaidhyanathan
Town of Los Gatos	Rob Rennie, Alternate
City of Monte Sereno	
City of Saratoga	

GROUP 4 (South County)

City of Gilroy	Daniel Harney, Altenate
City of Morgan Hill	Larry Carr

GROUP 5 (North East)

City of Santa Clara	Teresa O'Neill
City of Sunnyvale	Glenn Hendricks, Alternate
City of Milpitas	Bob Nuñez

GROUP 6 (Santa Clara County)

County of Santa Clara	Cindy Chavez Ken Yeager Dave Cortese,* Alternate

Ex-Officio

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

These individuals also serve on the MTC.

VTA BOARD OF DIRECTORS' STANDING COMMITTEES

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

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

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

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

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

VTA BOARD OF DIRECTORS' ADVISORY COMMITTEES

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

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

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

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

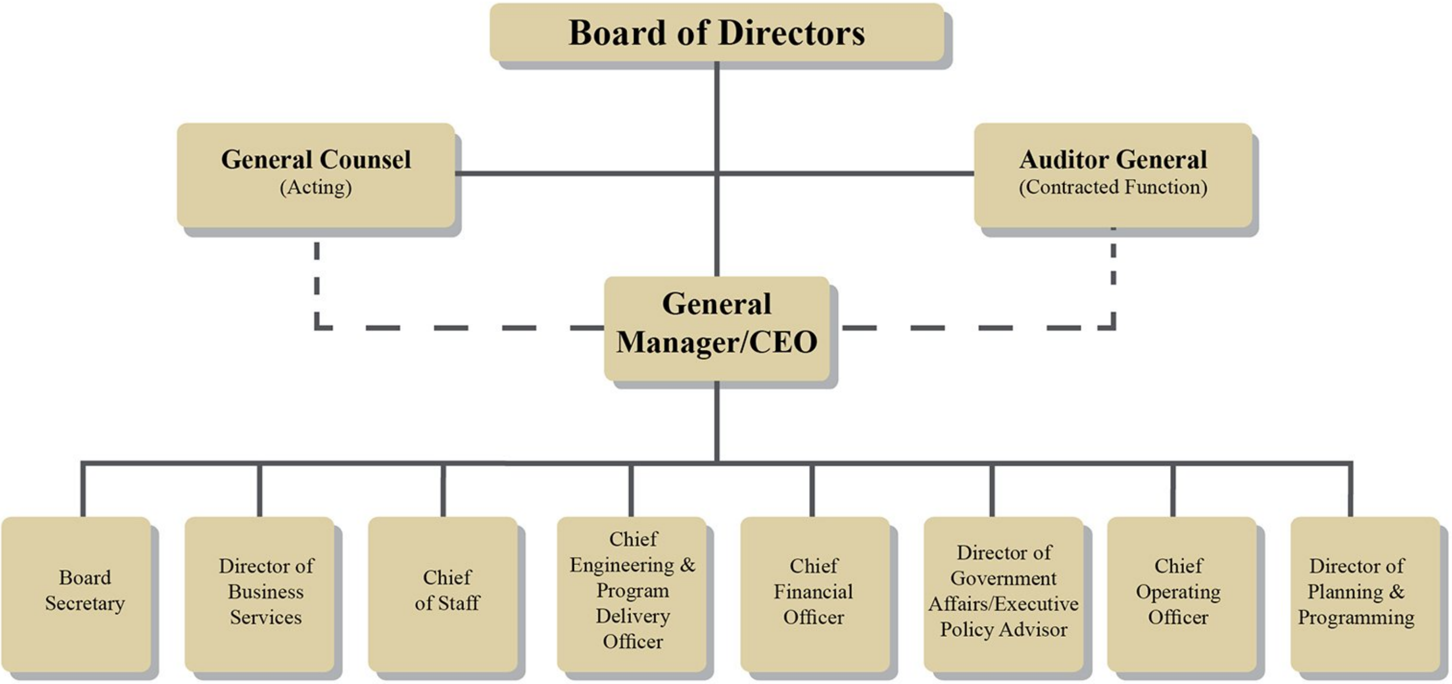
5. **Policy Advisory Committee (PAC)** is a 16-voting member committee comprised of one city council member from each of the 15 cities within Santa Clara County and one member from the County of Santa Clara Board of Supervisors. The PAC ensures that all local jurisdictions have an opportunity to participate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

VTA BOARD OF DIRECTORS' POLICY ADVISORY BOARDS

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

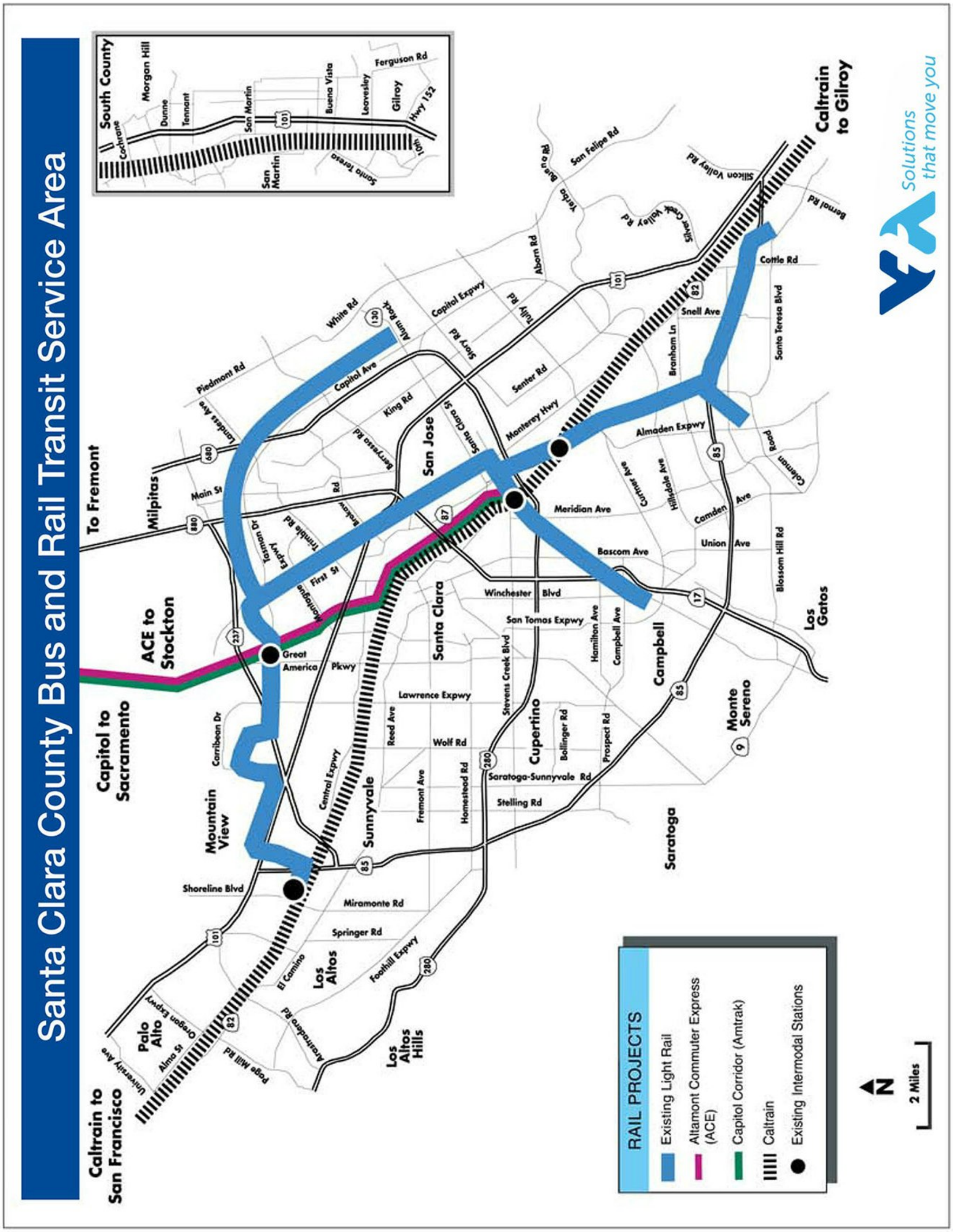
- **Diridon Station Joint Policy Advisory Board**
- **Eastridge to BART Regional Connector Policy Advisory Board**
- **Silicon Valley Rapid Transit Corridor and BART Warm Springs Extension Policy Advisory Board**
- **State Route (SR) 85 Corridor Policy Advisory Board**

Santa Clara Valley Transportation Authority
As of June 30, 2018



Principal Officials
June 30, 2018

General Manager/CEO	Nuria I. Fernandez
Acting General Counsel	Evelynn Tran
Auditor General (Contracted Function)	Bill Eggert
Board Secretary	Elaine Baltao
Director of Business Services	Alberto Lara
Chief of Staff	Angelique M. Gaeta
Chief Engineering & Program Delivery Officer	Carolyn Gonot
Chief Financial Officer	Raj Srinath
Director of Government Affairs/Executive Policy Advisor	James Lawson
Chief Operating Officer	Inez P. Evans
Director of Planning & Programming	Chris Augenstein


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

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, governmental activities, each major fund, and the aggregate remaining fund information of the Santa Clara Valley Transportation Authority (VTA), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the VTA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, governmental activities, each major fund, and the aggregate remaining fund information of the VTA, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 23 to the financial statements, VTA adopted the following new accounting pronouncements: GASB Statement No. 75, *Accounting and Reporting for Post-employment Benefit Plans Other than Pension Plans*. Our opinion is not modified with respect to this matter

Other Matters

Required Supplementary Information

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

Other Information

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

The enterprise, capital projects and fiduciary funds supplementary information as listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole for the year ended June 30, 2018.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of VTA as of and for the year ended June 30, 2017 (not presented herein), and have issued our report thereon dated October 27, 2017, which contained unmodified opinions on the respective financial statements of the business-type activities, the governmental activities, each major fund, and the aggregate remaining fund information. The enterprise fund supplementary information as of and for the year ended June 30, 2017 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the June 30, 2017 financial statements. The enterprise fund supplementary information as of and for the year ended June 30, 2017 have been subjected to the auditing procedures applied in the audit of the 2017 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the enterprise fund supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2017.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2018, on our consideration of the VTA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the VTA's internal control over financial reporting and compliance.

Vavrinek, Trine, Day & Co. LLP

Palo Alto, California
October 29, 2018

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MANAGEMENT'S DISCUSSION AND ANALYSIS

(Required Supplementary Information)

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Management's Discussion and Analysis

Management's Discussion and Analysis (MD&A) provides a narrative overview and analysis of the financial activities of VTA for FY 2018. To obtain a complete understanding of VTA's financial condition, this document should be read in conjunction with the accompanying Transmittal Letter and Basic Financial Statements.

Financial Highlights

- As of June 30, 2018, VTA's net position, business-type and governmental activities, amounted to approximately $4.8 billion. This includes primarily the net investment in capital assets which is associated with the capital programs of the VTA Transit, BART Operating and Joint Development funds.
- In FY 2018, 2000 Measure A Program fund was reclassified from enterprise to governmental. This required the Assets Under Construction (AUC) originally reported under the 2000 Measure A Program Fund (now forming part of the governmental activities) to be transferred to VTA Transit Fund and BART Operating Fund (both part of the business-type activities). With the transfer out of AUC and retention of related debt by the 2000 Measure A Program Fund, the governmental activities reported a deficit of $428 million.
- Enterprise Funds charges for services were $42.4 million, derived mainly from passenger fares. This was an increase of $2.2 million or 5.6% from FY 2017. Discussion on factors causing the increment follows on page 2-11, last paragraph.
- As of June 30, 2018, VTA had total outstanding bonds in the amount of $1.03 billion, a decrease of $44 million from prior year. This is mainly due to payment of bond principal.
- VTA Transit Fund net position increased by $477.9 million to $2.4 billion. This consisted of change in net position during the year of $72.7 million, as well as increase adjustments to the beginning net position of $363.0 million due to the transfer in of AUC from 2000 Measure A Program Fund and $42.2 million as a result of the implementation of GASB 75, Other Post Employment Benefit (OPEB). VTA started the fiscal year with a Net OPEB Asset of $15.8 million and with the GASB 75 adjustment, Net OPEB Asset (net of deferrals) in VTA Transit's Unrestricted Net Position as of June 30, 2018 amounted to $58 million.
- The three board-designated reserves; i.e., Transit Operating Reserve, Debt Reduction Reserve, and Sales Tax Stabilization Reserve were $54.8 million, $5.0 million, and $35.0 million, respectively. Any of these reserves may be reduced by the amount of set aside for Net Pension Liability established in compliance with GASB 68 in the amount of $233.6 million. Net Pension Liability represents the net amount owed by VTA to employees for benefits provided through a defined benefit pension plan that is attributed to employees' past period of service.

- As of June 30, 2018, 2000 Measure A Program fund balance was $453 million. While prior year's fund net position was $2.4 billion, a cumulative change in accounting principle brought about by the change in the categorization of the fund from enterprise to governmental, caused a decrease adjustment of $2.8 billion. This was offset by an increase adjustment of $900 million relating to long-term liabilities which were eliminated as they are not due and payable in the current period. Governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year.
- The 1976 Sales Tax revenue decreased $1.4 million, or 0.7% from FY 2017 level to $207.6 million in FY 2018. The 2000 Measure A Sales Tax revenue decreased $0.8 million or 0.38% to $207.9 million in FY 2018. The slight decrease in sales tax revenues in FY 2018 was attributed to the California Department of Tax and Fee Administration's acknowledgment that incomplete sales tax returns were processed for the year and any additional tax allocations pertaining to FY 2018 will be reflected in subsequent monthly distributions. Following the guidelines of GASB 33 on Derived Tax Revenue Transactions, VTA did not to accrue any sales tax revenues in addition to the sales tax revenues it received for the year.
- Federal, state, and local operating grants, under the Enterprise Funds, were $15.7 million or 13.7% higher in FY 2018. The increase was a result of an increase in State Transit Assistance of $12.1 million in FY 2018 which was caused primarily by additional allocation for mid-year overhaul of light rail fleet and continuous climb in diesel prices. Transportation Development Act (TDA) revenue also increased by $3.6 million in FY 2018.
- Capital grants in enterprise funds increased by $19.5 million from the FY 2017 level, due to increase in grant-funded activities relating primarily to the bus procurement, and rail replacement/rehabilitation projects.
- As of June 30, 2018, the net position of Express Lanes and Joint Development funds amounted to $1.9 million and $28.9 million, respectively. The Express Lanes Fund recorded toll collection from SR 237/I-880 Express Connector. The Joint Development Fund reported property rental revenues and other proceeds generated from VTA's Joint Development Program.
- In FY 2018, BART Operating Fund's net position was $2.8 billion, a significant increase from $238 million in FY 2017. The increase in its net position was largely due to the $2.5 billion transfer in of Assets Under Construction from 2000 Measure A Program Fund. The BART Operating Sales Tax decreased by $233 thousand to $49.8 million in FY 2018.
- The 2016 Measure B Special Revenue Fund was established in FY 2017 as a result of the Santa Clara County voters approving the 30-year half-cent sales tax to enhance transit, highways, expressways and active transportation. Tax collection began in April 2017. Total sales tax since inception of $255.1 million formed part of the liability as the tax measure continues to face legal challenge.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

3. **Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 2-36 through 2-105 of this report.

   In addition to the basic financial statements and notes, *Required Supplementary Information* is presented as required by GASB. The required supplementary information shows Net Pension Liabilities/Net OPEB Asset and Employer Contributions pertaining to ATU, CalPERS and OPEB, as well as the Congestion Management Program, 2016 Measure B Program, and 2000 Measure A Program Budgetary Schedules. Required supplementary information can be found on pages 2-106 through 2-115 of this report.

   Other supplementary information such as the combining statements and other individual schedules found immediately following the required supplementary information present individual fund statements and schedules for the Enterprise and Fiduciary Funds. Other supplementary information can be found on pages 2-116 through 2-127 of this report.

4. **Government-wide Financial Analysis**. The Government-Wide change in net position was $191.2 million. There was also an increase adjustment of $42.2 million due to GASB 75 (Other Post Employment Benefit) implementation. The Business-Type activities were the major source of the growth as the Government-type activities' net position decreased by $14.6 million. The increase in the business-type net position was due primarily to sales tax receipts, TDA, and capital grants related primarily to Bus Procurement, Electric Bus Pilot, Rail Replacement Paratransit Fleet Procurement projects. The 1976 sales tax, 2000 Measure A sales tax, and BART operating sales tax collections for the fiscal year were $207.6 million, $207.9 million, and $49.8 million, respectively. During FY 2018, VTA acquired or built total capital assets of approximately $277.3 million (see Note 6). These capital assets were funded by a variety of sources such as federal and state grants, bond proceeds as well as sales tax revenues.

Santa Clara Valley Transportation Authority

Condensed Statement of Net Position

FY 2018 and FY 2017

(In thousands)

	Business -Type Activities		Governmental Activities		Total	
	2018	2017 [1]	2018	2017 [1]	2018	2017
Asset:						
Current and other assets	$ 820,108	$ 746,322	$ 792,041	$ 628,821	$ 1,612,149	$ 1,375,143
Capital assets, net	4,985,330	4,776,477	—	—	4,985,330	4,776,477
Total assets	5,805,438	5,522,799	792,041	628,821	6,597,479	6,151,620
Deferred outflows of resources	103,062	90,136	59,401	76,291	162,463	166,427
Liabilities:						
Current liabilities	89,094	86,442	350,202	141,229	439,296	227,671
Long-term liabilities outstanding	547,320	510,232	925,927	973,802	1,473,247	1,484,034
Total liabilities	636,414	596,674	1,276,129	1,115,031	1,912,543	1,711,705
Deferred inflows of resources	11,484	3,576	3,474	3,670	14,958	7,246
Net position:						
Net investment in capital assets	4,839,251	4,616,263	—	—	4,839,251	4,616,263
Restricted	9,910	11,572	56,746	72,868	66,656	84,440
Unrestricted	411,441	384,850	(484,907)	(486,457)	(73,466)	(101,607)
Total net position	$ 5,260,602	$ 5,012,685	$ (428,161)	$ (413,589)	$ 4,832,441	$ 4,599,096

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

The largest portion of VTA's net position (approximately 92%) reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment), less any related outstanding debt used to acquire those assets. VTA uses these capital assets to provide services to its customers. Consequently, these assets are not available for future spending. Although VTA's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot reasonably be used to liquidate these liabilities. The restricted net position represents mainly the funds set aside for the 1996 Measure B program, debt service collateral with the bond trustees, and Swap collateral. The unrestricted categories include funds set aside by Board policies and for funding of local share of capital projects; BART operating; inventory and prepaid expenses; VTA transit operating reserve; debt reduction; express lanes and joint development program funds; sales tax stabilization; Net Pension Liability; Net OPEB Asset; and a deficit in compensated absences. The deficit in compensated absences represents the vacation leave of ATU employees which is funded by VTA Transit's FY 2019 operating budget. The unrestricted net position is generally available for appropriation with Board approval. The details of net position categories are shown in Note 2(j).

Governmental Accounting Standards Board (GASB) Statement 68 requires governments that participate in a defined benefit pension plan, administered as a trust or equivalent arrangement, to record the net pension liability, pension contributions, and deferred outflows/inflows of resources related to pensions in their financial statements. Net Pension Liability is the amount owed by VTA to its employees for benefits provided through a defined benefit pension plan. This consists of $91.2 million for CalPERS and $142.4 million for ATU, net of related deferrals.

GASB Statement 75 requires reporting of liability or asset on the face of the financial statements of the governments whose employees are provided with Other Post Employment Benefit (OPEB). As of June 30, 2018, VTA showed a Net OPEB Asset for the excess of contributions to and earnings of the plan in relation to actual OPEB cost. VTA reported an increase adjustment (net of related deferrals) in Net Position for a Net OPEB Asset of $58 million as of June 30, 2018.

Business-Type Activities – The total net position is $5.3 billion as of June 30, 2018. The increase is attributed to the year's change in net position of $205.8 million and increase adjustments to the beginning year's net position for GASB 75 implementation of $42.1 million, as well as transfer out from enterprise to governmental of 2000 Measure A net liabilities (assets other than AUC, less liabilities) of $412.5 million. Prior to FY 2018, 2000 Measure A Program Fund formed part of the enterprise. Starting FY 2018, 2000 Measure A Program Fund was categorized as part of the governmental funds. As governmental funds focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year, 2000 Measure A Program fund's AUC was moved to VTA Transit and BART Operating (both enterprise funds).

The current fiscal year reported unfavorable changes affecting operating expenses, as well as program and general expenses. Net program expenses (total expenses minus program revenues) decreased by $7 million in FY 2018, mainly because the increase in program revenues of $37 million was more than the increase in total expenses of $30 million.

The total program expense was up primarily due to the increase in operations and support services. Labor and fringe benefits, net of costs allocated to capital and other programs, increased by $19.2 million, largely due to wage increase in accordance with the provisions of the various collective bargaining agreements. The GASB 68-required pension expense recognition pertaining to CALPERS and ATU increased as a result of changes in assumptions in the actuarial estimate. The growth of $3 million in materials and supplies is a result of increase in part usage from the ongoing light rail vehicle midlife overhaul. Service also reported a $3.2 million increase which is largely attributed to enhanced staffing levels brought about by the amendment of the Santa Clara County Sheriff’s contract, and increase in activities of projects involving repairs and rehabilitation (such as roofing, transit center park and ride upgrades, and pavement and painting management programs), as well as feasibility studies conducted on transit properties (such as Facilities Assessment, Condition Assessment for Bus/ Rail Infrastructure, and Diridon Station Intermodal Conceptual Plan). General liability insurance was up by $3.5 million to provide the actuarially-required reserves as of June 30, 2018. This year included a new provision for Employment Practices Liability related to issues affecting California Public Employees' Pension Reform Act (PEPRA). Aforementioned increases in expenses were offset by decrease in purchased transportation expense of $2 million and increase in charges for services revenue of $3.3 million. The decrease in purchased transportation could primarily be attributed to decline in passenger trips and receipt of liquidated damages paid by the contractor for unacceptable performance which was used to offset the paratransit cost. Internal Service Fund showed an increase in charges for services revenue of $3.3 million relating to compensated absences. Prior year's contribution for compensated absences was reduced so as to minimize the level of over funding existing at that time. As of June 30, 2018, the required funding for compensated absences liability of $22.2 million was provided.

Other program expenses include contribution to other agencies increased by $1.4 million. The increase is attributed primarily to the first year of funding made by the Express Lanes Fund to the Congestion Management and Highway Program Fund for the SR237 Express Lanes project. Claims and change in future claim estimates was up by $4.8 million because Internal Service Fund reflected an increased provision for compensated absences liability. Rates for workers' compensation (ATU and administrative personnel) and pension contribution (for ATU) were included this year in the fringe of vacation and sick leave balances reported under the compensated absences component of the internal service fund.

In the program revenue category, charges for services were up $2.2 million. Total passenger fares (consisting of fares from transit and paratransit, as well as tolls) were higher by $1.8 million mainly due to the higher rate reflected in the new fare policy adopted in January 2018 and additional revenue derived from augmented light rail services related to events held at the Levi's Stadium. Paratransit revenue was also higher in FY 2018 because the current year represented an entire year of paratransit revenue, while the prior year recognized only a portion of the full year's revenue as VTA took over the administration from an external contractor in November 2016. Prior to this period, paratransit revenues were offset against paratransit costs. In addition, there were paratransit programs/initiatives that were negotiated at a higher trip rate or newly implemented in FY 2018. Advertising and other revenues reported a net increase of $429 thousand attributed primarily from higher monthly minimum guaranteed payment from bus advertising vendor and increased property rental income from Joint Development.

The increase in operating grants of $15.7 million was due to the increase in State Transit Assistance (STA) of $12.1 million, and Transportation Development Act (TDA) of $3.6 million. The increase in STA was attributed to additional allocation for mid-year overhaul of light rail fleet and continuous climb in diesel prices during the year. The TDA increase was in line with the improved sales tax activity during the period when the TDA calculation was based on.

Capital grants increased by $19.5 million. This is a result of increased project revenues in VTA Transit Fund relating to Security Grant and Transportation for Clean Air, as well as new grant funding in FY 2018 for bus procurement and rail rehabilitation projects involving Low Carbon Transit Operation Program, California Energy Commission, and Major Transit Capital Investment Section 5309.

In the general revenue category, the sales taxes were $1.6 million lower than prior year. According to the California Department of Tax and Fee Administration, the sales tax reported for the fiscal year to date is incomplete and any additional tax allocations pertaining to the quarter ending June 2018 will be reflected in subsequent monthly distributions. Investment income increased by $1.1 million, largely a result of higher interest income of $2.4 million prompted by higher interest rate. This was offset by unfavorable change from trading loss of $0.8 million, and mark to market loss of $0.5 million. This year's Other Income was less because there were receipts during the prior year that did not happen again in the current year (such as receipts from lease termination, donated land, insurance proceeds from vehicle involved in an accident, and underground tank storage reimbursements). There was a transfer in of $192.7 million of Asset under Construction from 2000 Measure A fund to VTA transit fund and BART Operating fund, as a result of a change in accounting structure of the 2000 Measure A Program Fund from enterprise to governmental. The transfers in also include the 2000 Measure A Operating Assistance of $43.1 million and 2000 Measure A Repayment Obligation of $15.0 million.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Condensed Statement of Activities

For the FY 2018 and FY 2017

(In thousands)

	Business-Type Activities		Governmental Activities		Total	
	2018	2017 [1]	2018	2017 [1]	2018	2017
Expenses:						
Labor, overhead, materials and professional services and other operations	$ 495,785	$ 471,655	$ 8,159	$ 8,868	$ 503,944	$ 480,523
Capital expense, on behalf of, and contribution to other agencies	7,344	14,887	68,188	89,556	75,532	104,443
Altamont Corridor Express and Caltrain subsidies	12,350	3,270	—	—	12,350	3,270
Other expenses	657	576	1,452	2,352	2,109	2,928
Claims and change in future claim estimates	17,437	12,654	—	—	17,437	12,654
Interest expense	6,972	7,326	8,068	7,928	15,040	15,254
Total expenses	540,545	510,368	85,867	108,704	626,412	619,072
Program revenues:						
Charges for services	42,434	40,194	2,664	2,549	45,098	42,743
Operating grants	130,919	115,191	107,957	172,844	238,876	288,035
Capital grants	58,259	38,713	—	—	58,259	38,713
Total program revenues	231,612	194,098	110,621	175,393	342,233	369,491
Net program revenues (expenses)	(308,933)	(316,270)	24,754	66,689	(284,179)	(249,581)
General revenues and transfers:						
Sales tax revenue	257,380	259,029	207,870	208,672	465,250	467,701
Investment earnings	3,222	2,055	2,813	2,411	6,035	4,466
Other general revenue	3,317	5,233	760	531	4,077	5,764
Transfers	250,769	340,682	(250,769)	(340,682)	—	—
Total general revenues and transfers	514,688	606,999	(39,326)	(129,068)	475,362	477,931
Change in net position	205,755	290,729	(14,572)	(62,379)	191,183	228,350
Net position, beginning of year	4,600,148	2,191,155	(1,052)	2,179,591	4,599,096	4,370,746
Adjustment due to GASB 75 implementation	42,162	—	—	—	42,162	—
Restatement due to change in accounting principles, Note 23	412,537	2,530,801	(412,537)	(2,530,801)	—	—
Net position, beginning of year as restated	5,054,847	4,721,956	(413,589)	(351,210)	4,641,258	4,370,746
Net position, end of year	$5,260,602	$ 5,012,685	$ (428,161)	$ (413,589)	$4,832,441	$ 4,599,096

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

Governmental Activities – As of June 30, 2018, the net position of governmental activities showed a deficit of $428.2 million. This consists of a deficit during the fiscal year of $14.6 million and restated beginning net position (deficit) of $413.6 million. The deficit condition was largely a result of the net liabilities (assets other than AUC, less liabilities) of the 2000 Measure A Program, after the transfer of its AUC to VTA Transit and BART Operating. The transfer of 2000 Measure A from enterprise to governmental caused a restatement in the beginning net position due to change in accounting principles. Major elements of changes in net position were as follows:

- 2000 Measure A Special Revenue Fund is used to account for the 2000 Measure A Transit Improvement Program funded through one-half cent sales tax as approved in an election by voters of County of Santa Clara requiring that sales tax revenues be expended on projects included in the scope of 2000 Measure A. In FY 2018, 2000 Measure A Program Fund was reclassified from enterprise to governmental, causing related AUC to be transferred to VTA Transit and BART Operating. The deficit net change for the year was largely due to the transfer out of AUC to VTA Transit and BART Operating funds of $192.7 million, 2000 Measure A Operating Assistance of $43.1 million, and Measure A Repayment Obligation for debt service of $14.9 million. The governmental activities schedule for FY 2017 was restated for comparability purposes.

- 2016 Measure B Program Special Revenue Fund was created, upon approval of the Santa Clara County voters in November 2016, to record a 30-year half cent countywide sales tax transactions in support of enhancing transit, highways, expressway and active transportation (bicycles, pedestrians and streets). The collection of the sales tax started in April 2017. The sales tax apportionment since its inception amounted to $255.1 million and formed part of the liability as the Measure is presently facing legal challenge. The negative fund balance of $1.7 million represents fees associated with the election and establishment of the escrow fund.

- In the Congestion Management Program (CMP) Special Revenue Fund, total revenue sources were $6.1 million, an increase of $1.2 million from the $4.9 million in FY 2017. This is primarily due to the increase in eligible activities funded by the Surface Transportation Program grant and Senate Bill 83/Vehicle Registration Fee Fund. Other revenue sources of CMP include member assessments, and various federal, state and local grant. Total expenditures were $5.6 million, an increase of $168 thousand from FY 2017. The increment was due primarily to an increase in Contribution to other agencies, and labor cost that was partly offset by a decline in professional services. The decline in professional services rendered by the iTEAM (a partnership with Caltrans with efforts focused on local assistance, project delivery, and traffic engineering/innovative transportation solutions) caused a related increase in VTA labor because one position that charged 50% to the CMP was converted from a consultant position to VTA staff during the year. The increase in Contribution to Other Agencies was caused by increased activities in projects that availed of CMP funding (such as the Virtual Transit Ride Visualization Application, Survey and Data Collection, and Traffic Analysis Software Procurement). The change in fund balance was an increase of $556 thousand.

- In the Congestion Management and Highway Program (CMHP) Capital Projects Funds, total grant revenues and capital expenditures were $16.6 million. Starting in FY 2017, 1996 Measure B Highway Fund, for purposes of winding down its affairs, formed part of the CMHP Fund. The growth of $4.8 million in grant revenues is attributed to increased activities on certain grant-funded projects such as the Silicon Valley Express Lanes - US101/SR85, Phase III; and Improvements to on/off ramps at Mathilda Road.

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

Enterprise Funds – VTA's enterprise funds report the activities of its transit operations, BART Operating, Express Lanes Program, and the Joint Development Program. The 1996 Measure B Transit was reflected as part of VTA Transit Fund starting in FY 2017.

			Change	
			Favorable/(Unfavorable)	
Enterprise Funds Revenue	**2018**	**2017[a]**	**Amount**	**Percent**
Charges for services	$ 42,434	$ 40,194	$ 2,240	5.57 %
Operating grants	130,919	115,191	15,728	13.65 %
Capital grants	58,259	38,713	19,546	50.49 %
1976 half-cent sales tax	207,589	209,005	(1,416)	(0.68)%
BART Operating Sales Tax	49,791	50,024	(233)	(0.47)%
Investment earnings	3,072	1,952	1,120	57.38 %
Other income	2,821	4,609	(1,788)	(38.79)%
Transfers in	250,769	340,682	(89,913)	(26.39)%
Total	$ 745,654	$ 800,370	$ (54,716)	(6.84)%

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

Charges for Services – In the VTA Transit, Express Lanes and Joint Development funds, charges for services which were derived from bus farebox receipts, light rail ticket sales, sale of monthly passes (including SmartPass, tokens, and convention passes), paratransit fares, toll fees, advertising income, and joint development rent were, $42.4 million in FY 2018. Charges for Services increased by $2.2 million or 5.57% from FY 2017. Passenger fares from transit were higher by $800 thousand due to an increase in the fare rate structure adopted in January 2018, and additional revenue derived from augmented light rail services related to events held at the Levi's Stadium. FY 2018 paratransit revenue was higher by $980 thousand. The prior year recognized only a portion of the full year's revenue as VTA took over the administration from an external contractor in November 2016. Prior to this period, paratransit revenues were offset against paratransit costs. In FY 2018, paratransit revenues of $2.04 million represents an entire year of paratransit revenue. There were also paratransit programs that were negotiated at a higher trip rate or initiatives that were newly implemented in FY 2018. Advertising and other revenues reported a net increase of $429 thousand attributed primarily from higher monthly minimum guaranteed payment from bus advertising vendor and increased property rental income from Joint Development.

Operating Grants – VTA Transit Operating grants include Transportation Development Act (TDA), State Transit Assistance (STA), Federal Section 5307 Urbanized Formula Program Grants, Federal

Section 5311 Formula Grants for Other than Urbanized Areas, state vehicle license fees (AB434), Peninsula Family Services, Discover Opportunities in Transit Program and Job Access Reverse Commute. In FY 2018, total operating grants increased $15.7 million or 13.7% from the FY 2017 level. There was an increase in State Transit Assistance (STA) revenue of $12.1 million, primarily a result of additional allocation for mid-year overhaul of light rail fleet, and rise of diesel prices during the year. There was also an increase in the Transportation Development Act (TDA) revenue of $3.6 million.

TDA funds are derived from a quarter-cent sales tax levied by the state on taxable transactions occurring in the Santa Clara County. The Metropolitan Transportation Commission (MTC) retains a portion of these funds for administration and approximately 94.53% is returned to the source county (i.e., Santa Clara). After sales tax derived from local measures, TDA revenue is VTA's second largest source of revenue for operations. For FY 2018, the actual TDA receipts were $103.1 million. This is $3.6 million or 3.7% increase over the prior fiscal year as the taxable sales activity in the county improved in FY 2018.

STA funds are derived from state sales tax on diesel fuel. STA apportionments are made to regional transportation planning agencies (Metropolitan Transportation Commission in the San Francisco Bay Area Region) based on a formula that allocates 50% of the funds according to population and 50% according to the transit operator's qualified revenues compared to all transit operators statewide from two years prior to the fiscal year of allocation. In FY 2018, VTA received $21.1 million compared to the $9.0 million in FY 2017. The increase in STA was largely a result of additional allotment for mid-year overhaul of light rail fleet. The higher diesel price was also a factor in making more revenues flow into the STA Program.

Federal Section 5307 consists of Americans with Disabilities Act (ADA) Operating Assistance. ADA Operating set aside funds are used for paratransit activities, a mandated service that VTA provides to residents of Santa Clara County. This federal assistance grant remained generally constant at $3.8 million.

Capital Grants – Capital grants appear under VTA Transit and Joint Development Funds. In the VTA Transit Fund, capital grants include Federal Transit Administration (FTA) Federal Sections 5307, 5337, 5339 and Federal Security; other federal pass-throughs; Proposition 1B; Transportation for Clean Air, and various State transit-related capital grants; capital contributions from local agencies, and reimbursements received by VTA for capital expenses undertaken on behalf of other agencies. Total capital grants increased $19.5 million or 50.5% to $58 million. This is primarily due to the increase in grant-funded activities relating to the bus procurement and rail replacement projects.

1976 Half-Cent Sales Tax Revenues – The 1976 Sales Tax is VTA's single largest source of revenue for operations under the VTA Transit Fund. The California Department of Tax and Fee Administration (CDTFA) collects the 1976 Sales Tax for VTA. The 1976 Sales Tax Revenues pay the operating expenses and capital expenditures, where state or federal capital assistance programs require that the recipient of assistance contribute locally-derived revenues. For FY 2018, total sales tax revenues were $207.6 million, a $1.4 million or 0.7% decrease compared to the prior fiscal year's sales tax revenue. While the California Department of Tax and Fee Administration acknowledged that the sales tax allocation for the fiscal year was incomplete and anticipated additional sales tax to be apportioned in subsequent distributions, VTA followed the guidelines of GASB 33 on Derived Tax Revenue Transactions and did not accrue any sales tax revenues in addition to the sales tax revenues it received for the year.

BART Operating – In November 2008, county residents passed 1/8-cent sales tax to fund the operating and maintenance costs of the BART Extension. Collection of the tax which will be for a period not to exceed 30 years, took effect on July 1, 2012. In FY 2018, total sales tax revenue under the BART Operating Fund was $49.8 million, a $0.2 million or 0.4% decline compared to last year. Similar to 1976 Half-cent Sales Tax, no additional accruals were made although the State admitted that sales tax returns were not completely processed during the year.

Investment Earnings – The investment earnings are derived from three primary sources: short, mid, and long-term investment portfolios. Investment earnings were primarily recorded under VTA Transit Fund. Pursuant to VTA's adopted investment policy and California Government Code, 100% of surplus assets are invested in domestic fixed income investments. Investment income increased by $1.1 million, a result of higher interest income of $2.4 million prompted by higher interest rate. This was offset by a change in trading loss of $0.8 million and mark to market loss of $0.5 million in FY 2018.

Other income - This includes revenues from permit fees, property rental, proceeds from sale of fixed assets, parking citations and other non-operating activities. The decrease of $1.8 million was a result of receipts from prior year that did not happen again in FY 2018. This included receipts from Comerica lease termination, donated land at Whisman Station Park-and-Ride lot, insurance proceeds for a bus that was involved in an accident and grant reimbursement pertaining to Underground Tank Storage.

Transfers in - FY 2018 reported a total transfer in of $250.7 million. It included a transfer in of $192.7 million of Asset under Construction (AUC) from 2000 Measure A Program Fund to VTA Transit Fund and BART Operating Fund, due to a change in accounting structure of 2000 Measure A Program Fund from enterprise to governmental. The transfers in to VTA Transit Fund included primarily the cost of the parking garages, Bus Rapid Transit, Santa Clara Pocket Track and Bus Stop Improvements. The $43.1 million of Operating Assistance from 2000 Measure A and $14.9 million of Measure A

Repayment Obligation for debt service also formed part of the transfers in to VTA Transit Fund. The transfers in from 2000 Measure Program Fund to BART Operating included largely assets under construction from the Silicon Valley Berryessa Extension and BART vehicle procurement projects. The restated 2017 schedule showed a transfer in of $340.7 million, consisting of $287 million AUC transfer from 2000 Measure A, $38.5 million Measure A Operating Assistance and $15.2 million Measure A Repayment Obligation.

Comparison of
Enterprise Funds Expenses
FY 2018 and FY 2017
(In thousands)

Enterprise Funds Expenses	2018	2017 [1]	Change Positive/(Negative) Amount	Change Positive/(Negative) Percent
Operations and support services	$ 508,796	$ 481,509	$ (27,287)	(5.67)%
Caltrain and ACE subsidy	12,350	11,660	(690)	(5.92)%
Other expenses	14,973	14,399	(574)	(3.99)%
Total	$ 536,119	$ 507,568	$ (28,551)	(5.63)%

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

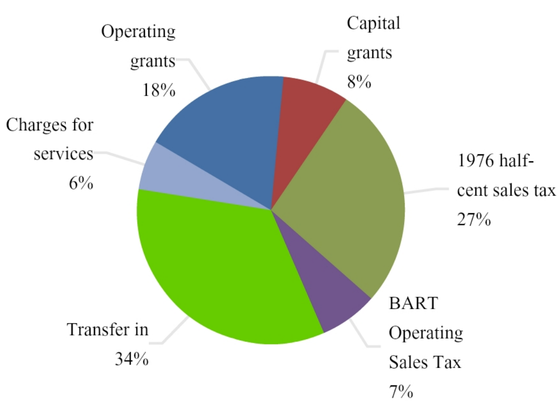
Operations and Support Services – This includes labor and fringe, materials, support services, insurance, purchased transportation and other overhead costs incurred primarily for bus and light rail operations, services and support programs in VTA Transit, BART Operating, Express Lanes and Joint Development funds. For FY 2018, operations and support services expense was $27 million or 5.7% higher compared to that of FY 2017. Labor and fringe benefits, net of costs allocated to capital and other programs, increased by $19.2 million, largely due to wage increase in accordance with the provisions of the various collective bargaining agreements. The GASB 68-required pension expense recognition pertaining to CALPERS and ATU increased as a result of changes in assumptions in the actuarial estimate. CALPERS actuarial calculation used a reduced discount rate of 7.15%, as opposed to 7.65% the prior year. ATU actuarial calculation was based on revised demographic assumptions following a comprehensive experience study. The $3 million rise in materials and supplies was a result of increase in parts usage from ongoing light rail vehicle midlife overhaul. Service increase of $3 million resulted from a security contract amendment with Santa Clara County Sheriff’s Office to augment staffing, and increase in activities of projects involving repairs and rehabilitation (such as roofing, and pavement/painting management programs), as well as feasibility studies conducted on transit properties (such as facilities assessment, condition assessment for bus/rail infrastructure, and Diridon Station intermodal conceptual plan). General liability insurance was up by $4 million to provide the actuarially-required reserves as of June 30, 2018. This year included a provision for Employment Practices Liability relating to issues affecting California Public Employees' Pension Reform Act (PEPRA). Purchased transportation cost decreased in FY 2018 by $2 million. This was a result of decrease in passenger trips and receipt of liquidated damages paid by the contractor for unacceptable performance, which offset the paratransit cost.

Caltrain and Altamont Corridor Express (ACE) Subsidy – Caltrain is a commuter rail service, provided by the Peninsula Corridor Joint Powers Board (PCJPB), which consists of 3 member agencies: VTA, San Mateo County Transit District (SamTrans) and City and County of San Francisco. VTA contributes a portion of Caltrain operating and maintenance costs for commuter train service from Santa Clara County to San Francisco. Operating subsidy to Caltrain under the VTA Transit Fund was $9.0 million in FY 2018; $577 thousand more than the contribution in FY 2017.

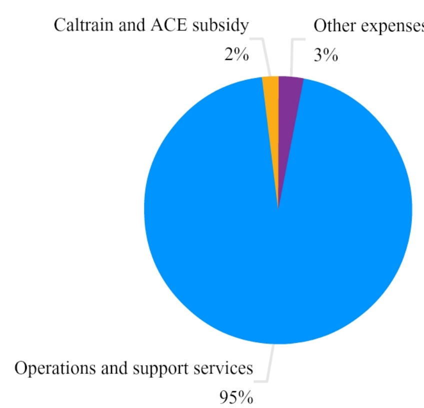
The ACE is administered by and funded under a cooperative agreement among VTA, the Alameda County Congestion Management Agency and the San Joaquin Regional Rail Commission (SJRRC). VTA's subsidy to ACE commuter rail service under the VTA Transit Fund totaled $3.4 million in FY 2018; $113 thousand more than the contribution in FY 2017. The annual subsidy was based on the joint power agreement with these agencies.

Other Expenses - Other expense increased by $0.6 million mainly due to increase in Capital Contributions to/or Expenses on Behalf of Other Agencies. As part of its capital program, VTA makes capital contribution to or undertakes capital projects jointly with other agencies. As the ownership of these capital assets does not rest with VTA, these capital expenses are reported as non-operating expenses on its financial statements. FY 2018 was the first year when the Express Lanes Fund started contributing to the SR237 Express Lanes project under the Congestion Management Highway Program Fund.

Revenue by Sources
Enterprise Funds



Expenses by Categories
Enterprise Funds



Internal Service Funds – VTA maintains Internal Service Funds to account for the activities related to Workers' Compensation, General Liability, and Compensated Absences programs. The costs of these activities are accounted for in these funds and then charged to VTA Transit Fund. As of June 30, 2018, the total deficit for this fund category, associated entirely from the Compensated Absences program (specifically, relating to vacation leave balances of ATU employees which lapse at the end of the calendar year), was $12.5 million and funded by VTA Transit's FY 2019 operating budget. The increase from the prior year's deficit of $8.8 million is largely a result of revising the formula in calculating the compensated absences liability. Worker's compensation (ATU and administrative personnel) and pension contribution rates (for ATU) were included this year in the related fringe of the vacation and sick leave balances reported under the Compensated Absences fund.

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

Special Revenue Fund – This fund accounts for the activities of the 2000 Measure A Program, the 2016 Measure B Program and Congestion Management Program. FY 2018 is the initial year when the 2000 Measure A Program was reclassified from enterprise to governmental. FY 2017 was restated to be comparable with FY 2018 results.

CMP projects were funded from member assessments and various federal, state, and local grants. The 2016 Measure B Program Fund was created in FY 2017, upon approval of the Santa Clara County voters in November 2016, to record a 30-year half cent countywide sales tax transactions in support of enhancing transit, highways, expressway and active transportation (bicycles, pedestrians and streets). Since inception of the 2016 Measure B Program Fund, sales tax advances formed part of the liability as the Measure continues to undergo legal challenge. The 2000 Measure A Program Fund was created to report on the activities pertinent to the Measure A ballot approved in November 2000. Starting FY 2018, this fund was categorized from enterprise to governmental. For FY 2018, total sales tax revenues were $207.9 million, a $0.8 million or 0.38% decrease compared to the prior fiscal year's sales tax revenue.

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

Comparison of Special Revenue Fund
FY 2018 and FY 2017
(In thousands)

Special Revenue Fund	2018	2017 *	Change Favorable/(Unfavorable) Amount	Percent
	Total	Total		
Sales tax revenue	$ 207,870	$ 208,672	$ (802)	(0.38)%
Federal grant revenues	61,359	110,762	(49,403)	(44.60)%
State and local grants	21,249	41,566	(20,317)	(48.88)%
Federal subsidy for Build America Bonds	8,784	8,753	31	0.35 %
Investment earnings	2,813	2,411	402	16.67 %
Assessment to member agencies	2,528	2,407	121	5.03 %
Other revenues	760	531	229	43.13 %
Administrative fees	136	142	(6)	(4.23)%
Total revenues	305,499	375,244	(69,745)	(18.59)%
Contribution to agencies	(54,319)	(79,670)	25,351	31.82 %
Debt Service:				
Principal	(29,530)	(28,160)	(1,370)	(4.87)%
Interest	(10,107)	(10,721)	614	5.73 %
Salaries and benefits	(4,632)	(4,251)	(381)	(8.96)%
Other expenditures	(1,452)	(2,352)	900	38.27 %
Professional services	(817)	(2,721)	1,904	69.97 %
Materials and services	(14)	(19)	5	26.32 %
Total expenditures	(100,871)	(127,894)	27,023	21.13 %
Transfers out	(250,769)	(340,682)	89,913	26.39 %
Change in fund balances	(46,141)	(93,332)	47,191	50.56 %
Fund balances, beginning of year	2,404,201	2,179,591	224,610	10.31 %
Long-term liabilities which are not due and payable in the current period	—	943,172	(943,172)	
Restatement due to change in accounting principles, Note 23	(1,905,570)	(2,530,801)	625,231	
Fund balances, beginning of year as restated	498,631	591,962	(93,331)	
Fund balances, end of year	$ 452,490	$ 498,630	$ (46,140)	(9.25)%

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

Total revenues under the Special Revenue Fund include primarily sales tax, grants, investment earnings, and member assessments. This was reported at $305.5 million in FY 2018, a decrease of $69.7 million from the preceding year. This is largely a result of reduced grant-funded activities in the Berryessa Extension and Alum Rock/Santa Clara BRT projects under the 2000 Measure A Program.

In FY 2018, 2000 Measure A Fund reported Federal Subsidy for Build America Bonds (BABs) subsidy of $8.8 million. This remained generally constant with what was received in FY 2017. In FY 2011, VTA issued 2010 Measure A Sales Tax Bonds which are taxable to the bond holders and recorded under 2000 Measure A Fund. The bonds were issued under the federal BABs program which provides a 35% interest cost subsidy to VTA. In compliance with Governmental Accounting Standards Board (GASB), VTA recognizes the BABs subsidy as an income item in its financial statements.

Total expenditures were $100.9 million, a decrease of $27.0 million from FY 2017. The decrease is primarily a result of reduction in contribution to other agencies of the 2000 Measure A Program, and professional services of 2016 Measure B Program and Congestion Management Program (CMP). VTA contributes to capital projects which generate assets that would ultimately end up being owned by another entity. This includes Montague Reconstruction and Hayward Maintenance Complex projects under the 2000 Measure A Program. The decrease in capital contributions or expenses on behalf of other agencies was a result primarily of a decline in activities on these projects. The drop in professional services was due to one-time expenses in the prior year relating to the 2016 Measure B program for fees associated with the election and establishment of escrow fund.

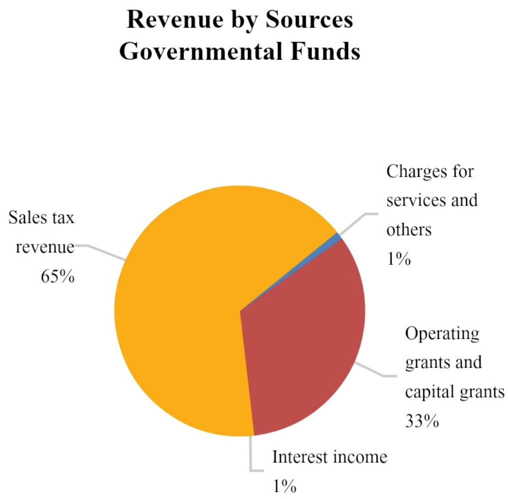
Capital Projects Fund – This fund accounts for Congestion Management and Highway Program. The following table shows the breakdown of changes in fund balance between the current and prior fiscal years.

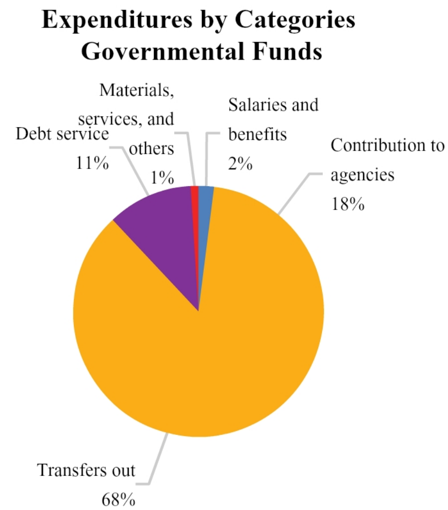
Comparison of
Capital Project Funds
FY 2018 and FY 2017
(In thousands)

			Change Favorable/(Unfavorable)	
Capital Projects Funds	**2018**	**2017**	**Amount**	**Percent**
Federal, State, and local capital grant revenues	$ 16,565	$ 11,763	$ 4,802	40.82 %
VTA labor and overhead costs	(2,696)	(1,877)	(819)	(43.63)%
Capital expenditures on behalf of other agencies	(13,869)	(9,886)	(3,983)	(40.29)%
Change in fund balances	$ —	$ —	$ —	

For FY 2018, total revenues were $16.6 million which represent the total amount expended on the projects and fully funded by other governmental agencies. Starting FY 2017, activities for the year of the 1996 Measure B Highways formed part of the Congestion Management and Highway Program Fund. The incorporation was a result of the effort to close out the affairs of the 1996 Measure B Highways Program.

The growth of $4.8 million in grant revenues and capital expenditures was attributed to increased activities on certain projects that are ramping up such as US101/SR85 Express Lanes Phase III, and Rt 237/Rt 101 Mathilda Interchange projects.





Capital Assets and Debt Administration

Capital assets – VTA's investment in capital assets is entirely in its business-type activity since VTA has no capital assets invested in the governmental activities. As of June 30, 2018, investment in capital assets net of accumulated depreciation, amounts to $5.0 billion. This investment in capital assets includes Land and Right-of-Way, Buildings, Improvements, Equipment & Furniture, Vehicles, Caltrain Access, the Caltrain-Gilroy Extension, Light Rail Tracks/Electrification, Leasehold Improvements, and Other Operating Equipment. During FY 2018, VTA acquired and constructed $277.3 million of capital assets.

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

	2018	2017
Land and Right-of-way	$ 1,126,872	$ 1,126,872
Construction in Progress	3,131,777	2,906,098
Caltrain Access	1,322	2,203
Buildings & Improvements Equipment & Fixtures	252,102	264,406
Vehicles	329,483	316,847
Caltrain-Gilroy Extension	25,150	26,460
Light Rail Tracks/Electrification	110,567	124,313
Other Operating Equipment	3,052	3,831
Leasehold Improvements	5,005	5,447
Total	$ 4,985,330	$ 4,776,477

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

Long-term debt – At year end, VTA has $1.03 billion bonds outstanding. For FY 2018, the total principal debt payment made was approximately $75.3 million while the total amortization of the bond premium was $3.4 million.

Outstanding Debt
(In thousands)

	2018	2017
Business-type Activities:		
Sr. Lien Sales Tax Revenue Bonds (1976 Tax)	$ 154,230	$ 168,877
Secured by Toll Revenues	2,126	—
Governmental Activities:		
Sr. Lien Sales Tax Revenue Bonds (2000 Tax)	870,348	901,545
Total	**$ 1,026,704**	**$ 1,070,422**

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

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

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

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

Requests for Information

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

BASIC FINANCIAL STATEMENTS

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SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Statement of Net Position
June 30, 2018
(In thousands)

	Business-Type Activities	Governmental Activities	Total
ASSETS:			
Cash and investments	$ 619,386	$ 405,906	$ 1,025,292
Receivables, net	4,978	174	5,152
Internal balances	880	(880)	—
Due from other agencies	85,798	112,767	198,565
Inventories	35,472	—	35,472
Other current assets	1,193	1	1,194
Restricted cash and investments	6,023	274,073	280,096
Net OPEB asset	66,378	—	66,378
Capital assets:			
Capital assets - nondepreciable	4,258,649	—	4,258,649
Capital assets - depreciable, net of accumulated depreciation	726,681	—	726,681
Total assets	5,805,438	792,041	6,597,479
DEFERRED OUTFLOWS OF RESOURCES:			
Hedging derivative instruments	6,023	55,579	61,602
Refunding amounts	8,151	3,822	11,973
Pension-related	88,888	—	88,888
Total deferred outflows of resources	103,062	59,401	162,463
LIABILITIES:			
Accounts payable and accrued expenses	29,361	54,897	84,258
Deposits	362	—	362
Accrued payroll and related liabilities	10,380	—	10,380
Bond interest and other fees payable	378	10,651	11,029
Unearned revenues	4,495	256,102	260,597
Other accrued expenses	52	—	52
Due to other agencies	44,066	28,552	72,618
Long-term liabilities:			
Due within one year	30,810	30,575	61,385
Due in more than one year	191,044	839,773	1,030,817
Derivative instruments	6,023	55,579	61,602
Net pension liability	319,443	—	319,443
Total liabilities	636,414	1,276,129	1,912,543
DEFERRED INFLOWS OF RESOURCES			
Pension related	3,084	—	3,084
OPEB related	8,400		8,400
Deferred amount on refunding	—	3,474	3,474
Total deferred inflows of resources	11,484	3,474	14,958
NET POSITION:			
Net investment in capital assets	4,839,251	—	4,839,251
Restricted:			
1996 Measure B projects	1,670	—	1,670
Swap collateral	6,023	55,579	61,602
Debt service	2,217	—	2,217
Congestion management program	—	1,167	1,167
Unrestricted (Note 2j)	411,441	(484,907)	(73,466)
Total net position	$ 5,260,602	$ (428,161)	$ 4,832,441

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Statement of Activities
For the year ended June 30, 2018
(In thousands)

	Business-Type Activities	Governmental Activities	Total
	Transit	Congestion Management	
EXPENSES:			
Labor, overhead, materials and professional services and other operations	$ 495,785	$ 8,159	$ 503,944
Capital expenses on behalf of, and contribution to other agencies	7,344	68,188	75,532
Altamont Corridor Express and Caltrain subsidies	12,350	—	12,350
Other expenses	657	1,452	2,109
Claims and change in future claim estimates	17,437	—	17,437
Interest expense	6,972	8,068	15,040
Total expenses	540,545	85,867	626,412
PROGRAM REVENUES:			
Charges for services	42,434	2,664	45,098
Operating grants	130,919	107,957	238,876
Capital grants	58,259	—	58,259
Total program revenues	231,612	110,621	342,233
Net program revenues (expenses)	(308,933)	24,754	(284,179)
GENERAL REVENUES AND TRANSFERS:			
Sales tax revenue	257,380	207,870	465,250
Investment earnings	3,222	2,813	6,035
Other general revenues	3,317	760	4,077
Transfers	250,769	(250,769)	—
Total general revenues and transfers	514,688	(39,326)	475,362
Change in Net Position	205,755	(14,572)	191,183
NET POSITION, BEGINNING OF YEAR	4,600,148	(1,052)	4,599,096
Adjustment due to GASB 75 adoption	42,162	—	42,162
Adjustment due to change in accounting principles, Note 23	412,537	(412,537)	—
Net Position, beginning of year, as restated	5,054,847	(413,589)	4,641,258
Net Position, end of year	$ 5,260,602	$ (428,161)	$ 4,832,441

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Statement of Fund Net Position
Proprietary Funds
June 30, 2018
(In thousands)

	Enterprise Funds					
	VTA Transit	BART Operating	Express Lanes	Joint Development	Total Enterprise	Internal Service Fund
ASSETS:						
Current assets:						
Cash and cash equivalents	$ 27,932	$ 80	$ 171	$ 148	$ 28,331	$ 7,232
Cash and cash equivalents with fiscal agent	2,217	—	2,193	—	4,410	—
Investments	222,648	280,987	1,919	28,056	533,610	45,803
Receivables, net	4,945	—	33	—	4,978	—
Due from other funds	1,070	—	—	—	1,070	—
Due from other agencies	77,941	7,853	—	4	85,798	—
Inventories	35,472	—	—	—	35,472	—
Other current assets	1,193	—	—	—	1,193	—
Restricted investments	6,023	—	—	—	6,023	—
Total current assets	379,441	288,920	4,316	28,208	700,885	53,035
Noncurrent assets:						
Net OPEB asset	66,378	—	—	—	66,378	—
Capital assets - non-depreciable:						
Land and right of way	1,126,872	—	—	—	1,126,872	—
Construction in progress	589,220	2,541,594	—	963	3,131,777	—
Capital assets - depreciable:						
Intangible assets	2,203	—	—	—	2,203	—
Caltrain - Gilroy extension	43,072	—	—	—	43,072	—
Buildings, improvements, furniture, and fixtures	592,244	—	—	—	592,244	—
Vehicles	618,806	—	—	—	618,806	—
Light-rail tracks and electrification	418,194	—	—	—	418,194	—
Leasehold improvements	9,686	—	—	—	9,686	—
Others	48,890	—	—	—	48,890	—
Less accumulated depreciation	(1,006,414)	—	—	—	(1,006,414)	—
Net capital assets	2,442,773	2,541,594	—	963	4,985,330	—
Total noncurrent assets	2,509,151	2,541,594	—	963	5,051,708	—
Total assets	2,888,592	2,830,514	4,316	29,171	5,752,593	53,035
DEFERRED OUTFLOWS OF RESOURCES:						
Hedging derivative instruments	6,023	—	—	—	6,023	—
Refunding amounts	8,151	—	—	—	8,151	—
Pension related	88,888	—	—	—	88,888	—
Total deferred outflows of resources	103,062	—	—	—	103,062	—

(continued on next page)

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Statement of Fund Net Position *(continued)*
Proprietary Funds
June 30, 2018
(In thousands)

	Enterprise Funds					
	VTA Transit	BART Operating	Express Lanes	Joint Development	Total Enterprise	Internal Service Fund
LIABILITIES:						
Current liabilities:						
Current portion of long-term debt	15,723	—	5	—	15,728	—
Accounts payable and accrued expenses	28,987	67	91	133	29,278	83
Deposits	281	—	—	81	362	—
Accrued payroll and related liabilities	10,380	—	—	—	10,380	—
Bond interest and other fees payable	378	—	—	—	378	—
Unearned revenues	4,462	—	—	33	4,495	—
Due to other funds	—	—	190	—	190	—
Due to other agencies	44,066	—	—	—	44,066	—
Other accrued expenses	52	—	—	—	52	—
Claims liability	—	—	—	—	—	3,922
Compensated absences	—	—	—	—	—	11,160
Total current liabilities	104,329	67	286	247	104,929	15,165
Non-current liabilities:						
Claims liability	—	—	—	—	—	26,605
Compensated absences	—	—	—	—	—	23,811
Long-term debt, excluding current portion	138,507	—	2,121	—	140,628	—
Derivative instruments	6,023	—	—	—	6,023	—
Net pension liability	319,443	—	—	—	319,443	—
Total non-current liabilities	463,973	—	2,121	—	466,094	50,416
Total liabilities	568,302	67	2,407	247	571,023	65,581
DEFERRED INFLOWS OF RESOURCES:						
Pension Related	3,084	—	—	—	3,084	—
OPEB Related	8,400				8,400	
Total deferred inflows of resources	11,484	—	—	—	11,484	—
NET POSITION:						
Net Investment in Capital Assets	2,296,694	2,541,594	—	963	4,839,251	—
Restricted:						
Swap collateral	6,023	—	—	—	6,023	—
Debt service	2,217	—	—	—	2,217	—
1996 Measure B projects	1,670	—	—	—	1,670	—
Unrestricted (Note 2j)	105,264	288,853	1,909	27,961	423,987	(12,546)
Total net position	$ 2,411,868	$2,830,447	$ 1,909	$ 28,924	$5,273,148	$ (12,546)

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

Net Position of Enterprise Funds	$ 5,273,148
Net Position of Internal Service Funds, which benefits Business-Type Activities	(12,546)
Net Position of Business-Type Activities (Page 2-25)	$ 5,260,602

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the year ended June 30, 2018
(In thousands)

	Enterprise Funds					
	VTA Transit	BART Operating	Express Lanes	Joint Development	Total	Internal Service Fund
OPERATING REVENUES:						
Fares - Transit	$ 34,511	$ —	$ —	$ —	$ 34,511	$ —
Fares - Paratransit	2,044	—	—	—	2,044	—
Toll revenues collected	—	—	1,297	—	1,297	—
Advertising and others	3,649	—	—	—	3,649	—
Charges for services	—	—	—	933	933	15,172
Total operating revenues	40,204	—	1,297	933	42,434	15,172
OPERATING EXPENSES:						
Labor cost	347,412	—	—	—	347,412	—
Materials and supplies	41,623	—	—	—	41,623	—
Services	37,688	260	926	1,068	39,942	—
Utilities	9,371	—	2	—	9,373	—
Casualty and liability	10,404	—	—	—	10,404	—
Purchased transportation	23,083	—	—	—	23,083	—
Leases and rentals	568	—	—	—	568	—
Miscellaneous	1,966	—	—	—	1,966	2,161
Depreciation expense	68,472	—	—	—	68,472	—
Costs allocated to capital and other programs	(34,057)	—	—	10	(34,047)	—
Claims and change in future claims estimates	—	—	—	—	—	17,437
Total operating expense	506,530	260	928	1,078	508,796	19,598
Operating income/(loss)	(466,326)	(260)	369	(145)	(466,362)	(4,426)
NON-OPERATING REVENUES (EXPENSES):						
Sales tax revenue	207,589	49,791	—	—	257,380	—
Federal operating assistance and other grants	4,230	—	—	—	4,230	—
State and local operating assistance grants	126,689	—	—	—	126,689	—
Caltrain subsidy	(8,967)	—	—	—	(8,967)	—
Capital expense on behalf of, and contribution to other agencies	(6,081)	—	(1,263)	—	(7,344)	—
Altamont Corridor Express subsidy	(3,383)	—	—	—	(3,383)	—
Investment earnings	1,547	1,316	34	175	3,072	150
Interest expense	(6,972)	—	—	—	(6,972)	—
Other income	2,821	—	—	—	2,821	496
Other expenses	(657)	—	—	—	(657)	—
Total non-operating revenue (expenses)	316,816	51,107	(1,229)	175	366,869	646
Income (loss) before capital contributions and transfers	(149,510)	50,847	(860)	30	(99,493)	(3,780)
Capital grants and contributions	58,245	—	—	14	58,259	—
Transfer in/(out)	163,962	86,807	—	—	250,769	—
Change in net position	72,697	137,654	(860)	44	209,535	(3,780)
Net position, beginning of year	1,934,006	238,006	2,769	28,880	2,203,661	(8,766)
Adjustment due to GASB 75 adoption	42,162	—	—	—	42,162	—
Adjustment due to change in accounting principles, Note 23	363,003	2,454,787	—	—	2,817,790	—
Net Position, beginning of year, as restated	2,339,171	2,692,793	2,769	28,880	5,063,613	(8,766)
Net position, end of year	$2,411,868	$ 2,830,447	$ 1,909	$ 28,924	$ 5,273,148	$ (12,546)

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

Change in net position of the Enterprise Funds	$ 209,535
Change in net position of the Internal Service Fund, which benefits Business-Type Activities	(3,780)
Change in net position of Business-type Activities (Page 2-26)	$ 205,755

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2018
(In thousands)

	Enterprise Funds					
	VTA Transit	BART Operating	Express Lanes	Joint Development	Total	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES:						
Cash received from transit fares	$ 35,299	$ —	$ —	$ —	$ 35,299	$ —
Cash received from paratransit fares	2,044	—	—	—	2,044	—
Cash received from Tolls	—	—	1,297	—	1,297	—
Cash received from advertising	3,729	—	—	—	3,729	—
Cash paid for labor costs	(290,126)	—	—	(10)	(290,136)	—
Cash paid to suppliers	(97,394)	(247)	(922)	(1,072)	(99,635)	—
Cash paid for purchased transportation	(23,083)	—	—	—	(23,083)	—
Cash received from contributions	—	—	—	—	—	15,172
Payments made to beneficiaries	—	—	—	—	—	(5,863)
Payments made to third party contractors	—	—	—	—	—	(972)
Other receipts/(payments)	—	2	16	851	869	—
Net cash provided by/(used in) operating activities	(369,531)	(245)	391	(231)	(369,616)	8,337
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Operating grants received	115,677	—	—	—	115,677	—
Sales tax received	212,072	51,168	—	—	263,240	—
Caltrain subsidy	(8,967)	—	—	—	(8,967)	—
Altamont Corridor Express subsidy	(3,383)	—	—	—	(3,383)	—
Capital contributions to other agencies	(9,943)	—	(1,073)	—	(11,016)	—
Net cash provided by/(used in) non-capital financing activities	305,456	51,168	(1,073)	—	355,551	—
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Payment of long-term debt	(47,474)	—	—	—	(47,474)	—
Proceeds from issuance of long-term debt	32,827	—	2,126	—	34,953	—
Advance (to)/from other governments	(2,385)	—	—	—	(2,385)	—
Interest and other fees paid on long-term debt	(6,491)	—	—	—	(6,491)	—
Acquisition and construction of capital assets	(84,365)	—	—	(279)	(84,644)	—
Capital contribution from other entities	47,340	—	—	14	47,354	—
Transfer in	58,069	—	—	—	58,069	—
Net cash provided by/(used in) capital and related financing activities	(2,479)	—	2,126	(265)	(618)	—
CASH FLOWS FROM INVESTING ACTIVITIES:						
Proceeds from sale of investments	510,035	414,788	4,835	47,807	977,465	77,327
Purchase of investments	(451,444)	(470,388)	(4,367)	(47,965)	(974,164)	(81,781)
Interest income received	3,016	4,260	55	483	7,814	413
Net cash provided by/(used in) investment activities	61,607	(51,340)	523	325	11,115	(4,041)
Net increase/(decrease) in cash and cash equivalents	(4,947)	(417)	1,967	(171)	(3,568)	4,296
Cash and cash equivalents, beginning of year	35,096	497	397	319	36,309	2,936
Cash and cash equivalents, end of year	$ 30,149	$ 80	$ 2,364	$ 148	$ 32,741	$ 7,232

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Statement of Cash Flows
Proprietary Funds *(continued)*
For the year ended June 30, 2018
(In thousands)

	Enterprise Funds					
	VTA Transit	BART Operating	Express Lanes	Joint Development	Total	Internal Service Fund
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY/ (USED IN) OPERATING ACTIVITIES						
Operating income/(loss)	$ (466,326)	$ (260)	$ 369	$ (145)	$ (466,362)	$ (4,426)
Adjustments to reconcile operating income (loss) to net cash provided by/(used in) operating activities:						
Depreciation	68,472	—	—	—	68,472	—
Changes in operating assets and liabilities:						
Other current assets	43	—	—	—	43	—
Receivables	(106)	—	6	(4)	(104)	—
Inventories	(20)	—	—	—	(20)	—
Accounts Payable	3,709	15	16	—	3,740	—
Other accrued liabilities	(140)	—	—	—	(140)	12,763
Deposits from others	478	—	—	—	478	—
Unearned Revenue	974	—	—	(82)	892	—
Pension related	23,385	—	—	—	23,385	—
Net cash provided by/(used in) operating activities	$ (369,531)	$ (245)	$ 391	$ (231)	$ (369,616)	$ 8,337
Reconciliation of cash and cash equivalents to the Statement of Fund Net Position:						
Unrestricted:						
Cash and cash equivalents	$ 27,932	$ 80	$ 171	$ 148	$ 28,331	$ 7,232
Cash and cash equivalents with fiscal agent	2,217	—	2,193	—	4,410	—
	$ 30,149	$ 80	$ 2,364	$ 148	$ 32,741	$ 7,232
NONCASH ACTIVITIES:						
Increase/(Decrease) in fair value of investments	$ (2,011)	$ (2,944)	$ (21)	$ (308)	$ (5,284)	$ (263)
Noncash capital contributions	14,072	—	—	—	14,072	—
Amortization expense of Caltrain Access Fee	(882)	—	—	—	(882)	—
Total non-cash activities	$ 11,179	$ (2,944)	$ (21)	$ (308)	$ 7,906	$ (263)

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Balance Sheet
Governmental Funds
June 30, 2018
(In thousands)

	Special Revenue Funds			Capital Projects Fund	
	2000 Measure A Program	2016 Measure B Program	Congestion Management Program	Congestion Management & Highway Program	Total Governmental Funds
ASSETS:					
Cash and cash equivalents	$ 643	$ —	$ 371	$ 15,269	$ 16,283
Investments	387,994	—	—	1,629	389,623
Accounts receivables	—	174	—	—	174
Due from other funds	705	—	—	90	795
Due from other agencies	72,198	33,235	972	6,362	112,767
Other assets	1	—	—	—	1
Restricted cash with fiscal agent	51,392	222,681	—	—	274,073
Total assets	$ 512,933	$ 256,090	$ 1,343	$ 23,350	$ 793,716
LIABILITIES:					
Accounts payable	$ 51,203	$ —	$ 60	$ 3,634	$ 54,897
Unearned revenue	6	256,090	—	6	256,102
Due to other funds	—	1,663	12	—	1,675
Due to other agencies	8,738	—	104	19,710	28,552
Total liabilities	59,947	257,753	176	23,350	341,226
FUND BALANCES:					
Restricted	452,986	—	1,167	—	454,153
Unassigned	—	(1,663)	—	—	(1,663)
Total fund balances	452,986	(1,663)	1,167	—	452,490
Total liabilities and fund balances	$ 512,933	$ 256,090	$ 1,343	$ 23,350	$ 793,716

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

Amounts reported for governmental activities in the Statement of Net Position (page 2-25) are different because:

Total governmental fund balance (page 2-32)		$ 452,490
Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore, are not reported in the fund:		
Long-term debt	(870,348)	
Derivative instruments	(55,579)	
Deferred Inflows	(3,474)	
Deferred Outflows	59,401	(870,000)
Interest Payable on bonds outstanding is not due and payable in the current period, and therefore, is not reported in the funds		(10,651)
Net position of government activities (page 2-25)		$ (428,161)

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2018
(In thousands)

	Special Revenue Funds			Capital Projects Fund	
	2000 Measure A Program	2016 Measure B Program	Congestion Management Program	Congestion Management & Highway Program	Total Governmental Funds
REVENUES:					
Sales tax revenue	$ 207,870	$ —	$ —	$ —	$ 207,870
Assessment to member agencies	—	—	2,528	—	2,528
Administrative fees	—	—	136	—	136
Federal grant revenues	59,181	—	2,178	1,347	62,706
State and local grants	20,304	—	945	15,218	36,467
Federal subsidy for Build America Bonds	8,784	—	—	—	8,784
Investment earnings	2,811	—	2	—	2,813
Other revenues	414	—	346	—	760
Total revenues	299,364	—	6,135	16,565	322,064
EXPENDITURES:					
Congestion Management - Current					
Labor and overhead costs	—	—	4,632	2,696	7,328
Professional services	—	—	817	—	817
Materials and services	—	—	14	—	14
Contribution to agencies	54,203	—	116	—	54,319
Capital expenditures on behalf of other agencies	—	—	—	13,869	13,869
Other expenditures	1,452	—	—	—	1,452
Debt Service:					
Principal	29,530	—	—	—	29,530
Interest	10,107	—	—	—	10,107
Total expenditures	95,292	—	5,579	16,565	117,436
Excess (deficiency) of revenues over expenditures	204,072	—	556	—	204,628
OTHER FINANCING SOURCES & USES					
Transfers out	(250,769)	—	—	—	(250,769)
Net change in fund balances	(46,697)	—	556	—	(46,141)
Fund balances, beginning of year	2,405,253	(1,663)	611	—	2,404,201
Restatement due to change in accounting principles, Note 23	(1,905,570)	—	—	—	(1,905,570)
Fund balances, beginning of year, as restated	499,683	(1,663)	611	—	498,631
Fund balances, end of year	$ 452,986	$ (1,663)	$ 1,167	$ —	$ 452,490

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

Amounts reported for governmental activities in the Statement of Activities (page 2-26) are different because:		
Net change in fund balances - total governmental funds (page 2-33)		$ (46,141)
Repayment of debt service is an expenditure in the governmental funds, but reduces the long-term liabilities		29,530
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore, are not reported as expenditure in the governmental funds		
Amortization of bond premium	1,667	
Amortization of gain on refunding debt	196	
Amortization of loss on refunding debt	(212)	
Change in accrued interest payable	388	2,039
Change in net position of governmental activities (page 2-26)		$ (14,572)

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2018
(In thousands)

	ATU Pension, ATU Medical & OPEB Trust Funds	Agency Funds
ASSETS:		
Cash and investments:		
Cash and cash equivalents	$ 2,967	$ 4,317
Corporate Bonds	84,418	—
U.S. Government securities	37,369	—
U.S. Agency notes	65,147	—
Equity Based	140,151	—
Mutual funds	570,441	—
Money Market Funds	5,009	—
Investment Pool	—	30,546
Receivables	1,315	—
Due from other agencies	11	—
Total assets	$ 906,828	$ 34,863
LIABILITIES:		
Accounts payable	$ 507	$ 645
Unearned revenues	30	—
Program payable	—	34,218
Total liabilities	537	$ 34,863
NET POSITION:		
Restricted for:		
ATU Pension benefits	561,352	
Retiree medical benefits	315,370	
ATU Retiree spousal medical benefits	17,517	
ATU Retiree dental and vision benefits	12,052	
Total net position	$ 906,291	

See Accompanying Notes to Basic Financial Statements

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Statement of Changes in Fiduciary Net Position
For the year ended June 30, 2018
(In thousands)

		ATU Pension, ATU Medical & OPEB Trust Funds
ADDITIONS:		
Employee contributions	$	4,719
Employer contributions		28,524
Total contributions		33,243
Investment earnings:		
Investment income		125,791
Net change in the fair value of investments		(51,868)
Investment expense		(2,755)
Net investment earnings		71,168
Total additions		104,411
DEDUCTIONS:		
Benefit payments		55,823
Services		19
Administrative expenses		512
Total deductions		56,354
Change in net position		48,057
Net position, beginning of year		858,234
Net position, end of year	$	906,291

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 1 – THE FINANCIAL REPORTING ENTITY

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation

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

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

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

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

- The VTA Transit Fund accounts for the transit operations of VTA. The primary sources of funding for transit operations are the TDA, one-half cent sales tax, farebox collections, and federal/state grants. Starting in FY 2017, the 1996 Measure B Transit activities were incorporated in VTA Transit Fund as the affairs of the program continue to wind down. The 1996 Measure B Transit accounted for sales tax collected from all the 1996 Measure B Transit Improvement Program. In FY 2018, due to a change in reporting structure of the 2000 Measure A Fund from enterprise to governmental, related assets under construction were transferred to either VTA Transit Fund or BART Operating Fund.
- The BART Operating Fund is used to account for the 1/8-cent sales tax approved in an election by voters of County of Santa Clara requiring that sales tax revenues be expended on operations, maintenance, improvement and future capital needs of the 16.1 mile VTA's BART Silicon Valley Extension. The change in reporting structure of 2000 Measure A Fund from enterprise to governmental in FY 2018 caused the related assets under construction to be transferred to either VTA Transit Fund or BART Operating Fund.
- The Express Lanes Fund is used to account for operations of the 237/880 Express Lanes. The primary source of funding for the operations is toll revenues.
- The Joint Development Fund is used to set aside the proceeds generated from VTA's Joint Development Program, whose mission is to maximize the economic value of the agency's real estate assets through site-appropriate development. The aggregated funds may be appropriated for the continued operation and development of VTA through formal action by the VTA Board of Directors.

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

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

- The 2016 Measure B Special Revenue Fund is used to account for the 2016 Measure B Program funded through one-half cent sales tax approved in an election by voters of County of Santa Clara requiring that sales tax revenues be expended on enhancing transit, highways, expressways and active transportation (bicycles, pedestrians and complete streets).
- The 2000 Measure A Special Revenue Fund is used to account for the 2000 Measure A Transit Improvement Program funded through one-half cent sales tax as approved in an election by voters of County of Santa Clara requiring that sales tax revenues be expended on projects included in the scope of 2000 Measure A. In FY 2018, the 2000 Measure A Fund was reclassified from enterprise to governmental. This resulted in Assets Under Construction to be transferred from this fund to either VTA Transit Fund or BART Operating Fund. Repayment of debt service is an expenditure in the governmental fund, and not a reduction of liabilities in the Statement of Activities. Certain expenses (like amortization of bond premium, and gain/loss from refunding debt) are not reported as expenditures in the governmental fund.
- The Congestion Management Program Special Revenue Fund is used to account for the congestion management planning, programming, and development services for Santa Clara County. Major sources of revenue for this fund are member agency assessments, and federal and state grants.
- The Congestion Management and Highway Program Capital Projects Fund (CMHP) is used to account for the acquisition of capital assets and construction of highway projects administered on behalf of State and other local governments. Starting in FY 2017, CMHP Fund incorporated the activities of 1996 Measure B Highway Program Capital Projects as the program continues to wind down.

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

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

(b) Basis of Accounting and Measurement Focus

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

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

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

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

(c) Cash and Investments

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

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

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

(d) Inventories

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

(e) Restricted Assets

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

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

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

(g) Capital Assets

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

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

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

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

Interest is capitalized on construction in progress. Accordingly, interest that is capitalized is the total interest cost from the date of the borrowing until the specified asset is ready for its intended use. In the current year, VTA capitalized total interest expense and other bond charges of $42.7 million.

(h) Vacation and Sick Leave Benefits

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

(i) Self-Insurance

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

(j) Net Position

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

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

  The Statement of Fund Net Position as of June 30, 2018, on pages 2-27 and 2-28, reports that enterprise fund net investment in capital assets (net of related debt) is $4.8 billion.

- Restricted Net Position - This category consists of debt service collateral, Swap collateral, amounts restricted for 1996 Measure B Transit, and Congestion Management Program (CMP).

  The Statement of Fund Net Position on pages 2-27 and 2-28 reports that enterprise funds restricted net position amount to $9.9 million as of June 30, 2018. When both restricted and unrestricted net positions are available, unrestricted resources are used only after the restricted resources are depleted.

  The balance sheet of the Governmental Funds reports fund balance for 2000 Measure A, CMP, and 2016 Measure B program of $453.0 million, $1.2 million, and a deficit of $1.7 million, respectively. The 2016 Measure B is a half-cent sales tax to fund activities on enhancing transit, highways, expressways, and other active transportation. Tax collection began in April 2017. From inception to June 30, 2018, VTA received total allocation of $255.1 million. The amount received was reported as a liability due to the Measure undergoing a legal challenge.

- Unrestricted Net Position The remaining unrestricted net position, although not legally restricted, have been earmarked for future capital and operating needs, as well as for other purposes in accordance with Board directives. Unrestricted Net Position earmarks consist of the following (in thousands):

	Proprietary Funds					
	VTA Transit Fund	Bart Operating Fund	Express Lanes Fund	Joint Development Fund	Total Enterprise Funds	Internal Service Fund
Local share of capital projects	$ 149,453	$ —	$ —	$ 4,825	$ 154,278	$ —
Debt reduction	5,000	—	—	—	5,000	—
Express Lane	—	—	1,909	—	1,909	—
BART Operating	—	288,853	—	—	288,853	—
Joint Development	—	—	—	23,136	23,136	—
Sales tax stabilization	35,000	—	—	—	35,000	—
Operating reserve	54,807	—	—	—	54,807	—
Inventory and prepaid expenses	36,665	—	—	—	36,665	—
Workers' Compensation, General Liability & Compensated Absences	—	—	—	—	—	(12,546)
Net OPEB Asset (GASB 75)*	57,978	—	—	—	57,978	—
Net Pension Liability (GASB 68)*	(233,639)	—	—	—	(233,639)	—
Total	$ 105,264	$ 288,853	$ 1,909	$ 27,961	$ 423,987	$ (12,546)

*Net of related pension and OPEB deferrals

	Governmental Funds		
	2000 Measure A Program	2016 Measure B Program	Total
Governmental funds, June 30, 2018 (page 2-32)	$ 452,986	$ (1,663)	$ 451,323
Long-term liabilities, including bonds payable, are not due and payable in, the current period and therefore, are not reported in the fund:			
Long-term debt	(870,348)	—	(870,348)
Derivative instruments	(55,579)	—	(55,579)
Deferred Inflows	(3,474)	—	(3,474)
Deferred Outflows	3,822	—	3,822
Interest Payable on bonds outstanding is not due and payable in the current period, and therefore, is not reported in the funds	(10,651)	—	(10,651)
Total Net Position, Governmental Activities (page 2-25), June 30, 2018	$ (483,244)	$ (1,663)	$ (484,907)

(k) Cost Allocated to Capital and Other Programs

On the Statement of Revenues, Expenses, and Changes in Fund Net Position, the VTA Transit Fund reports $34 million as costs allocated to capital and other programs. This amount represents a credit for direct and indirect labor and associated fringe benefits, reproduction and mileage costs, and other costs that were capitalized as construction in progress.

(l) Estimates

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

(m) Fund Balance - Governmental Funds

The fund balances relating to 2000 Measure A Program and Congestion Management Program are classified as restricted. These are amounts that can be spent only for specific purposes because of enabling legislation or constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments. VTA's governmental funds reports only restricted fund balances except when the residual amount is negative which is then reported as unassigned fund balance, as in the case of 2016 Measure B Program. The deficit represents the related election costs which were initially paid for by VTA Transit as 2016 Measure B shows sales tax collections in the liability section due to pending litigation.

(n) Fund Balance Spending Order Policy

When expenditures are incurred for purposes for which both restricted and unrestricted resources are available, VTA considers restricted funds to have been spent first. VTA reported no committed, assigned or unassigned fund balances, except for the deficit in fund balance under 2016 Measure B Program, which was a result of expenditures associated with election cost and establishment of escrow fund in the prior year.

(o) Intangible Assets

These refer to the $10 million payment made to Union Pacific Railroad in January 2005 for Caltrain right-of-way access right. This asset is amortized over 15-year period using the straight line method.

(p) New Accounting Pronouncements

GASB Statement No. 75 - In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Post Employment Benefits Other than Pensions*. The objective of the Statement is to replace the requirements of GASB Statement No. 45. In addition, the Statement requires governments to report a liability on the face of the financial statements for the OPEB provided and requires governments to present more extensive note disclosures and required supplementary information about their OPEB liabilities. The Statement is effective for the periods beginning June 15, 2017, or the FY 2018. VTA implemented the provision of this statement effective July 1, 2017.

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

GASB Statement No. 83 - In November 2016, GASB issued Statement No. 83, Certain Asset Retirement Obligations (AROs). The objective of the Statement is to establish criteria for determining the timing and pattern of recognition and a corresponding deferred outflows of resources for AROs. The Statement requires ARO measurement to be based on best estimate of the current value of outlays expected to be incurred and updated annually for inflation/deflation and all relevant factors. In addition, a government is required to measure the deferred outflows of resources associated with the ARO at the amount of the corresponding liability upon initial measurement and expensed in a systematic and rational manner over the estimated useful life of the tangible capital asset. The Statement is effective for the reporting periods beginning after June 15, 2018, or the FY 2019. VTA is evaluating the impact of the statement.

GASB Statement No. 84 - In January 2017, GASB issued Statement No. 84, Fiduciary Activities. The objective of the Statement is to provide guidance over (a) fiduciary components, (b) Pension and OPEB arrangements that are not component units if they control the assets, and, if they are Pension and OPEB plans that are trusts, or assets that are not pension and OPEB trusts, but are accumulated for pension and OPEB, as described in Statements 73 and 74, (c) a government controlling the asset of an activity if it holds the assets or has the ability to direct use, exchange, or employment of the assets, (d) other fiduciary activities defining private-purpose trust funds and custodial funds, (e) the financial reporting of fiduciary funds in the basic financial statements. The Statement is effective for the reporting periods beginning after December 15, 2018, or the FY 2020. VTA is evaluating the impact of the statement.

GASB Statement No. 85 - In March 2017, GASB issued Statement No. 85, Omnibus 2017. The issuance of the Statement addresses a wide variety of topics covering various practice issues arising from implementation and application of certain GASB statements, as follows: (a) blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation, (b) reporting amounts previously reported as goodwill and "negative" goodwill, (c) classifying real estate held by insurance entities, (d) measuring certain money market investment contracts at amortized cost, (e) timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus, (f) recognizing on-behalf payments for pensions or OPEB in employer financial statements, (g) presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB, (h) classifying employer-paid member contributions for OPEB, (i) accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans. The Statement is effective for the reporting periods beginning after June 15, 2017, or the FY 2018. The statement did not have an impact on VTA's financial statement.

GASB Statement No. 86 - In May 2017, GASB issued Statement No. 86, Certain Debt Extinguishment Issues. The Statement is to provide guidance over In-substance defeasance of debt using only "existing" resources to fund an irrevocable trust to satisfy scheduled payments of the defeased debt (i.e., resources other than proceeds of refunding debt). The Statement is effective for the reporting periods beginning after June 15, 2017, or the FY 2018. The statement did not have an impact on VTA's financial statement.

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

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

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

NOTE 3 - CASH AND INVESTMENTS

Total cash and investments as of June 30, 2018, are reported in the accompanying basic financial statements as follows (in thousands):

	Enterprise Funds	Internal Service Fund	Governmental Funds	Retiree Benefits Trust Funds	Agency Funds	Total
Cash and Cash Equivalents	$ 28,331	$ 7,232	$ 16,283	$ 2,967	$ 4,317	$ 59,130
Cash and Cash Equivalents with Fiscal Agents	4,410	—	—	—	—	4,410
Restricted Cash and Cash Equivalents with Fiscal Agents	—	—	274,073	—	—	274,073
Total cash equivalents	32,741	7,232	290,356	2,967	4,317	337,613
Investments	533,610	45,803	389,623	902,535	30,546	1,902,117
Restricted Investments	6,023	—		—	—	6,023
Total investments	539,633	45,803	389,623	902,535	30,546	1,908,140
Total Cash and Investments	$ 572,374	$ 53,035	$ 679,979	$ 905,502	$ 34,863	$ 2,245,753

As of June 30, 2018, total cash and investments reported in the accompanying financial statements consisted of the following (in thousands):

Cash & Cash Equivalents	$ 59,130
Cash & Cash Equivalents with Fiscal Agents	278,483
Investments	1,908,140
Total	$ 2,245,753

Cash and Cash Equivalents

VTA maintains several checking accounts related to its operations. These checking accounts earn interest based on the bank's sweep rate. At June 30, 2018, the carrying amounts of these cash balances are shown below (in thousands):

Operation Account	$ 43,861
CM&HP Account	15,269
Total Deposits	$ 59,130

Investments policies

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

Investment within the operations pool

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

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

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

VTA's policy also allows investments in the State Treasurer's Office Local Agency Investment Fund (LAIF). LAIF is commingled within the state of California Pooled Money Investment Account (PMIA). If the state's shares of PMIA is exhausted, then participation by the state in the PMIA is zero. There is no correlation between the state's share of that pool and VTA's. LAIF is not a Securities and Exchange Commission (SEC) registered pool and is unrated, but it is required to invest in accordance with the guidelines established by the California Government Code. The weighted average maturity of the investments in LAIF on June 30, 2018, was 193 days. Earnings are paid quarterly based on the average daily balance of the participants in the pool. The fair value of VTA's investment in the LAIF pool is reported in the accompanying financial statements at amounts based upon the VTA's pro-rata share of the fair value provided by LAIF, for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis, which is different from the fair value of the VTA's position in the LAIF pool.

Interest Rate Risk – Interest rate risk is the risk that changes in market interest rates may adversely affect the fair value of an investment. The longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. VTA's $1.006 billion investment in the operations pool is in compliance with the maximum maturity provision of the VTA's Investment Policy.

The following schedule indicates the maturity of investments at June 30, 2018 (in thousands):

OPERATIONS POOL	Maturity				
	1 Year or Less	2-5 Years	6-10 Years	Over 10 Years	Market value
Corporate Bonds	$ 59,324	$ 344,049	$ —	$ —	$ 403,373
Municipal Bonds	27,874	51,869	18,159	1,499	99,401
US Government Agency Bonds	24,470	123,677	3,087	—	151,234
US Treasury	6,383	247,271	42,523	—	296,177
Money Market Funds	5,420	—	—	—	5,420
LAIF	50,000	—	—	—	50,000
Total investments	173,471	766,866	63,769	1,499	1,005,605
Cash with Fiscal Agents					278,483
Cash Deposits					56,163
Total cash and investments in the operations pool					1,340,251

RETIREE BENEFITS POOL	Maturity				
	1 Year or Less	2-5 Years	6-10 Years	Over 10 Years	Market value
Corporate Bonds - Pension	2,298	11,118	22,747	16,417	52,580
Corporate Bonds - OPEB	953	7,004	9,615	9,888	27,460
Municipal Bonds - Pension	—	705	—	2,416	3,121
Municipal Bonds - OPEB	—	63	—	1,196	1,259
US Government Agency Bonds - Pension Plan	6	376	855	41,695	42,932
US Government Agency Bonds - OPEB Plan	—	1,953	556	19,707	22,216
US Treasury - Pension	—	17,122	6,342	—	23,464
US Treasury - OPEB	2,993	9,881	365	—	13,239
Money Market Funds - Pension	4,345	—	—	—	4,345
Money Market Funds - OPEB	664	—	—	—	664
	11,259	48,222	40,480	91,319	191,280
Equity Securities					546,623
Real Assets Funds					89,420
Alternative Investments					75,212
Cash Deposits					2,967
Total cash and investments in the retiree benefits pool					905,502
Total cash and investments					$ 2,245,753

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

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

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

	Rating as of June 30, 2018		
	Operations Pool	Retiree Benefits Pool	Total
Corporate bonds			
AAA	$ 105,722	$ 2,721	$ 108,443
AA	46,049	2,022	48,071
A	166,725	7,319	174,044
A-1	20,775	—	20,775
BBB	64,102	54,850	118,952
BB	—	13,128	13,128
Municipal bonds			
AAA	4,240	—	4,240
AA	86,363	1,726	88,089
A	8,798	846	9,644
BBB	—	1,808	1,808
US Government Agencies			
AA	151,234	65,148	216,382
US Treasury Notes			
AA	296,177	36,703	332,880
Unrated cash and investments			
Cash with Fiscal Agents	278,483	—	278,483
Equity Securities	—	546,623	546,623
Real Assets Funds	—	89,420	89,420
Alternative Investments	—	75,212	75,212
LAIF	50,000	—	50,000
Money Market Funds	5,420	5,009	10,429
Deposits with Financial Institutions	56,163	2,967	59,130
TOTAL	$ 1,340,251	$ 905,502	$ 2,245,753

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

Custodial Credit Risk – Investments – The custodial credit risk for investments is the risk that, in the event of a failure of the custodian (e.g. broker-dealer), VTA may not be able to recover the value of its investments or collateral securities that are in the possession of another party. VTA’s Investment Policy limits exposure to counterparty credit risk by requiring that all securities owned by VTA be held with “perfected interest” in the name of VTA by an independent custodian that is a bank trust department and is unrelated to any other involved counterparty. As of June 30, 2018, VTA believes its counterparty credit risk exposure is minimal.

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

Other than investments in mutual funds, external investment pools or securities issued by U.S. Government, VTA did not hold investments in any one issuer that exceeded 5% or more of the total operations pool. As of June 30, 2018, the retiree benefits pool held investments in the UBS Core Real Estate Fund that exceeded 5% of the retiree benefits pool.

Fair Value Measurement – The following schedule indicates the fair value hierarchy and fair value amounts (in thousands) for both VTA's operating fund investments and the trust investments at June 30, 2018:

	Fair Value Hierarchy			
Operations Pool	**Level 1**	**Level 2**	**Level 3**	**Fair Value**
Corporate Bonds	$ —	$ 403,373	$ —	$ 403,373
Municipal Bonds	—	99,401	—	99,401
US Government Agency Bonds	—	151,234	—	151,234
US Treasury	296,177	—	—	296,177
Subtotal	296,177	654,008	—	950,185
Not subject to the fair value hierarchy				
Money Market Funds				5,420
Cash with Fiscal Agents				278,483
LAIF				50,000
Cash Deposits				56,163
Subtotal				390,066
Cash and investments in the operations pool				1,340,251

	Fair Value Hierarchy			
Retiree Benefits Pool	**Level 1**	**Level 2**	**Level 3**	**Fair Value**
Corporate Bonds - Pension Plan	$ —	$ 52,580	$ —	$ 52,580
Corporate Bonds - OPEB Plan	—	27,460	—	27,460
Municipal Bonds - Pension Plan	—	3,121	—	3,121
Municipal Bonds - OPEB Plan	—	1,259	—	1,259
US Government Agency Bonds - Pension Plan	—	42,932	—	42,932
US Government Agency Bonds - OPEB Plan	—	22,216	—	22,216
US Treasury - Pension Plan	23,464	—	—	23,464
US Treasury - OPEB Plan	13,239	—	—	13,239
Mutual Funds and Equity-Based Investments	—	546,623	—	546,623
Subtotal	36,703	696,191	—	732,894
Net Asset Value				
Real Assets Funds				89,420
Alternative Investments				75,212
Subtotal				164,632
Not subject to the fair value hierarchy				
Money Market Funds - Pension				4,345
Money Market Funds - OPEB				664
Cash Deposits				2,967
Subtotal				7,976
Cash and investments in the retiree benefits pool				905,502
Total cash and investments				$ 2,245,753

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

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

Level 2 – Inputs to the valuation methodology include:

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

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

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

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

Foreign Currency Risk

This is the risk that changes in the exchange rates will adversely affect the fair value of underlying investments. The following tables provide information as of June 30, 2018, concerning the fair value of investments that are subject to foreign currency risk which are only reported in the retiree benefits pool:

Currency Name	Global Equity ('000)
Australian Dollar	$ 2,734
British Pound Sterling	15,491
Brazilian Real	2,439
Canadian Dollar	2,208
Chilean Peso	468
Chinese Yuan	4
Colombian Peso	175
Czech Koruna	374
Danish Krone	985
Egyptian Pound	56
Euro	43,552
Hong Kong Dollar	15,604
Hungarian Forint	122
Indian Rupee	7,480
Indonesian Rupiah	792
Japanese Yen	11,897
Malaysian Ringgit	954
Mexican Peso	2,656
Pakistani Rupee	30
Philippine Piso	392
Poland Złoty	471
Qatari Rial	340
Singapore Dollar	1,573
Russian Ruble	1,144
South African Rand	2,758
South Korean Won	7,071
Swiss Franc	14,562
Taiwan Dollar	5,446
Thai Baht	855
Turkish lira	323
United Arab Emirates Dirham	235
Total	$ 143,191

NOTE 4 – INTERFUND TRANSACTIONS

The composition of interfund balances as of June 30, 2018, is as follows (in thousands):

	Due from other funds		Due to other funds	
Enterprise Funds				
VTA Transit	$ 1,070	[1]	$ —	
Express Lanes	—		190	[2]
Total	1,070		190	
Governmental Funds				
2000 Measure A Program	705	[3]	—	
2016 Measure B Program	—		1,663	[1]
Congestion Management Program	—		12	[4]
Congestion Management & Highway Program	90	[5]	—	
Total	795		1,675	
	$ 1,865		$ 1,865	

[1]Represents mainly election costs of $1.6 million initially paid by VTA Transit on behalf of 2016 Measure B program

[2]Represents debt issuance costs initially paid for by Congestion Management Highway Program fund.

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

[4]Represents labor costs

[5]Represents funding of Congestion Management Highway Program projects by other funds

The transfers in the Statement of Revenues, Expenses, and Changes in Fund Net Position represent assets that were moved from 2000 Measure A Fund to either VTA Transit Fund or BART Operating Fund. During FY 2018, there were transfers of Assets Under Construction from 2000 Measure A Fund to VTA Transit Fund of $105.9 million (primarily parking garages, bus rapid transit, bus stop improvements) and BART Operating Fund of $86.8 million (mainly consisting of costs incurred for the Silicon Valley Berryessa Extension and BART vehicle procurement projects). This was caused by the change in reporting structure of 2000 Measure A from enterprise to governmental. The transfer to VTA Transit also includes Measure A Operating Assistance of $43.1 million and 2000 Measure A Repayment Obligation for Debt Service of $14.9 million. A summary of the composition of transfers in/out for the year ended June 30, 2018, is as follows:

Transfer from	Transfer to		Amount (in thousands)
2000 Measure A Prog	VTA Transit	AUC Transfer	$ 105,893
		Meas A Op Assistance	43,133
		Meas A Repayment Obligation	14,936
			163,962
2000 Measure A Prog	BART Operations	AUC Transfer	86,807
			$ 250,769

NOTE 5 – DUE FROM AND DUE TO OTHER AGENCIES

Due from other agencies as of June 30, 2018, consisted of the following (in thousands):

	Enterprise Funds					Governmental Funds				
DUE FROM OTHER AGENCIES	VTA Transit	BART Operating	Joint Devpt	Total	Fiduciary Funds	Congestion Management Program	2000 Measure A Program	2016 Measure B Program	Congestion Management & Highway Program	Total
Federal Government	$ 25,872	$ —	$ —	$ 25,872	$ —	$ 972	$ 25,219	$ —	$ 967	$ 27,158
State Government	50,513	7,853	—	58,366	—	—	35,491	33,235	432	69,158
Cities and other local agencies	1,556	—	4	1,560	11	—	11,488	—	4,963	16,451
Total	$ 77,941	$ 7,853	$ 4	$ 85,798	$ 11	$ 972	$ 72,198	$ 33,235	$ 6,362	$ 112,767

Due to other agencies as of June 30, 2018, consisted of the following (in thousands):

	Enterprise Fund	Governmental Funds			
DUE TO OTHER AGENCIES	VTA Transit	2000 Measure A Program	Congestion Management Program	Congestion Management & Highway Program	Total
Federal	$ 1,006	$ —	$ —	$ —	$ —
State	43,569	2,966	—	—	2,966
Caltrain	50	—	—	—	—
County of Santa Clara	(559)	3,083	104	10,727	13,914
City of Milpitas	—	410	—	60	470
City of San Jose	—	1,141	—	8,053	9,194
City of Sunnyvale	—	—	—	453	453
City of Fremont	—	11	—	—	11
City of Cupertino	—	—	—	343	343
Santa Clara Valley Water District	—	1,127	—	—	1,127
Others	—	—	—	74	74
Total	$ 44,066	$ 8,738	$ 104	$ 19,710	$ 28,552

NOTE 6 – CAPITAL ASSETS

Capital asset changes for VTA's business-type activities for the year ended June 30, 2018, were as follows (in thousands):

	July 1, 2017	Additions	Retirements	Transfers	June 30, 2018
Capital assets, not being depreciated					
Land and right-of-way	$ 1,126,872	$ —	$ —	$ —	$ 1,126,872
Construction in progress	2,906,098	277,054	—	(51,375)	3,131,777
Total capital assets, not being depreciated	4,032,970	277,054	—	(51,375)	4,258,649
Capital assets, being depreciated					
Caltrain Access (net)	2,203	—	—	—	2,203
Caltrain - Gilroy extension	43,072	—	—	—	43,072
Buildings improvements, furniture and fixtures	586,041	289	(674)	6,588	592,244
Vehicles	586,754	—	(11,406)	43,458	618,806
Light rail tracks and electrification	418,195	—	—	—	418,195
Leasehold improvement	9,686	—	—	—	9,686
Others	47,561	—	—	1,329	48,890
Total capital assets, being depreciated	1,693,512	289	(12,080)	51,375	1,733,096
Accumulated Depreciation					
Caltrain Access	—	(881)	—	—	(881)
Caltrain - Gilroy extension	(16,612)	(1,310)	—	—	(17,922)
Buildings, improvements, furniture and fixtures	(321,635)	(19,181)	674	—	(340,142)
Vehicles	(269,907)	(30,805)	11,389	—	(289,323)
Light rail tracks and electrification	(293,882)	(13,745)	—	—	(307,627)
Leasehold improvement	(4,239)	(442)	—	—	(4,681)
Others	(43,730)	(2,108)	—	—	(45,838)
Total accumulated depreciation	(950,005)	(68,472)	12,063	—	(1,006,414)
Total capital assets, being depreciated, net	743,507	(68,184)	(17)	51,375	726,681
Total capital assets, net	$ 4,776,477	$ 208,870	$ (17)	$ —	$ 4,985,330

Construction in Progress (CIP) includes capitalized costs and right-of-way acquisitions associated with the following projects as of June 30, 2018, (in thousands):

Silicon Valley Rapid Transit	$ 2,626,254
Light Rail Program	215,983
Bus Program	157,927
Operating Facilities & Equipment	32,048
Revenue Vehicles & Equipment	28,604
Information Systems Technology	26,877
Light Rail - Way, Power & Signal	25,268
Commuter Rail Program	10,563
Passenger Facilities	4,595
Non-Revenue Vehicle	2,679
Joint Development	956
Others	23
Total	$ 3,131,777

Additional information regarding projects in progress as of June 30, 2018, is as follows (in thousands):

Information Regarding Capital Expenditures:	Costs
Total Board approved capital budget	$ 7,510,249
Capital expenditures settling to CIP	(3,131,777)
Capital expenditures settling to capital assets	(51,375)
Capital expenditures settling to expense	(2,665,252)
Remaining capital budget available	$ 1,661,845
Anticipated funding sources are as follows:	
Federal, state, and other local assistance	$ 551,962
Local contributions	1,109,883
Total funding sources	$ 1,661,845

VTA has outstanding commitments of about $426.2 million as of June 30, 2018, related to the above capital projects.

NOTE 7 - LONG-TERM DEBT & LIABILITIES

Long-term debt as of June 30, 2018, consisted of the following (in thousands):

Enterprise Activities:

Secured by VTA's 1976 Measure A 1/2 Cent Sales Tax:	
2008 Series A-C Refunding	$ 114,920
2017 Series A Refunding	7,623
2017 Series B Refunding ($26,620 plus amortized premium of $5,067)	31,687
Secured by Toll Revenues:	
Silicon Valley Express Lanes State Route 237 Loan	2,126
Subtotal	156,356
Less: Current portion of long-term debt	(15,728)
Long term debt, excluding current portion	$ 140,628

Governmental Activities:

Sales tax revenue bonds secured by VTA'S 2000 Measure A 1/2-cent sales tax:	
2008 Series A-D Measure A Refunding	$ 235,875
2010 Series A-B Refunding ($526,070 plus unamortized premium of $1,489)	527,559
2015 Series A-B Refunding ($86,640 plus unamortized premium of $20,274)	106,914
Subtotal	870,348
Less: Current portion of long-term debt	(30,575)
Long term debt, excluding current portion	$ 839,773

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

- $168.6 million of 2008 Series A-C Sales Tax Revenue Refunding Bonds (2008 VTA Bonds) were issued to implement a current refunding and completely pay off the 2005 Sales Tax Revenue Refunding Bonds originally issued to finance the retirement of a portion of 2001 Bonds. The 2008 VTA Bonds were issued as variable rate demand bonds and bear interest at a weekly rate, which is determined by the Remarketing Agent to be the rate necessary to remarket the 2008 VTA Bonds at par value. The maturities of the 2008 VTA Bonds extend to June 1, 2026, and are subject to optional and mandatory redemption and optional and mandatory tender for purchase before maturity. Concurrent with the issuance and sale of the 2008 VTA Bonds, VTA entered into interest rate swap agreements described in item (d).

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

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

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

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

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

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

- $645.9 million of 2010 Measure A Bonds, Series A and B, were issued, at a true interest cost of 3.54%, to fund certain 2000 Measure A transit capital improvement projects, most notably the BART Extension to Berryessa. The bonds were issued as a combination of taxable, Build America Bonds (Series A), and traditional tax-exempt bonds (Series B). Related to the Series A Build America Bonds, VTA is entitled to receive a federal subsidy of 35% on its interest cost for the Build America Bonds. However, as a result of the Federal budget impasse and resulting sequestration of funding, the subsidy has been reduced by various amounts beginning in 2013 and has most recently provided a subsidy of about 32.6%. Both bond series are fixed interest rate bonds. The Series A Bonds have a final maturity date of April 1, 2032 and the Series B Bonds have a final maturity of April 1, 2020. The 2010 Measure A Bonds, Series A (taxable Build America Bonds) are subject to mandatory and optional redemption provisions prior to their stated maturity dates. The 2010 Measure A Bonds Series B (tax-exempt) are not subject to redemption prior to their maturity date.

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

(d) Interest Rate Swaps

VTA has seven interest rate swap agreements outstanding as of year-end. Three swap agreements hedge the 1976 sales tax 2008 bonds (as shown in Business -type Activities table and four swap agreements hedge the 2000 Measure A 2008 bonds (as shown in Governmental Activities table). The 1976 sales tax 2008 bonds swap agreements require that VTA pay fixed interest rates and receive variable interest at the lower of: 1) 1 month LIBOR or, 2) greater of (A) a rate equal to 63.5% of 1 month LIBOR or (B) 55.5% of 1 month LIBOR plus 0.44%. The 2000 Measure A 2008 bond swap agreements require that VTA pay fixed interest rates and receive interest at 65% of three-month LIBOR.

<u>Summary</u>

The terms, fair values, and credit ratings of the outstanding swaps as of June 30, 2018, were as follows (dollars in thousands):

Business-type Activities:

Associated Bonds	Current Notional	Effective Date	Fixed Rate Paid	Variable Received	Fair Value*	Termination Date	Counterparty Credit Rating[CR]	Fair Value Hierarchy Level
2008 A	$ 46,010	7/7/2005[ED]	3.145%	Cal-E [VR]	$ (2,411)	6/1/2026	Aa2/AA-/ NR	2
2008 B	34,455	7/7/2005[ED]	3.145%	Cal-E [VR]	(1,806)	6/1/2026	A1/A/A+	2
2008 C	34,455	7/7/2005[ED]	3.145%	Cal-E [VR]	(1,806)	6/1/2026	A3/BBB+/A	2
Total	$114,920				$ (6,023)			

[CR]Moody's, Standard and Poor's and Fitch, respectively.
NR - No rating for Fitch
[ED]Amended June 26, 2008 to reflect on-market fixed rate to be paid of 3.145%.
[VR]Lower of 1 month LIBOR; or a rate equal to 63.5% of 1 month LIBOR or 55.5% of 1 month LIBOR plus 0.44%, whichever is greater.
*This represents the fair value of the base amount without the accrued interest of $100.0 thousand.

Governmental Activities:

Associated Bonds	Current Notional	Effective Date	Fixed Rate Paid	Variable Received	Fair Value*	Termination Date	Counterparty Credit Rating[CR]	Fair Value Hierarchy Level
MA 2008A	85,875	8/10/2006	3.765%	65% 3Mo LIBOR	(20,233)	4/1/2036	A1/A/A+	2
MA 2008B	50,000	8/10/2006	3.765%	65% 3Mo LIBOR	(11,782)	4/1/2036	Aa3/A+/AA-	2
MA 2008C	50,000	8/10/2006	3.765%	65% 3Mo LIBOR	(11,782)	4/1/2036	Aa2/AA-/ NR	2
MA 2008D	50,000	8/10/2006	3.765%	65% 3Mo LIBOR	(11,782)	4/1/2036	A3/BBB+/A	2
Total	$235,875				$ (55,579)			

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

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

Hedge Effectiveness and Fair Value Hierarchy: The swaps were tested using regression analysis to ensure a high degree of correlation and were determined to be effective hedging derivative instruments and therefore were recorded as deferred outflows of resources in the assets section and as a derivative instrument liability in the liability section of the statement of net position. The fair values of the interest rate swaps were estimated using the zero-coupon method. As of June 30, 2018, the swaps had a negative fair value of $61.6 million. The fair values of the interest rate swaps were estimated using the zero-coupon method.

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

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

Although VTA's counterparties have experienced declines in their ratings since inception of the swaps, their S&P and Moody's ratings remain at investment grade levels. All payments due from counterparties continue to be made on time and are current as of June 30, 2018. When the swaps have a positive market value, VTA manages any credit risk associated with termination of swaps by requiring counterparties to post collateral based on the swap's fair value, less a threshold amount that ranges from zero to $25 million as determined based on the counterparty's credit ratings. The following table lists the threshold amounts that would be applicable:

Business-type Activities:

Swap	Counterparty Credit Rating as of 6/30/18[CR]	Collateral Threshold	Credit Rating for Threshold of Zero
VTA 2008A	Aa2/AA-	$15,000,000	Baa1/BBB+
VTA 2008B	A1/A	7,000,000	A3/A-
VTA 2008C	A3/BBB+	2,000,000	Baa3/BBB-

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

Governmental Activities:

Swap	Counterparty Credit Rating as of 6/30/18[CR]	Collateral Threshold	Credit Rating for Threshold of Zero
MA 2008A	A1/A	7,000,000	A3/A-
MA 2008B	Aa3/A+	10,000,000	A3/A-
MA 2008C	Aa2/AA-	15,000,000	Baa1/BBB+
MA 2008D	A3/BBB+	—	Baa1/BBB+

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

Collateral generally consists of cash, U.S. Government securities, and U.S. Agency securities, held by a third party custodian. VTA has utilized three to four swap counterparties in each of its two transactions in order to limit the concentration of credit risk. Currently, VTA has interest rate swaps with four counterparties and no counterparty accounts for more than 34% of combined outstanding notional. VTA monitors counterparty credit risk on an ongoing basis.

Basis Risk: Is the risk that the variable rate payment received by VTA under the swaps does not closely match the variable interest rate paid by VTA to bondholders. The variable rate debt hedged by VTA's interest rate swaps are variable rate demand obligation (VRDO) bonds that are remarketed weekly. VTA is exposed to basis risk because the variable rate receipts from the swaps are based on a rate or index other than the interest rates VTA pays on the VRDO bonds. VTA is exposed to basis risk to the extent that variable interest rate payments paid to bondholders on the bonds are not precisely offset by the variable rate amounts received from the swap. On June 30, 2018, there was a slightly favorable basis variance of 0.5% for the swaps related to the bonds secured by the 1976 sales tax and 0.4% for the swaps related to the bonds secured by the 2000 Measure A sales tax.

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

Rollover Risk: Rollover risk is the risk that a derivative instrument serving as a hedge has a shorter maturity than the underlying risk that is being hedged and therefore a portion of the term of the underlying risk may be unhedged or an additional hedge may need to be acquired at a future date, possibly under less favorable terms. As of June 30, 2018, VTA did not have any exposure to rollover risk.

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

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

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

Commitments: Each of the swap agreements contain provisions that require collateral posting by VTA when the negative swap fair value exceeds a specified threshold. The amount of collateral posted is based on the fair value of the swap, less a threshold amount. The threshold amount is determined based on the unenhanced credit ratings of the bond being hedged. Based on the "AA/Aa2" or higher credit ratings assigned to the bonds the threshold for each swap is currently $20 million. If VTA's bond ratings were below "A or A2", the threshold amount would be zero and VTA would be required to post collateral based on the fair market value with no threshold adjustment.

Collateral generally consists of cash, U.S. Government securities and U.S. Agency securities. As of June 30, 2018, VTA had $1.1 million of cash collateral posted with Citibank, related to the swaps associated with the long-term variable rate bonds secured by 2000 Measure A Sales Tax Revenues.

Swap Payments and Associated Debt: The table below presents net swap payments using rates as of June 30, 2018, debt service requirements on VTA's seven interest rate swaps and swap-related variable rate debt. As rates vary, variable rate bond interest payments and net swap payments will vary (dollars in thousands).

Business-type Activities:

Year Ending June 30,	Principal Total	Remarketing Interest Total	Interest Rate Swap-Net Total	Debt Service Total
2019	$ 11,095	$ 1,429	$ 1,829	$ 14,353
2020	11,425	1,290	1,651	14,366
2021	11,760	1,146	1,467	14,373
2022	15,115	995	1,274	17,384
2023	15,605	805	1,031	17,441
2024-2028	49,920	1,213	1,552	52,685
	$ 114,920	$ 6,878	$ 8,804	$ 130,602

Governmental Activities:

Year Ending June 30,	Principal Total	Remarketing Interest Total	Interest Rate Swap-Net Total	Debt Service Total
2019	$ —	$ 3,084	$ 5,312	$ 8,396
2020	—	3,084	5,312	8,396
2021	—	3,084	5,312	8,396
2022	—	3,084	5,312	8,396
2023	—	3,084	5,312	8,396
2024-2028	—	15,420	26,561	41,981
2029-2033	55,700	15,238	26,247	97,185
2034-2036	180,175	4,180	7,199	191,554
	$ 235,875	$ 50,258	$ 86,567	$ 372,700

(e) Long-Term Debt Obligation Summary

The table below presents all long-term debt. Interest Rates on all outstanding fixed-rate obligations range from 1.5% - 5.00%. Interest on the variable rate debt is reset weekly based upon market conditions. Projected principal and interest obligations as of June 30, 2018, are as follows (in thousands):

Business-type Activities:

	Principal	Interest	Total
Year ending June 30:			
2019	$ 15,728	$ 5,039	$ 20,767
2020	16,213	4,634	20,847
2021	16,727	4,122	20,849
2022	17,436	3,589	21,025
2023	18,023	2,995	21,018
2024-2028	65,486	5,917	71,403
2029-2033	837	317	1,154
2034-2036	839	87	926
	151,289	$ 26,700	$ 177,989
Unamortized bond premium	5,067		
Total debt	156,356		
Less current portion	(15,728)		
Long-term portion of debt	$ 140,628		

Governmental Activities:

	Principal	Interest	Total
Year ending June 30:			
2019	$ 30,575	$ 42,482	$ 73,057
2020	32,080	40,954	73,034
2021	33,680	39,356	73,036
2022	35,015	37,743	72,758
2023	36,460	35,944	72,404
2024-2028	210,390	145,832	356,222
2029-2033	270,025	78,191	348,216
2034-2036	200,360	13,834	214,194
	848,585	$ 434,336	$ 1,282,921
Unamortized bond premium	21,763		
Total debt	870,348		
Less current portion	(30,575)		
Long-term portion of debt	$ 839,773		

(f) Restrictions and Limitations

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

(g) Long Term Liabilities

Business-type Activities:

(Dollars in thousands)	July 1, 2017	Additions	Reductions	June 30, 2018	Amounts Due Within One Year
Sales Tax revenue Bonds					
Secured by 1976 1/2 Cent Sales Tax					
2008 Series A-C	$ 125,695	$ —	$ 10,775	$ 114,920	$ 11,095
2011 Series A	31,445	—	31,445	—	—
2017 Series A	10,030	—	2,407	7,623	2,473
2017 Series B	—	27,760	1,140	26,620	2,155
Secured by Silicon Valley Express Lanes State Route 237 tolls					
Silicon Valley Express Lanes State Route 237 Loan	—	2,126	—	2,126	5
Plus (less) premium/discounts	1,707	5,067	1,707	5,067	—
Outstanding Debt, Net	168,877	34,953	47,474	156,356	15,728
Derivative Instruments Liability	10,507	—	4,484	6,023	—
Claims Liability:					
General Liability	6,361	7,941	3,281	11,021	2,116
Worker's Compensation	17,302	7,030	4,826	19,506	1,806
Compensated Absences	29,491	15,140	9,660	34,971	11,160
Total Long-Term Liabilities	$ 232,538	$ 65,064	$ 69,725	$ 227,877	$ 30,810

Governmental Activities:

(Dollars in thousands)	July 1, 2017	Additions	Reductions	June 30, 2018	Amounts Due Within One Year
Sales Tax Revenue Bonds Secured by 2000 Measure A 1/2 Cent Sales Tax					
2008 Series A-D	$ 235,875	$ —	$ —	$ 235,875	$ —
2010 Series A-B	552,260	—	26,190	526,070	27,495
2015 Series A-B	89,980	—	3,340	86,640	3,080
Plus (less) premium/discounts	23,430	—	1,667	21,763	—
Outstanding Debt, Net	901,545	—	31,197	870,348	30,575
Derivative Instruments Liability	72,257	—	16,678	55,579	—
Total Long-Term Liabilities	$ 973,802	$ —	$ 47,875	$ 925,927	$ 30,575

VTA's Transit Fund reported a deferred amount on refunding in the amount of $8.2 million related to the 2008 and 2017 bonds as a deferred outflows of resources. The 2000 Measure A Fund, under the Governmental Activities, reported deferred amounts on bond refunding related to the 2015 bond of $3.8 million as deferred outflows of resources, and 2008 bonds of $3.5 million as deferred inflows of resources.

NOTE 8 – SALES TAX REVENUES

Sales tax revenue represents sales tax receipts from the California Department of Tax and Fee Administration, which under voter-approved 1976 and 2000 Sales Tax Measures, collects a half-cent for each taxable sales dollar spent in the County of Santa Clara. These amounts are available to fund both operations and capital expenses except that portion which is to be used to repay long-term debt as described in Note 7. In November 2008, county residents passed a 1/8-cent sales tax to fund the operating and maintenance costs of the BART Extension. In November 2016, county residents passed a 1/2-cent sales tax to fund activities on enhancing transit, highways, expressways and active transportation (bicycles, pedestrians and complete streets). Tax collection commenced in April 2017. Sales tax apportionments from inception to June 30, 2018 of $255.1 million was recognized as a liability as the 2016 Measure B is undergoing legal challenge.

The amount of the 1976 Sales Tax, 2000 Measure A Sales Tax, and BART Operating Sales Tax recognized during FY 2018 was $207.6 million, $207.9 million, $49.8 million, respectively. The California Department of Tax and Fee Administration indicated that the sales tax reported for the fiscal year to date is incomplete. Accordingly, any additional tax allocations pertaining to the quarter ending June 2018 will be reflected in subsequent monthly distributions.

NOTE 9 – VTA PROGRAMS FUNDED THROUGH LOCAL SALES TAX MEASURES

2000 Measure A Program

The Santa Clara Valley Transportation Authority 2000 Measure A Program was created in response to the Measure A ballot approved by the voters of Santa Clara County on November 7, 2000. The Measure A Program is funded by the half-cent sales tax to be imposed for a period of 30 years and took effect upon expiration of the current County of Santa Clara 1996 Measure B half-cent sales tax on March 31, 2006. The Measure A Program 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, as noted below:

- Extend San Francisco Bay Area Rapid Transit District service ("BART") from Fremont through Milpitas to Downtown San Jose and the Santa Clara Caltrain Station (the "Silicon Valley Rapid Transit Project" or "SVRT");
- Provide connections from the San Jose International Airport to BART, Caltrain commuter rail service ("Caltrain") and VTA's light rail system;

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

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

- Completed the purchase of low floor light rail vehicles;
- Completed the Zero Emission Bus Demonstration project;
- Alum Rock Santa Clara Bus Rapid Transit (BRT) revenue service along the corridor commenced in May 2017. Administrative closeout of contracts and agreements is in progress. The El Camino Real Rapid Transit Policy Advisory Board decided not to pursue BRT dedicated lane options. It was recommended that VTA pursue transit speed and passenger amenity improvements in the corridor. Civil construction for new shelters, seating, lighting, and associated bus stop improvements for the Stevens Creek Rapid 523 was completed in April 2018. Shelter installation will be done under a separate contract which is expected to be awarded in Fall 2018. Modifications at Chaboya/North Divisions Phase 1 were completed in March 2015. Request for Proposal for design services of Phase II involving modification to the Chaboya Yard is planned for Fall 2018. Articulated buses (29 units) have been accepted by VTA and are operational. An option for 20 additional buses to operate on the Stevens Creek corridor is also available and is being considered;
- Received $900 million grant commitment from the FTA for the Silicon Valley Berryessa Extension (SVBX) Project in March 2012. In December 2012, the project received $50 million in State Transportation Improvement Program (STIP) funding to help expand and improve BART's Hayward Maintenance complex to accommodate the operation of the Berryessa Extension. Work continues on a range of elements at both the Milpitas and Berryessa stations including installation

of the exterior metal panels and station finishes. The parking structures were substantially completed. System-wide testing of the Traction Power System was completed, and station systems functional and integration testing continues. At both the Milpitas and Berryessa stations, field installation and functional testing of mechanical, electrical, and communications systems continues. All planting and landscaping, including tree installations, were completed. BART vehicle production continues at the car body manufacturing facility. As of May 2018, twenty production cars are in revenue service. Qualification testing on another 5 cars has been completed. Another 6 production cars were received by BART and are currently going through qualification testing at BART's test track;

- Relocated and constructed utilities in the freight rail corridor in Fremont and Milpitas. The Berryessa Creek crossing, Abel Street Seismic Retrofit, and Railroad Relocation contracts are complete. The Kato Grade Separation was opened to traffic in April 2013. The Montague Expressway Reconstruction Project is underway. The pedestrian overcrossing that spans Montague Expressway which connects to the new Milpitas BART station is in the design stage. Major construction elements of the Upper Penitencia Creek Trail have been completed. The Berryessa Station solar power system has been installed;
- The construction of the pedestrian improvements (sidewalk and landscaping) along Capitol Expressway was completed in Spring 2013. Construction of the transit center was completed in May 2015. In June 2016, the funding of Phase II of the Capitol Expressway Light Rail Extension to Eastridge was approved by the Board. An updated California Environmental Quality Act document is expected to be approved by the Board in Fall 2018. Final design and utility coordination are ongoing. Right-of-way acquisition and Utility Relocation is expected to be completed by mid-2019. Construction is expected to begin in early 2020. Construction phase is dependent on securing funding;
- Completed the Light Rail Systems Analysis, which was adopted by the VTA Board in May 2010. The Systems Analysis provides an evaluation of infrastructure and operational shortcomings of the existing light rail system as well as improvement plan for immediate action. The initial projects recommended from the Systems Analysis began planning, design and construction in Fall 2011. Funding for the Vasona LRT Extension/Winchester Light Rail Double Track and platform extension project was approved in June 2016. Contract was awarded at the May 2018 VTA Board meeting. Contract for the SR 85 Major Transit Investment Study was approved at the May 2017 VTA Board meeting. Transit Market Analysis was completed in June 2018. Further transit planning including concept development is dependent on securing funding;
- Santa Clara Pocket Track constructions was completed in early 2015. Phase 1 interlocking from Reamwood Station to Old Ironsides Stations was completed in March 2018; Two construction contracts under the Northern Light Rail Express project were completed in December 2015. Project closeout is ongoing. VTA local bus network service plan for BART Extension is complete. Express Bus Service Plan will be developed in 2019 under the BART Transit Integration Analysis project;

- Caltrain Service Upgrades include capital improvements to Caltrain system. Completed construction for the Blossom Hill Pedestrian Grade Separation in September 2012; Completed construction along the Joint Powers Board (JPB) segment. Design for next phase is complete, construction is pending High Speed Rail Project; Modifications to pedestrian access at the Mountain View Caltrain station is expected to be completed in 2019;
- Santa Clara Caltrain Station Pedestrian Underpass Extension project provides an extended pedestrian tunnel under the UPRR tracks to Brokaw Road at the Santa Clara Station. Construction contract was completed in June 2017;
- The Bike Share Pilot Program opened in August 2013 at Caltrain stations and downtown areas in San Jose, Mountain View, and Palo Alto. The grant-funded pilot concluded in June 2016;
- In July 2016, Caltrain Board approved contract awards to begin work on the Peninsula Corridor Electrification Project. The FTA approved the Full Funding Grant Agreement and Caltrain released the Notice to Proceed in June 2017. Work is proceeding, with foundations for electrical system being installed and final cost estimates being worked on. VTA continues to reimburse Caltrain for project-related cost;
- The second phase of VTA's 16.1-mile Silicon Valley Rapid Transit (SVRT) extension of BART, the Santa Clara Extension, is an approximately six-mile extension of BART service. In June 2018, Federal Transit Administration (FTA) notified VTA that a Record of Decision (ROD) was issued for the Phase II of the project. VTA continued efforts in pursuit of federal funding through the FTA's Capital Investment Grant (CIG) Program. VTA anticipates General Engineering Consultant selection to be completed by Fall 2018.

BART Operating Fund Sales Tax Ordinance

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

2016 Measure B

In November 2016, Santa Clara County voters approved 2016 Measure B, a 30-year half-cent countywide sales tax to enhance transit, highways, expressways and active transportation (bicycles, pedestrians and complete streets). Tax collections began in April 2017. As of June 30, 2018, tax apportionments (including related interest) of $256.1 million remain in escrow. This is reported as a liability due to pending litigation affecting the Tax Measure. The transportation programs to be funded by 2016 Measure B are: (1) VTA's BART Silicon Valley Phase II; (2) Bicycle/Pedestrian Program; (3) Caltrain Corridor Capacity Improvements; (4) Caltrain Grade Separation; (5) County Expressways; (6) Highway Interchanges; (7) Local Streets and Roads; (8) State Route 85 Corridor, and (9) Transit Operations.

NOTE 10 – FEDERAL, STATE, AND LOCAL ASSISTANCE

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

(a) Federal Grants

Federal grants are approved principally by the Federal Transit Administration (FTA) and the Federal Highway Administration (FHWA). Federal grants for the year ended June 30, 2018, are summarized as follows (in thousands):

	Enterprise	Special Revenue	Capital Projects
Operating Grants:			
FTA Section 9 (49 USC 5307)	$ 3,831	$ —	$ —
Job Access Reverse Commute Fed Grant	50	—	—
Peninsula Family Services	161	—	—
Section 5311	79	—	—
Discover Opportunities In Transit	109	—	—
Federal Technical Studies	—	2,178	—
Pass-through Operating Grants	—	—	1,347
Total Operating Grants	4,230	2,178	1,347
Capital Grants:			
FTA New Starts FFGA	—	57,535	—
FTA Section 5307, 5309, 5337, 5339 and Federal Security	48,229	1,646	—
Pass-through Capital Grants	140	—	—
Total Capital Grants	48,369	59,181	—
Total operating & capital grants	$ 52,599	$ 61,359	$ 1,347

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

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

Through the Drive Forward program in Santa Clara County, Peninsula Family Services provides low-interest auto loans to individuals who are unable to access consumer loan financing. These loans allow for the purchase or repair of a car to qualified families and individuals.

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

The objective of the Discover Opportunities - In Transit Program is to prepare and direct under served, underemployed, and/or minority groups into the Transportation Planner career path. VTA has identified through recent recruiting attempts that the Transportation Planner series is underrepresented within the agency and is committed to work with strategic partners to develop training materials geared to enhance the minimum qualifications of targeted student groups to prepare them for an entry level position in this field.

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

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

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

FTA Section 5307 capital grants represent the federal program, which makes federal resources available to urbanized areas and to Governors for transit capital and operating assistance in urbanized areas and for transportation-related planning. This includes funds for transit enhancements and Congestion Mitigation and Air Quality (CMAQ) award for transportation projects or programs that will contribute to the attainment or maintenance of the National Ambient Air Quality Standards (NAAQS) for ozone and carbon monoxide. The State of Good Repairs Grants under FTA Section 5337 provides capital assistance for maintenance, replacement, and rehabilitation projects of high-intensity fixed guideway and bus systems to help transit agencies maintain assets in a state of good repair. The bus and bus facilities infrastructure investment program under FTA Section 5339 makes federal resources available to states and direct recipients to replace, rehabilitate and purchase buses and related equipment. Transit Security Grant provides funds for the costs of addressing security enhancements for transit systems.

FTA Section 5309 is a discretionary capital grant program. This provides funding for major transit capital improvements, including heavy rail, commuter rail, light rail, streetcars, and bus rapid transit.

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

(b) State and Local Grants and Assistance

State and local grants for the year ended June 30, 2018, are summarized as follows (in thousands):

	Enterprise Funds	Special Revenue Funds	Capital Projects Funds
Operating grants:			
Transportation Development Act	$ 103,052	$ —	$ —
State Transit Assistance	21,142	—	—
Apprenticeship Program	665	—	—
State Operating Assistance Grants	—	945	—
AB 434	1,830	—	—
Congestion Management & Highway Program-State Grants	—	—	(55)
Congestion Management & Highway Program-2000 Measure A Swap Program	—	—	5,756
Other Local Grants:			
Santa Clara County (Fund Swap Program)	—	—	89
Various cities, counties and others	—	—	9,428
Total operating grants	126,689	945	15,218
Capital grants:			
Traffic Congestion Relief Program	—	829	—
PTMISEA	2,260	3,185	—
Proposition 1B Fund	4,670	884	—
High-Speed Rail	4	—	—
Transportation Fund Clean Air	668	—	—
Low Carbon Transit Operation Program	1,436	—	—
California Energy Commission	87	—	—
Other Local Grants:			
Various cities, counties and others	765	15,406	—
Total Capital Grants	9,890	20,304	—
Total State and Local Grants	$ 136,579	$ 21,249	$ 15,218

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

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

VTA and West Valley Mission Community College District entered into a Memorandum of Understanding to institutionalize a California Division of Apprenticeship Standards (DAS) apprenticeship model for VTA training of new workers and to provide career pathways for alternative fuel fleet maintenance and repair positions.

State Operating Assistance Grants under the Congestion Management Program represent grant receipts from the California Department of Transportation for project planning, programming and monitoring activities related to development of the Regional Transportation Improvement Program.

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

Capital Projects revenues consist of state and local grant revenues pertaining to Congestion Management and Highway Program (CMHP) of $15.2 million. The CMHP state grants consist primarily of Corridor Mobility Improvement Account (CMIA) grant. The scope of this grant includes performance improvements on the state highway system and major access routes to the state highway system. The CMHP-State grant was a negative $55 thousand due to state disallowance. This resulted to a reclassification adjustment from state to local in 2018.

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

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

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

Received in prior years	$	210,233
Interest earned in prior years		5,818
Spent in prior year		(177,208)
Beginning unspent grant amounts		38,843
Spent in current year		(5,445)
Interest earned in current year		637
Total proceeds available plus interest earned	$	34,035

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

The California High-Speed Rail Authority is responsible for the planning, design, construction and operation of the high-speed rail system in the nation. The System will connect the mega-regions of the State, contribute to economic development and a cleaner environment, create jobs and preserve agricultural and protected lands.

The Transportation Fund for Clean Air (TFCA) is generated by a $4.00 surcharge on vehicle registrations in the nine-county Bay Area. The Bay Area Air Quality Management District (BAAQMD) administers the funds. The money is available for allocation to alternative fuels, arterial management, bicycle, and trip-reduction projects that reduce vehicle emissions.

The Low Carbon Transit Operations Program (LCTOP) is part of the Transit, Affordable Housing, and Sustainable Communities Program established by the California Legislature in 2014 by Senate Bill 862. LCTOP was created to provide operating and capital assistance for transit agencies to reduce greenhouse gas emission and improve mobility, specifically for serving disadvantaged communities.

California Energy Commission provides funding as part of the Electric Program Investment Charge for applied research and development, technology demonstration and deployment and market facilitation for clean energy technologies. This revenue is received by VTA as a pass-through agreement with Prospect Silicon Valley.

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

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

(a) Plan Description and Benefits Provided

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

Classic Employees

Employees with 10 or more years of eligibility service are entitled to full annual pension benefits beginning at normal retirement age of 65. Employees with less than 10 years but more than 5 years of eligibility service are entitled to an annual benefit at age 65 provided the Board of Pensions approves such benefit. Employees with 15 or more years of eligibility service are entitled to full annual pension benefits beginning at age 55. The Plan permits early retirement if an employee becomes disabled after 10 or more years of eligibility service and deferred vested retirement upon employee termination after 10 or more years of eligibility service, with benefits payable at age 65. Employees may elect to receive their benefits in the form of a joint or survivor annuity, excluding deferred vested and disability retirements. These benefit provisions and all other requirements are established by California statute and the labor agreement with the ATU Local 265. Benefit terms do not provide for annual cost-of-living adjustment subsequent to retirement date. Employees contribute 0.95% effective 10/10/2016 and 1.90% effective 10/9/2017.

New Employees

Plan benefit provisions and all other requirements are established by California Public Employees' Pension Reform Act of 2013 (PEPRA) and Plan amendments as approved by the VTA Board at its October 6, 2016 meeting. Employees hired on or after January 1, 2016 contribute at least 50%, rounded to the nearest quarter of one percent, of the normal cost rate for the Plan for all active Plan Members, as determined by the Plan's actuary. Employees contributed 5.5% effective 10/24/2016. This was increased to 6.0% effective 6/18/2018.

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

The membership of the Plan as of June 30, 2018, is as follows:

Membership Status	
Retirees and beneficiaries currently receiving benefits	1,443
Terminated vested members not yet receiving benefits	137
Active Members	1,607
Total	3,187

(b) Basis of Accounting

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

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

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

(c) Contribution Requirements

For FY 2018, the actuarially-determined contribution was $28.5 million. As the Plan elected to use June 30, 2018 as its measurement date, employer contributions for FY 2018 will have an impact on the changes in the Plan's Net Position as of the end of the reporting year. The contribution requirements are based on actuarially determined rate and approved by the Board. The rate is the estimated amount necessary to finance the cost of the benefits earned by employees during the year with an additional amount to finance the unfunded accrued liability.

(d) Changes in Net Pension Liability

The Plan's net pension liability was $197.7 million as of June 30, 2018. The following table shows the changes in net pension liability recognized over the measurement period (in thousands).

	Increase/(Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (c) = (a) - (b)
Balance at June 30, 2017	$ 701,580	$ 531,467	$ 170,113
Changes Recognized for the Measurement Period:			
Service cost	16,953	—	16,953
Interest (includes interest on service cost)	47,850	—	47,850
Differences between expected and actual experience	12,285	—	12,285
Changes of assumptions	21,918	—	21,918
Contributions - Employer	—	28,524	(28,524)
Contributions - Member	—	2,725	(2,725)
Net investment income	—	40,605	(40,605)
Benefit Payments, including Refunds of Employee Contributions	(41,566)	(41,566)	—
Administrative expense	—	(403)	403
Net changes during FY 2018	57,440	29,885	27,555
Balance at June 30, 2018	$ 759,020	$ 561,352	$ 197,668

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

The table below shows the sensitivity of the net pension liability to the discount rate. A one percent decrease in the discount rate increases the net pension liability by approximately 43%. A one percent increase in the discount rate decreases the net pension liability by approximately 37%.

	Discount rate -1% 5.96%	Discount rate 6.96%	Discount rate + 1% 7.96%
		(in thousands)	
Net Pension Liability	$ 283,285	$ 197,668	$ 125,254

(f) Actuarial Assumptions

The Total Pension Liability (TPL) at the beginning of the measurement year is measured as of a valuation date of January 1, 2017, and projected forward to the beginning of the measurement year of June 30, 2017. The TPL at the end of the measurement year, June 30, 2018, is measured as of a valuation date of January 1, 2018, and projected forward to June 30, 2018.

A summary of key assumptions is as follows:

Actuarial cost method:	Entry Age
Inflation:	2.75% (reduced from 3% in the 2016 valuation)
Salary increases:	3.00% plus merit component
COLA increases:	0.00%
Investment rate of return:	7%, net of investment expense
Post-retirement Mortality:	Sex distinct RP-2014 Adjusted to 2006 health Employee and Annuitant Blue Collar mortality tables with generational improvements using Scale-MP-2017 (changed from RP-2000 Combined Healthy Blue Collar Mortality, projected to 2025 using 50% of Scale BB, with a one year set-back for female members, in the 2017 valuation.

(g) Discount Rate

The discount rate used to measure the net pension liability was increased from 6.94% to 6.96%. The projection of cash flows used to determine the discount rate assumed that VTA will continue to contribute to the Plan based on an actuarially determined contribution, reflecting a payment equal to the employer's share of the annual normal cost, the expected administrative expenses, and an amount necessary to amortize the remaining unfunded pension liability as a level dollar amount over an open (rolling) 20-year period.

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

Based on the assumptions used, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members until at least 2081 when only a portion of the projected benefit payments are expected to be made from the projected fiduciary net position. Projected benefit payments are discounted at the long-term expected return on assets of 7.00% to the extent the fiduciary net position is available to make the payments and the municipal bond rate of 3.87%, based on the Bond Buyer 20-Bond GO Index as of June 28, 2018, to the extent they are not available. The single equivalent rate used to determine the total pension liability as of June 30, 2018 is 6.96%.

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return [1]
Domestic Equity-Large Cap Active	15%	4.55%
Domestic Equity-Large Cap Index	10%	4.55%
Domestic Equity-Small Cap	10%	4.77%
International Equity	13%	4.77%
Emerging Markets Equity	5%	6.16%
Domestic Fixed Income	22%	0.97%
Absolute Return	9%	3.48%
Real-Estate	10%	3.61%
Real Assets	5%	3.85%
Cash	1%	0.00%
	100%	

[1]Source: NEPC, LLC as of June 30, 2018; All assumptions based on 30-year forecast

(h) Plan's Fiduciary Net Position

This refers to the fair or market value of assets. As of June 30, 2018, the plan's fiduciary net position amounts to $561.4 million. Detailed information about the pension plan's fiduciary net position is available in a separate financial report available on VTA's website.

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

For the measurement period ending June 30, 2018, VTA incurred pension expense of $43.7 million. This is the change in the Net Pension Liability plus the changes in deferred amounts plus employer contributions.

	Amount (In thousands)
Service cost	$ 16,953
Employee contributions	(2,725)
Administrative expenses	403
Interest cost	47,850
Expected return on assets	(37,849)
Recognition of assumption changes	8,267
Recognition of liability gains and losses	5,165
Recognition of investment gains and losses	5,608
Pension expense	$ 43,672

As of June 30, 2018, VTA's deferred outflows related to the ATU pensions are as follows (in thousands):

Differences between expected and actual experience	$	19,910
Changes in assumptions		34,290
Net difference between projected and actual earnings on pension plan investments		992
Total	$	55,192

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

Fiscal Year		Deferred Outflows of Resources
2019	$	19,040
2020		14,904
2021		7,141
2022		8,407
2023		5,700
Thereafter		—
	$	55,192

(j) Summary of Pension-related accounts

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

		ATU		CalPERS		Total*
Deferred Outflows of Resources (Pension-related)	$	55,192	$	33,696	$	88,888
Deferred Inflows (Pension-related)		—		3,084		3,084
Net Pension Liability		197,668		121,774		319,443
Pension Expense		43,672		20,393		64,065

*Total may not be exact due to rounding

NOTE 12 – PUBLIC EMPLOYEES' RETIREMENT PLAN

(a) Plan Description and Benefits Provided

All eligible non-ATU employees of VTA participate in the California Public Employees' Retirement System (CalPERS). Prior to separation from the County on January 1, 1995, all eligible VTA employees participated in CalPERS through the County. As a result of the separation from the County, certain administrative employees were transferred from the County to VTA. All of those administrative employees' service credits earned during the period they worked for the County's transportation agency were transferred to VTA's CalPERS account.

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

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

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

Retirees and beneficiaries receiving benefits	611
Terminated and vested members not yet receiving benefits	449
Active members	656
Total	1,716

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

(b) Basis of Accounting

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

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

(c) Contribution Requirements

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

The employer's contribution rate from July 1, 2017, through June 30, 2018, was 9.139%. This represents employer normal cost rate and does not include amortization of unfunded liability. The employee contribution requirements of the CalPERS Plan are established by state statute and the employer contribution is established and may be amended by CalPERS.

The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. For FY 2018, VTA contributed $12.2 million, which is equal to the actuarially-determined contributions. The required contribution for FY 2018 was based on the actuarial valuation report as of June 30, 2015 using the entry age normal cost method with the contributions determined as a percent of pay. VTA's annual pension contribution of $12.2 million in FY 2018 was deferred as VTA opted for June 30, 2017, to be its measurement date.

(d) Net Pension Liability

VTA's net pension liability to the CalPERS Plan was $121.8 million as of June 30, 2018. The net pension liability was measured using an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. The following table shows the changes in net pension liability recognized over the measurement period (in thousands).

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (c) = (a) - (b)
	Increase (Decrease)		
Balance at June 30, 2017	$ 390,756	$ 283,176	$ 107,580
Changes Recognized for the Measurement Period:			
Service cost	11,137	—	11,137
Interest on the Total Pension Liability	29,287	—	29,287
Changes of Assumptions	24,077	—	24,077
Differences between Expected and Actual Experience	(2,259)	—	(2,259)
Plan to Plan Resource Movement	—	37	(37)
Contributions from the Employer	—	11,865	(11,865)
Contributions from Employees	—	4,875	(4,875)
Net investment income	—	31,689	(31,689)
Benefit Payments, including Refunds of Employee Contributions	(17,083)	(17,083)	—
Administrative Expense	—	(418)	418
Net changes during FY 2018	45,159	30,965	14,194
Balance at June 30, 2018	$ 435,915	$ 314,141	$ 121,774

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

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

	Discount Rate -1% 6.15%	Current Discount Rate 7.15%	Discount Rate +1% 8.15%
Net Pension Liability	$ 180,412	$ 121,774	$ 73,120

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

For the measurement period ended June 30, 2017, the total pension liability was determined by rolling forward the June 30, 2016 total pension liability. Total pension liability was based on the following actuarial methods and assumptions:

Valuation date	June 30, 2016
Actuarial cost method	Entry Age - Normal
Actuarial Assumptions	
Discount rate	7.15%
Inflation	2.75%
Salary increases	Varies by entry age and service
Payroll growth	3.00%
Investment rate of return	7.15% Net of Pension Plan Investment and Administrative Expenses; includes Inflation
Post retirement benefit increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter
Mortality	The probabilities of mortality are based on the 2014 CalPERS Experience Study for the period 1997 to 2011. Pre-retirement and Post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries.

(g) Discount Rate

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

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

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

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

Asset Class	Target Allocation	Real Return Years 1-10[1]	Real Return Years 11+[2]
Global Equity	47.00%	4.90%	5.38%
Global Fixed Income	19.00%	0.80%	2.27%
Inflation Sensitive	6.00%	0.60%	1.39%
Private Equity	12.00%	6.60%	6.63%
Real Estate	11.00%	2.80%	5.21%
Infrastructure & Forestland	3.00%	3.90%	5.36%
Liquidity	2.00%	-2.20%	-2.70%
	100.00%		

[1]An expected inflation of 2.5% used for this period
[2]An expected inflation of 3.0% used for this period
Source: CalPERS GASB 68 Valuation, measurement date of June 30, 2017

(h) Pension Plan's Fiduciary Net Position

The plan's fiduciary net position as of June 30, 2017 is $314.1 million. Detailed information about each plan's fiduciary net position is available in separately issued CalPERS financial reports.

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

For the year ended June 30, 2018, VTA incurred a pension expense of $20.7 million for the Plan.

	Amount (In thousands)
Service cost	$ 11,137
Interest on the Total Pension Liability	29,287
Recognized changes in assumptions	5,290
Recognized changes between expected and actual experience	(270)
Plan to Plan resource movement	(37)
Employee contributions	(4,875)
Projected earnings on Pension Plan investments	(20,178)
Recognized differences between projected and actual earnings on Plan investments	(30)
Administrative Expense	418
Pension Expense	$ 20,742 *

* This is based on the GASB 68 actuarial report. VTA recorded a $20.4 million of pension expense, net of the difference between actual 2017 employer contribution of $11.8 million and 2018 employer contribution deferral of $11.5 million.

As of June 30, 2018, VTA's deferred inflows and outflows of resources related to the CalPERS pension plan are as follows, in thousands:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	$ 16,996	$ (1,075)
Differences between Expected and Actual Experiences	415	(2,009)
Net Difference between Projected and Actual Earnings on Pension Plan Investments	4,077	—
Pension Contributions subsequent to measurement date	12,208	—
Total	$ 33,696	$ (3,084)

Deferred outflows of resources resulting from contributions, made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Amounts reported as deferred inflows of resources related to differences in projected and actual investment savings will be recognized in future pension expense over 5 years using the straight-line method. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive and retirees) as of the beginning of the measurement period. These will be recognized in pension expense as follows, in thousands:

Fiscal Year	Deferred Outflows/(Inflows) of Resources
2019	$ 5,431
2020	10,984
2021	4,290
2022	(2,301)
Thereafter	—
	$ 18,404

(j) Summary of Pension-related accounts

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

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

(a) Plan Description and Benefits Provided

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

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

For surviving spouses of ATU retirees: VTA pays the Public Employees' Medical & Hospital Care Act (PEMHCA) minimum employer premium contribution of $133 per month in 2018.

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

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

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

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

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

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

As of June 30, 2018, the number of retirees and active employees who met the eligibility requirements for the ATU Program and non-ATU are as follows:

OPEB Eligible	ATU	Non-ATU	Total
Retirees	1,104	538	1,642
Active (Vested)	741	467	1,208

(b) Basis of Accounting

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

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

(c) Contribution Requirements

Benefit allowance provisions are established through agreements and memorandums of understanding (MOU) between VTA and unions representing its employees. VTA's contributions to the plans are based on Actuarially Determined Contribution (ADC) as determined by an actuarial valuation study. In FY 2008, VTA established an irrevocable trust to fund the ADC.

As of June 30, 2018, the Trust's net position of $315.4 million was available to cover costs of the ATU and Non-ATU Programs.

(d) Changes in Net OPEB Asset

The Net OPEB Asset was $66.4 million as of June 30, 2018. The following table shows the changes in net OPEB asset recognized over the measurement period (in thousands).

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability/(Asset) (c) = (a) - (b)
Balance at June 30, 2017	$ 241,867	$ 299,894	$ (58,027)
Changes Recognized for the Measurement Period:			
Service cost	5,697	—	5,697
Interest (includes interest on service cost)	16,695	—	16,695
Changes of assumptions	(1,057)	—	(1,057)
Other Liability Experience Loss/(Gain)	(1,670)	—	(1,670)
Contributions -Employer	—	—	—
Benefit Payments [1]	(12,539)	(12,539)	—
Non-Benefit Related Admin Expenses from Plan Trusts	—	(109)	109
Expected Investment Return	—	20,550	(20,550)
Investment Experience (Loss)/Gain	—	7,575	(7,575)
Net changes during FY 2018	7,126	15,477	(8,351)
Balance at June 30, 2018	$ 248,993	$ 315,371	$ (66,378)

[1] 2017/2018 Benefit Payments include an implicit subsidy of $3,000,000 which was explicitly paid out of the Plan Trust with no offsetting contribution.

(e) Sensitivity of the Net OPEB Asset to Change in Discount Rate and health care trend:

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

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Net OPEB Asset	$ 38,364	$ 66,378	$ 90,004

(f) Health Care Trend rates

The CalPERS benefit trend rates begin at various levels ranging from 0.95% (for the PERS Care non-Medicare PPO) to 17.95% (for the non-Medicare UHC HMO). These first year percentages are based on the actual 2018 renewal and the type of medical plans (HMO vs. PPO, Medicare vs.

non-Medicare), and then are graded down to an ultimate rate of 4.0% (reflecting the expected long-term trend for the medical Consumer Price Index).

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

	1% Decrease	Current Trend Rate	1% Increase
	3%	4%	5%
Net OPEB Asset	$ 93,572	$ 66,378	$ 33,910

(g) Actuarial Methods and Assumptions

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

Description		Methods/Assumptions
Valuation date		July 1, 2017
Actuarial Cost Method		Entry Age, level percentage of pay
Actuarial assumptions:	Discount rate	7%
	Inflation	2.5%
	Mortality	RP2000 Combined Healthy Blue Collar using 50% of Scale BB.

(h) Discount Rate

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Geometric)[1]
Domestic Equity-Large Cap Active	30%	4.55%
International Equity	18%	4.77%
Emerging Markets Equity	6%	6.16%
Domestic Fixed Income	21%	0.97%
Absolute Return	8%	3.48%
Real-Estate	11%	3.61%
Real Assets	5%	3.61%
Cash	1%	—%
	100%	

[1]Source: NEPC, LLC as of June 30, 2018 (All assumptions based on 30 year forecast)

(i) Plan's Fiduciary Net Position

This refers to the fair or market value of assets. As of June 30, 2018, the Plan's Fiduciary Net Position amounts to $315.4 million. Detailed information about the OPEB plans, fiduciary position is available in a separate financial report available on VTA's website.

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

For the year ended June 30, 2018, the Trust incurred OPEB expense of $50 thousand. This is the change in the Net OPEB Asset plus the changes in deferred amounts.

		Amount (In thousands)
Service cost	$	5,697
Interest cost		16,695
Expected Investment Return		(20,550)
Non-Benefit-Related Administrative Expenses from Plan Trusts		109
Amortizations of other changes in Net OPEB Liability		(1,901)
OPEB expense	$	50

As of June 30, 2018, VTA's deferred inflows related to the OPEB are as follows (in thousands):

Changes in assumptions	$	907
Difference between expected and actual experience		1,434
Difference between expected and actual investment earnings		6,059
Total	$	8,400

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

Fiscal Year		Deferred Inflow of Resources
2019	$	1,901
2020		1,901
2021		1,901
2022		1,901
2023		386
Thereafter		410
	$	8,400

NOTE 14 – INTERNAL SERVICE FUND

As of June 30, 2018, the assets and liabilities by individual components of the Internal Service Fund by program are as follows (in thousands):

	Workers' Compensation	General Liability	Compensated Absence	Total
Assets	$ 19,542	$ 11,068	$ 22,425	$ 53,035
Liabilities*	19,542	11,068	34,971	65,581
Net Position	$ —	$ —	$ (12,546)	$ (12,546)

*includes short-term liabilities

Workers' Compensation and General Liability

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

Actuarial Information

An actuarial analysis as of June 30, 2018 disclosed that the present values of estimated outstanding losses, at 2% average discount rate using a 60% confidence level, are $19.5 million and $11.07 million for Workers' Compensation and General Liability, respectively. Changes in the balance of Workers' Compensation and General Liability claims for the two years ended June 30, 2017, and June 30, 2018, are as follows (in thousands):

	Workers' Compensation	General Liability
Unpaid claims at June 30, 2016	$ 17,290	$ 7,025
Provision for claims and claims adjustment expense	6,250	2,830
Changes in estimates for provision for future claims	(1,991)	1,560
Payment for claims and other adjustments	(4,247)	(5,054)
Unpaid claims at June 30, 2017	17,302	6,361
Provision for claims and claims adjustment expense	6,656	2,636
Changes in estimates for provision for future claims	374	5,305
Payment for claims and other adjustments	(4,826)	(3,281)
Unpaid claims at June 30, 2018	$ 19,506	$ 11,021

Compensated Absences

This represents the amount charged each month to accrue the estimated increase in unused vacation and sick leave. This account is adjusted annually to reflect the year-end value of unused vacation and sick leave. Compensated absences are limited to leaves that are attributable to services already rendered and are not contingent on a specific event that is outside the control of the employer and employee. At June 30, 2018, the outstanding balance of compensated absences liability is $35 million.

NOTE 15 – ATU SPOUSAL MEDICAL AND VISION/DENTAL FUND

VTA administers the ATU Spousal Medical and Retiree Vision and Dental Fund. Both are considered to be employee-funded defined contribution plans. As of June 30, 2018, VTA had net position of approximately $17.5 million for the ATU Spousal Medical Fund and $12 million for the Retiree Vision and Dental Fund.

The Spousal Medical Fund is a medical insurance benefit for eligible pensioners' spouses. Pursuant to a collective bargaining agreement with ATU, represented employees are required to contribute $0.40 per hour to the Spousal Medical Fund. As of June 30, 2018, there were 394 participating spouses who were eligible for benefits from the Spousal Medical Fund. FY 2018 contributions were approximately $1.6 million while benefit payments made by the Fund were approximately $1.4 million and investment earnings were $1.4 million.

The Retiree Vision and Dental Fund is a vision and dental benefit for eligible pensioners. Effective 1999 and pursuant to a collective bargaining agreement, ATU represented employees are required to contribute $0.10 per hour. As of June 30, 2018, there were 1,092 eligible participants. Contributions and investment earnings for the fiscal year were approximately $398 thousand and $1 million respectively, while benefit payments were approximately $325 thousand.

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

NOTE 16 – CLAIMS, COMMITMENTS, AND CONTINGENCIES

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

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

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

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

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

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

Type of Coverage	Self-Retention	Excess Coverage
Workers' Compensation	Self-Insured	None
General Liability	$ 3,000,000	$ 97,000,000
Property, Boiler & Machinery	100,000	80,000,000
Flood	5,000	500,000
Light Rail Vehicles	250,000	100,000,000
Light Rail Spare Parts	25,000	Stated Value
Buses	150,000 & lower	50,000,000
Bus Spare Parts	25,000	Stated Value
Non-Revenue Trucks & Equipment	25,000	50,000,000
Express Lane Toll Road Equipment & Signs	25,000	50,000,000
Public Officials Liability	2,500,000	2,000,000
Crime	10,000	1,000,000
Premises Pollution Liability	100,000	5,000,000
Storage Tank Liability	25,000	1,000,000
Cyber Risk	10,000	2,000,000
Blanket Railroad Protective Liability	—	2,000,000

NOTE 17 – LEASES

VTA leases various properties for use as transfer facilities, parking lots, information centers, office buildings, and warehouses under lease agreements that expire at various dates through 2024. VTA may renew the leases after their expiration. Some of these agreements were accounted for as operating leases in VTA Transit Fund for approximately $354 thousand in FY 2018. Other leases were charged to capital project expenditures in FY 2018 for approximately $1.1 million. The future lease payments under non-cancellable lease agreements are as follows (in thousands):

Years ending June 30,	Future Lease Payments
2019	$ 1,779
2020	1,898
2021	1,892
2022	1,949
2023	1,964
2024	1,936
2025	1,994
2026	2,054
2027	1,396
Total	$ 16,862

NOTE 18 – LITIGATION

2016 Measure B

In November 2016, the voters of Santa Clara County overwhelmingly passed Measure B, a 30-year half-cent sales tax that would help VTA fund a series of transportation-related projects including local streets and roads repair, bicycle/pedestrian improvements, Caltrain grade separations, and Phase II of the BART extension. Collection of the half-cent sales tax began in April 2017.

In January 2017, a Santa Clara County resident individually filed a lawsuit against VTA on the validity of the 2016 Measure B. (*Cheriel Jensen v. Santa Clara Transportation Authority*, *et al*., Santa Clara County Superior Court case No. 17-CV-304960). VTA challenged the lawsuit as lacking merit and the court agreed and dismissed the case. However, the Plaintiff filed an appeal with the Sixth District Court of Appeal on August 17, 2017, Case No. H044974. On October 18, 2018, the Court of Appeal upheld the validity of Measure B. The Plaintiff still has an opportunity to appeal the Sixth District Court's decision to the California Supreme Court.

VTA is required to keep all 2016 Measure B tax collections in an escrow account (which VTA has been doing) "until the legality of the tax is finally resolved by a final and non-appealable decision…" (California Revenue and Taxation Code, Rev. & Tax. Code § 7270(c).) Therefore, the court process will impede VTA from distributing any 2016 Measure B funds unless and until the lawsuit is finally resolved in favor of VTA.

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

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

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

The County provides support services to VTA for protection (Office of the Sheriff), vehicle maintenance and fuel. As of June 30, 2018, the support services totaled $14.9 million and are included in Operating Expenses.

NOTE 20 – JOINT VENTURES

(a) Peninsula Corridor Joint Powers Board

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

The net operating costs and administrative expenses of the PCJPB for services provided between San Francisco and San Jose are reimbursed by the member agencies. In FY 2018, VTA, SamTrans, and CCSF were responsible for 43.9%, 30.1%, and 26.0%, respectively, of the member agencies' total reimbursement for such expenses. During the year ended June 30, 2018, VTA paid $9.0 million to the PCJPB for operating costs.

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

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

The following is a summary financial information (not included in VTA's financial statements) for the PCJPB for the years ended June 30, 2017 and 2016 (in thousands). FY 2017 is the most recent audited financial information.

PCJPB Financial Information	2017	2016
Total assets	$ 1,763,538	$ 1,495,016
Total liabilities	(244,172)	(136,381)
Total net position	$ 1,519,366	$ 1,358,635
Operating revenues	$ 102,030	$ 95,433
Operating expenses	(216,555)	(211,383)
Non-operating revenues, net	28,489	26,281
Capital contributions	246,767	131,329
Change in net position	$ 160,731	$ 41,660

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

(b) Altamont Corridor Express

The Altamont Corridor Express (ACE) is a commuter rail service covering over 85 miles between Stockton and San Jose with stops in Manteca, Tracy, Livermore, Pleasanton, Fremont, Santa Clara, and San Jose. ACE is funded by VTA, the Alameda County Congestion Management

Agency, and the San Joaquin Regional Rail Commission which also serves as the managing agency. ACE commenced operations in October 1998, and now provides four daily round trips commuter rail service from San Joaquin County through the Tri-Valley Area of Alameda County to Santa Clara County. In June 2003, VTA entered into a Cooperative Service Agreement with the San Joaquin Regional Rail Commission (SJRRC) and the Alameda County Transportation Commission (Alameda CTC) for continued VTA funding of ACE commuter rail service. The cooperative agreement replaced the ACE Joint Powers Agreement (JPA) executed by the ACE member agencies – VTA, SJRRC, and Alameda CTC. Per the cooperative agreement, VTA's financial subsidy is the amount paid in FY 2003, increased annually by the consumer price index (CPI). During the year ended June 30, 2018, VTA contributed approximately $3.4 million for operating costs.

The summary financial information (not included in VTA's financial statements) for the Altamont Corridor Express for the years ended June 30, 2017, and 2016 (in thousands), appear as follows. FY 2017 is the most recent audited financial information.

ACE Financial Information	2017	2016
Total assets	$ 182,775	$ 183,530
Total liabilities	(55,433)	(57,738)
Total net position	$ 127,342	$ 125,792
Operating revenues	$ 8,899	$ 8,558
Operating expenses	(29,595)	(24,227)
Non-operating revenues, net	22,484	20,494
Extraordinary item	(238)	(1,071)
Change in net position	$ 1,550	$ 3,754

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

(c) Capitol Corridor Intercity Rail Service

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

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

NOTE 21 – OTHER FINANCING TRANSACTIONS

Lease/Leaseback

In 1998 and 2003 VTA entered into a total of six lease/leaseback transactions with five investors: KBC Bank N.V., Firth Third Leasing Company, Comerica Leasing Corporation, US Bancorp, and First Hawaiian Leasing Inc. The leases involved a total of 116 light rail vehicles. The light rail vehicles were leased using statutory trusts (the "Trusts") formed on behalf of the parties to the transactions. In each case, pursuant to a head-lease agreement, VTA leased rail vehicles to an investor and in turn received a prepayment of the future headlease rents that would be due through the purchase option date. Pursuant to a sublease, each investor then leased the rail vehicles to the VTA. Sufficient monies from prepayment of the headlease rents were invested in highly rated securities to fund all sublease rents and the purchase option payments. Remaining monies were used to pay transaction costs, with the balance then going to VTA as an upfront cash benefit. Highly rated insurance companies were used to provide guaranties for certain aspects of the transactions. Subsequent to the closing of the leases, the Internal Revenue Service disallowed the tax benefits the investors were anticipating, also as a result of the 2008 financial crisis the credit ratings of the insurance providers were dramatically lowered below thresholds required in the lease documents, resulting in the possibility of a default.

Subsequent to these adverse developments KBC Bank N.V., US Bancorp and Comerica Leasing Corporation were each willing to terminate their transactions on favorable terms. With respect to First Hawaiian Leasing Corporation VTA exercised its purchase option on January 2, 2017. The purchase option was funded from the maturing securities invested at the outset of the lease. The remaining lease is with Fifth Third Leasing Company and have purchase option dates of January 1, 2034.

NOTE 22 – SUBSEQUENT EVENTS

Federal Funding Grant Agreement

The 2017 Federal Section 5309 New Starts funding for the VTA's Silicon Valley Berryessa Extension Project of $97.4 million was awarded in September 2018. This award completes the $900 million grant commitment from the FTA for the project.

NOTE 23 – RESTATEMENT DUE TO CHANGE IN ACCOUNTING PRINCIPLES

In FY 2018, the 2000 Measure A Program Fund was reclassified from an enterprise to a governmental fund. All capital assets reported under the former Measure A fund were transferred to the BART Operating Fund or the Transit Fund. In addition, as discussed in Note 2q, VTA implemented the requirement of GASB Statement No. 75, *Accounting and Reporting for Postemployment Benefits Other than Pensions*, which required recognition of an additional OPEB asset.

The following is a summary of the reclassification and restatements due to change in accounting principles and Measure A fund reclassification:

Transit Fund	2017 Previously Presented	Fund Reclassification and OPEB Restatement	2017 Reclassified
Capital assets	$ 1,958,003	$ 363,003	$ 2,321,006
OPEB asset	15,865	42,162	58,027
Net position	1,934,006	405,165	2,339,171

BART Operating Fund	2017 Previously Presented	Fund Reclassification	2017 Reclassified
Capital assets	$ —	$ 2,454,787	$ 2,454,787
Net position	238,006	2,454,787	2,692,793

2000 Measure A Fund	2017 Previously Presented	Fund Reclassification	2017 Reclassified
Capital assets	$ 2,817,790	$ (2,817,790)	$ —
Deferred outflows	76,291	(76,291)	—
Long-term debt	901,545	(901,545)	—
Bond interest and other fees payable	11,039	(11,039)	—
Derivative instruments	72,257	(72,257)	—
Deferred inflows	3,670	(3,670)	—
Net position/Fund balance	2,405,253	(1,905,570)	499,683

Business-type Activities	2017 Previously Presented	Reclassification and OPEB Restatement	2017 Restated
Measure A assets, less liabilities	$ (412,537)	$ 412,537	$ —
Net OPEB asset	15,865	42,162	58,027
Net position	4,600,148	454,699	5,054,847

Governmental Activities	2017 Previously Presented	Reclassification	2017 Reclassified
Measure A assets, less liabilities	$ —	$ (412,537)	$ (412,537)
Net position	(1,052)	(412,537)	(413,589)

REQUIRED SUPPLEMENTARY INFORMATION
(Other than MD&A)

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SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Required Supplementary Information
Schedule of Changes in Net Pension Liability and Related Ratios

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

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

Notes to schedule

Investment rate of return: 7.00% net of investment expense

Inflation: 2.75%

Benefit changes: There were no changes in the benefit during the year.

Information not available prior to FY 2014.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Required Supplementary Information
Schedule of Employer Contributions

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

	2018*	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially-determined Contribution	$ 28,524	$ 27,385	$ 25,720	$ 25,549	$ 25,787	$ 24,413	$ 19,148	$17,807	$17,905	$14,843
Contributions in Relation to the Actuarially-determined Contribution	28,524	27,385	25,751	25,590	25,787	24,413	19,148	17,807	17,905	14,843
Contributions Deficiency/ (Excess)	$ —	$ —	$ (31)	$ (41)	$ —	$ —	$ —	$ —	$ —	$ —
Covered Payroll	$139,288	$131,544	$126,796	$115,914	$107,880	$104,136	$104,726	$98,741	$98,036	$99,775
Contributions as a Percentage of Covered Payroll	20.48%	20.82%	20.31%	22.08%	23.90%	23.44%	18.28%	18.03%	18.26%	14.88%

***Notes to schedule:**

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

Key Methods and Assumptions Used to Determine Contribution Rate:

Actuarial cost method	Entry Age
Asset valuation method	5-year smoothed market, subject to 80%/120% corridor
Amortization method	All unfunded liability charges are amortized over a rolling 20-year period as a level dollar amount
Discount rate	7.00%
Amortization growth rate	0.00%
Price inflation	2.75%
Salary increases	3.00% plus merit component based on years of service
Mortality	Sex distinct RP-2000 Combined Blue Collar Mortality, (setback one year for females) projected to 2025 using 50% of Scale BB

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Required Supplementary Information
Schedule of Changes in Net Pension Liability and Related Ratios

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

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

***Notes to schedule:**

Benefit Changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2016 valuation date. This applies for voluntary changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes of assumptions: In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense).

Information not available prior to FY 2015.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Required Supplementary Information

Schedule of Employer Contributions

California Public Employees' Retirement System (CalPERS)

(Unaudited)

(In thousands)

	2018[a]	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually Required Contribution	$12,208	$ 11,516	$10,567	$ 8,965	$ 8,845	$ 7,497	$ 7,159	$ 6,090	$ 6,167	$ 6,507
Contributions in Relation to the Contractually Required	12,208	11,516	10,567	8,965	8,845	7,497	7,159	6,090	6,167	6,507
Contributions Deficiency/(Excess)	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Covered Payroll	$71,140	$ 68,156	$61,209	$60,375	$ 54,294	$52,712	$53,950	$ 51,626	$53,231	$ 54,589
Contributions as a Percentage of Covered Payroll	17.16%	16.90%	17.26%	14.85%	16.29%	14.22%	13.27%	11.80%	11.59%	11.92%

Notes to schedule:

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

Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of Payroll
Asset valuation method	Market value of assets
Inflation	2.75%
Salary increases	Varies by entry age and service
Payroll growth	3.00%
Investment rate of return	7.15% Net of Pension Plan Investment expenses; includes inflation.
Retirement age	The probabilities of Retirement are based on the 2014 CalPERS Experience Study for the period 1997 to 2011.
Mortality	The probabilities of mortality are based on the 2014 CalPERS Experience Study for the period 1997 to 2011. Pre-retirement and Post-retirement rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Required Supplementary Information

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

Retirees' Other Post Employment Benefits (OPEB) Trust

(Unaudited)

(In thousands)

	2018*	2017
Total OPEB Liability (TOL)		
Service cost	$ 5,697	$ 5,888
Interest cost	16,695	15,872
Benefit payments[1]	(12,539)	(13,055)
Effect of Change in Actuarial Assumptions/Methods	(1,057)	—
Other Liability Experience Loss/(Gain)	(1,670)	—
Net change in TOL	7,126	8,705
TOL at Beginning of Year	241,867	233,162
TOL at End of Year (a)	248,993	241,867
Plan's Fiduciary Net Position (FNP)		
Contributions to Plan Trusts[1]	—	4,047
Benefit Payments from Plan Trusts[1]	(12,539)	(13,054)
Administrative Expenses from Plan Trusts	(109)	(25)
Expected Investment Return	20,550	18,976
Investment Experience (Loss)/Gain	7,575	14,350
Net Change in FNP	15,477	24,294
FNP at Beginning of Year	299,894	275,600
FNP at End of Year (b)	315,371	299,894
Net OPEB Liability (NOL) at Beginning of Year	(58,027)	(42,439)
Net OPEB Liability (NOL) at End of Year = (a) - (b)	$ (66,378)	$ (58,027)
Plan's FNP as a % of the TOL = (b) / (a)	126.66 %	123.99 %
Covered Payroll	$ 185,861	$ 176,709
NOL as a % of Covered Payroll	(35.71)%	(32.84)%

[1]2017/2018 Benefit Payments include an implicit subsidy of $3 million which was explicitly paid out of the Plan Trust with no offsetting contribution. The $4 million contribution for Fiscal 2016/2017 consists entirely of an implicit subsidy benefit payment.

***Notes to schedule:**

Assumption changes for the Fiscal Year Ending June 30, 2018 (as per the July 1, 2017 actuarial valuation): Future retiree provider selection rates were updated, PPO trend rates during the select period were increased, and the underlying wage increase component of the salary scale was lowered from 3.25% to 3.00%.

Assumption changes for the Fiscal Year Ending June 30, 2017 (July 1, 2016 actuarial valuation date): No changes in actuarial assumptions were made since the valuation.

Information not available prior to 2017.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Required Supplementary Information
Schedule of Employer Contributions

Retirees' Other Post Employment Benefits (OPEB) Trust
(Unaudited)
(In thousands)

	2018*	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially-determined Contribution	$ (2,113)	$ 4,574	$ 4,785	$ 12,093	$ 14,100	$ 17,315	$ 17,321	$ 16,208	$ 14,849	$ 15,350
Contributions in Relation to the Actuarially-determined Contribution[1]	—	4,047	4,785	12,093	14,100	37,965	17,321	15,371	14,213	15,900
Contributions Deficiency/(Excess)	$ (2,113)	$ 527	$ —	$ —	$ —	$(20,650)	$ —	$ 837	$ 636	$ (550)
Covered Payroll	$185,861	$176,709	$168,869	$167,124	$162,902	$152,218	$142,651	$137,050	$ 140,601	$148,014
Contributions as a Percentage of Covered Payroll	—%	2.29%	2.83%	7.24%	8.66%	24.94%	12.14%	11.22%	10.11%	10.74%

[1]For Fiscal 2017/2018, a $3,000,000 implicit subsidy was explicitly paid out of the Plan Trust with no offsetting contribution.

The $4,047,200 contribution for Fiscal 2016/2017 consists entirely of an implicit subsidy benefit payment.

***Notes to schedule:**

Valuation Date: July 1, 2017, with the liability rolled forward to June 30, 2018, using actuarial assumptions provided in Note 13.

Actuarially -determined contribution is calculated as of July 1, twelve months prior to the fiscal year in which contribution is reported.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Required Supplementary Information
Budgetary Comparison Schedule
Congestion Management Program Special Revenue Fund
For the year ended June 30, 2018
(In thousands)

	Original Budget	Final Budget	Actual	Variance Final to Actual Positive/ (Negative)
Revenue:				
Assessments to member agencies	$ 2,528	$ 2,528	$ 2,528	$ —
Federal grant revenues	2,095	2,095	2,178	83
Administrative fees	120	120	136	16
State and local operating assistance grants	783	783	945	162
Other revenues	143	143	346	203
Investment earnings	12	12	2	(10)
Total Revenue	5,681	5,681	6,135	454
Expenditures:				
VTA labor and overhead costs	4,333	4,633	4,632	1
Services and other:				
Professional services	1,300	1,200	817	383
Other services	15	15	14	1
Data processing	7	7	—	7
Contribution to Other Agencies	300	100	116	(16)
Total Expenditures	5,955 *	5,955	5,579	376
Change in fund balance, on a budgetary basis	$ (274)*	$ (274)	556	$ 830
Fund Balance, Beginning of Year			611	
Fund Balance, End of Year			$ 1,167	

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

See Note accompanying this schedule

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Required Supplementary Information

Budgetary Comparison Schedule

2000 Measure A Program Special Revenue Fund

For the year ended June 30, 2018

(In thousands)

	Original Operating Budget		Final Operating Budget	Actual	Variance Final to Actual Positive/ (Negative)
Revenues:					
Sales tax receipts	$ 215,343		$ 215,343	$ 207,870	$ (7,473)
Investment earnings	5,256		5,256	7,379	2,123
Federal subsidy for Build America Bonds	8,750		8,750	8,784	34
Other income	391		391	414	23
Total revenues	229,740	*	229,740	224,447	(5,293)
Non-project expenditures:					
Operating assistance to VTA Transit	44,684		44,684	43,133	1,551
Professional, special and other services	790		790	560	230
Contributions to other agencies	673		673	195	478
Miscellaneous	27		27	25	2
Repayment of debt service to VTA Transit	15,596		15,596	14,936	660
Principal payment, bond interest and other bond charges	38,638		38,638	37,598	1,040
Total non-project expenditures	100,408	*	100,408	96,447	3,961
Change in fund balance, on a budgetary basis	$ 129,332	*	$ 129,332	128,000	$ (1,332)
GAAP reconciliation and unbudgeted items:					
Federal, state and local grant revenues				79,485	
Contribution to other agencies				(54,203)	
Unrealized gain/(loss) on investments				(4,234)	
Amortization of premium/discounts on investment				(334)	
Amortization of bond premium, gain/(loss) on debt refunding and change in accrued interest payable				(2,038)	
Other expenditures				(672)	
Transfers out				(192,700)	
Total GAAP reconciliation and unbudgeted items				(174,696)	
Change in fund balance, on a GAAP basis				(46,696)	
Restated beginning fund balance				499,682	
Fund balance, end of year				$ 452,986	

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

See Note accompanying this schedule

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Required Supplementary Information
Budgetary Comparison Schedule
2016 Measure B Program Special Revenue Fund
For the year ended June 30, 2018
(In thousands)

	Original Budget	Final Budget	Actual	Variance Final to Actual Positive/ (Negative)
Revenue:				
Sales Tax Revenues	$ 215,343	$ —	$ —	$ —
Investment earnings	764	—	—	—
Total Revenue	216,107	—	—	—
Change in fund balance, on a budgetary basis	$ 216,107	$ —	—	$ —
Fund Balance, Beginning of Year			(1,663)	
Fund Balance, End of Year			$ (1,663)	

See Note accompanying this schedule

NOTE 1 - Budgetary Basis of Accounting

State law requires the adoption of an annual budget, which must be approved by the VTA's Board of Directors. VTA's Board adopts a biennial budget for its Congestion Management Program, 2016 Measure B Program, and 2000 Measure A Program Special Revenue Funds. In FY 2018, 2000 Measure A Program Fund was reclassified from enterprise to governmental for financial reporting purposes. The budget for the Special Revenue Fund is prepared on a modified accrual basis but excludes unrealized gains and losses on investments, amortization of premiums and discounts, certain capital federal and state revenues, and transfers.

Budgetary control is maintained at the fund level. The Division Chief must authorize line item reclassification amendments to the budget. Managers are assigned the responsibility for controlling their budgets and monitoring operating expenses. Annual appropriations for the operating budget lapse at the end of the fiscal year to the extent that they have not been expended. The unexpended capital budget at fiscal year-end is carried forward from year to year until the project is completed.

SUPPLEMENTARY INFORMATION
(Combining and Individual Fund Information)

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SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Comparative Schedule of Fund Net Position

Enterprise Funds

June 30,

(In thousands)

	2018	2017 [a]
ASSETS		
Current assets:		
Cash and cash equivalents	$ 28,331	$ 34,044
Cash and cash equivalents with fiscal agent	4,410	2,176
Investments	533,610	537,710
Receivables, net	4,978	4,336
Due from other agencies	85,798	58,477
Inventories	35,472	35,452
Due from other funds	1,070	1,887
Other current assets	1,193	1,236
Total current assets	694,862	675,318
Restricted assets:		
Cash and investments with fiscal agent	—	89
Investments	6,023	10,507
Total restricted current assets	6,023	10,596
Non-current assets:		
Net OPEB asset	66,378	15,865
Capital Assets		
Nondepreciable:		
Land and right-of-way	1,126,872	1,126,872
Construction in progress	3,131,777	2,906,098
Depreciable:		
Intangible Assets	2,203	2,203
Caltrain - Gilroy extension	43,072	43,072
Buildings, improvements, furniture, and fixtures	592,244	586,041
Vehicles	618,806	586,754
Light-rail tracks and electrification	418,194	418,195
Leasehold improvement	9,686	9,686
Others	48,890	47,561
Less: Accumulated depreciation	(1,006,414)	(950,005)
Net capital assets	4,985,330	4,776,477
Total assets	5,752,593	5,478,256
DEFERRED OUTFLOWS OF RESOURCES		
Hedging derivative instruments	6,023	10,507
Refunding amounts	8,151	8,663
Pension-related	88,888	70,966
Total deferred outflows of resources	103,062	90,136

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

	2018	2017 [a]
LIABILITIES		
Current liabilities:		
Current portion of long-term debt	15,728	15,492
Accounts payable and accrued expenses	29,278	25,600
Deposits	362	379
Accrued payroll and related liabilities	10,380	10,536
Bond interest and other fees payable	378	409
Unearned revenues	4,495	3,521
Due to other funds	190	5
Due to other agencies	44,066	45,801
Other accrued liabilities	52	36
Total current liabilities	104,929	101,779
Non-current liabilities		
Long-term debt, excluding current portion	140,628	153,385
Derivative instruments	6,023	10,507
Net pension liability*	319,443	277,694
Total non-current liabilities	466,094	441,586
Total liabilities	571,023	543,365
DEFERRED INFLOWS RELATED TO PENSION AND OPEB	11,484	3,576
NET POSITION	$ 5,273,148	$ 5,021,451

[a]FY 2017 was restated for comparative purposes as the 2000 Measure A Fund changed its classification from enterprise to governmental in FY 2018.

*Resulting from GASB 68 implementation. In FY 2018, this consists of $121.8 million for CalPERS and $197.6 million for ATU

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Comparative Schedule of Revenues, Expenses, and Changes in Fund Net Position

Enterprise Fund

For the years ended June 30,

(In thousands)

	2018	2017 [a]
OPERATING REVENUES:		
Fares - Transit	$ 34,511	$ 33,719
Fares - Paratransit	2,044	1,064
Toll revenues collected	1,297	1,258
Advertising and others	3,649	3,478
Charges for services	933	675
Total operating revenues	42,434	40,194
OPERATING EXPENSES:		
Labor cost	347,412	321,824
Materials and supplies	41,623	38,656
Services	39,942	36,725
Utilities	9,373	8,854
Casualty and Liability	10,404	6,901
Purchased transportation	23,083	25,241
Leases and rentals	568	678
Miscellaneous	1,966	1,732
Depreciation expense	68,472	68,539
Costs allocated to capital and other programs	(34,047)	(27,641)
Total operating expenses	508,796	481,509
Operating loss	(466,362)	(441,315)
NON-OPERATING REVENUES (EXPENSES)		
Sales tax revenue	257,380	259,029
Federal operating assistance and other grants	4,230	4,232
State and local operating assistance grants	126,689	110,959
Caltrain subsidy	(8,967)	(8,390)
Capital expenses on behalf of, and contribution to other agencies	(7,344)	(6,497)
Altamont Corridor Express subsidy	(3,383)	(3,270)
Investment earnings	3,072	1,952
Interest expense	(6,972)	(7,326)
Other non-operating income	2,821	4,609
Other non-operating expense	(657)	(576)
Non-operating revenues, net	366,869	354,722
INCOME (LOSS) BEFORE CONTRIBUTIONS	(99,493)	(86,593)
CAPITAL CONTRIBUTIONS	58,259	38,713
TRANSFERS IN/(OUT)	250,769	340,682
CHANGE IN NET POSITION	209,535	292,802
NET POSITION, BEGINNING OF YEAR	5,021,451	4,728,649
Adjustment due to GASB 75 Implementation	42,162	—
NET POSITION, BEGINNING OF YEAR, AS RESTATED	5,063,613	4,728,649
NET POSITION, END OF YEAR	$ 5,273,148	$ 5,021,451

[a] FY 2017 was restated for comparative purposes as the 2000 Measure A Fund changed its classification from enterprise to governmental in FY 2018.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Comparative Schedule of Cash Flows

Enterprise Funds

For the years ended June 30,

(In thousands)

	2018	2017 [a]
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from transit fares	$ 35,299	$ 34,786
Cash received from paratransit fares	2,044	1,064
Cash received from toll revenues collected	1,297	1,258
Cash received from advertising	3,729	3,738
Cash paid for labor costs	(290,136)	(278,713)
Cash paid to suppliers	(99,635)	(90,633)
Cash paid for purchased transportation	(23,083)	(25,241)
Other receipts/(payments)	869	641
Net cash provided by/(used in) operating activities	(369,616)	(353,100)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating grants received	115,677	116,626
Sales tax received	263,240	256,882
Caltrain subsidy	(8,967)	(8,390)
Altamont Corridor Express subsidy	(3,383)	(3,270)
Capital contribution to other agencies	(11,016)	(8,191)
Net cash provided by/(used in) non-capital financing activities	355,551	353,657
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payment of long-term debt	(47,474)	(24,735)
Proceeds from issuance of long-term debt	34,953	10,030
Advance (to)/from other governments	(2,385)	(2,169)
Interest and other fees paid on long-term debt	(6,491)	(7,966)
Acquisition and construction of capital assets	(84,644)	(56,121)
Capital contribution from other entities	47,354	43,115
Transfers in	58,069	54,386
Transfers out	—	(976)
Net cash provided by/(used in) capital and related financing activities	(618)	15,564
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	977,465	1,193,813
Purchases of investments	(974,164)	(1,247,028)
Interest income received	7,814	6,451
Net cash provided by/(used in) investing activities	11,115	(46,764)
Net increase/(decrease) in cash and cash equivalents	(3,568)	(30,643)
Cash and cash equivalents, beginning of year	36,309	66,952
Cash and cash equivalents, beginning of year	$ 32,741	$ 36,309

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Comparative Schedule of Cash Flows *(Continued)*

Enterprise Funds

For the years ended June 30,

(In thousands)

	2018	2017 [a]
RECONCILIATION OF OPERATING INCOME/(LOSS) TO NET CASH PROVIDED BY/(USED IN) OPERATING ACTIVITIES:		
Operating income/(loss)	$ (466,362)	$ (441,315)
Adjustments to reconcile operating income/(loss) to net cash provided by/(used in) operating activities:		
Depreciation	68,472	68,539
Changes in operating assets and liabilities:		
Other current assets	43	339
Receivables	(104)	339
Inventories	(20)	(3,412)
Accounts payable	3,740	6,212
Other accrued liabilities	(140)	496
Deposits from others	478	(150)
Unearned revenue	892	1,113
Net pension liability	23,385	14,739
Net cash provided by/(used in) operating activities	$ (369,616)	$ (353,100)
Reconciliation of cash and cash equivalents to the Statement of Fund Net Position:		
Cash and cash equivalents, end of year:		
Unrestricted	$ 32,741	$ 36,220
Restricted	—	89
	$ 32,741	$ 36,309
NONCASH ACTIVITIES:		
Increase/(Decrease) in fair value of investments	$ (5,284)	$ (4,410)
Noncash capital contributions	14,072	1,198
Amortization expense of Caltrain Access Fee	(882)	—
Total non-cash activities	$ 7,906	$ (3,212)

[a]FY 2017 was restated for comparative purposes as the 2000 Measure A Fund changed its classification from enterprise to governmental in FY 2018.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Budgetary Comparison Schedule - Enterprise Fund

VTA Transit Fund

For the year ended June 30, 2018

(In thousands)

	FY 2018 Adopted Budget	Final Budget	Actual	Positive (Negative)
REVENUES				
Fares - Transit	$ 35,742	$ 35,742	$ 34,511	$ (1,231)
Fares - Paratransit	2,328	2,328	2,044	(284)
1976 1/2 Cent Sales Tax	215,343	215,343	207,588	(7,755)
Transportation Development Act funds	101,211	101,211	103,052	1,841
2000 Measure A Sales Tax Operating Assistance	44,684	44,684	43,133	(1,551)
2016 Measure B -Transit Operations	14,060	14,060	—	(14,060)
STA	10,300	10,300	21,143	10,843
Federal Operating Grants	3,831	3,831	4,230	399
State Operating Grants	1,373	1,373	2,494	1,121
Investment Earnings	3,584	3,584	2,805	(779)
Advertising Income	2,800	2,800	2,752	(48)
Other Income	19,769	19,769	17,978	(1,791)
Total revenues	**455,024**	**455,024**	**441,731**	**(13,294)**
OPERATING EXPENSES				
Labor Costs	329,982	329,486	324,031	5,455
Materials & Supplies	38,191	36,693	33,911	2,781
Security	17,409	17,409	14,853	2,556
Professional & Special Services	8,715	8,645	5,454	3,191
Other Services	10,488	10,778	10,927	(150)
Fuel	10,716	10,369	9,896	472
Traction Power	5,312	5,312	4,323	988
Tires	2,387	2,387	2,160	227
Utilities	3,593	3,593	3,325	268
Insurance	6,467	9,882	10,404	(522)
Data Processing	5,022	5,022	4,837	185
Office Expense	425	425	299	126
Communications	1,620	1,620	1,723	(103)
Employee Related Expense	1,124	1,211	997	214
Leases & Rents	904	904	568	337
Miscellaneous	878	979	929	50
Reimbursements	(36,555)	(36,555)	(43,379)	6,824
Total operating expenses	**406,679**	**408,159**	**385,258**	**22,901**

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

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Budgetary Comparison Schedule - Enterprise Fund (*continued*)

VTA Transit Fund

For the year ended June 30, 2018

(In thousands)

	FY 2018 Adopted Budget	Final Budget	Actual	Positive (Negative)
OTHER EXPENSES				
Paratransit	24,671	24,671	21,347	3,325
Caltrain	8,967	8,967	8,967	—
Altamont Corridor Express	5,177	5,177	5,119	59
Highway 17 Express	370	370	350	20
Monterey-San Jose Express Service	35	35	35	—
Contribution to Other Agencies	998	1,082	1,020	62
Debt Service	21,581	21,581	20,404	1,177
Transfer to capital reserve	5,000	5,000	5,000	—
Contingencies	2,000	—	—	—
Total other expenses	**68,799**	**66,883**	**62,242**	**4,642**
Total operating and other expenses	**475,478**	**475,042**	**447,500**	**27,543**
Change in net position, on a budgetary basis	**$ (20,454)**	**$ (20,018)**	**(5,769)**	**$ 14,249**
Reconciliation of net income on a budgetary basis to net income on a GAAP Basis:				
Capital Contributions			58,245	
Project Expenditures			(9,322)	
Capital Contributions to Other Agencies			(5,061)	
Bond Principal Payment			14,322	
Amortization of investment premium and discount			(178)	
Amortization of bond premium and deferred loss			(890)	
Unrealized loss on investment			(1,833)	
Debt Reduction Fund Interest Earnings			752	
Other non-operating income (gain on disposal)			(17)	
Other non-budgetary revenues/(expenses)			2,731	
Pension-related (GASB 68) & OPEB-related (GASB 75) expenses			(23,382)	
Transfer to capital reserve			5,000	
Transfer from 2000 Measure A Program			105,893	
1996 Measure B Transit activities			678	
Depreciation			(68,472)	
Net change in net position, on a GAAP Basis			$ 72,697	

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

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Comparative Schedule of Revenues, Expenses, and Changes in Fund Balance

Special Revenue Fund

For the year ended June 30,

(In thousands)

	2018				2017*			
	2000 Measure A Program	2016 Measure B Program	Congestion Management Program	Total	2000 Measure A Program	2016 Measure B Program	Congestion Management Program	Total
Sales tax revenue	$ 207,870	$ —	$ —	$ 207,870	$ 208,672	$ —	$ —	$ 208,672
Federal grant revenues	59,181	—	2,178	61,359	109,543	—	1,219	110,762
State and local grants	20,304	—	945	21,249	40,600	—	966	41,566
Federal subsidy for Build America Bonds	8,784	—	—	8,784	8,753	—	—	8,753
Investment earnings	2,811	—	2	2,813	2,404	—	7	2,411
Assessment to member agencies	—	—	2,528	2,528	—	—	2,407	2,407
Other revenues	414	—	346	760	407	—	124	531
Administrative fees	—	—	136	136	—	—	142	142
Total Revenues	299,364	—	6,135	305,499	370,379	—	4,865	375,244
Contribution to agencies	(54,203)	—	(116)	(54,319)	(79,587)	—	(83)	(79,670)
Debt Service:								
Principal	(29,530)	—	—	(29,530)	(28,160)	—	—	(28,160)
Interest	(10,107)	—	—	(10,107)	(10,721)	—	—	(10,721)
Salaries and benefits	—	—	(4,632)	(4,632)	—	—	(4,251)	(4,251)
Other expenditures	(1,452)	—	—	(1,452)	(2,352)	—	—	(2,352)
Professional services	—	—	(817)	(817)	—	(1,663)	(1,058)	(2,721)
Material and Services	—	—	(14)	(14)	—	—	(19)	(19)
Total Expenditures	(95,292)	—	(5,579)	(100,871)	(120,820)	(1,663)	(5,411)	(127,894)
Transfers out	(250,769)	—	—	(250,769)	(340,682)	—	—	(340,682)
Change in fund balances	(46,697)	—	556	(46,141)	(91,123)	(1,663)	(546)	(93,332)
Fund balances, beginning of year	2,405,253	(1,663)	611	2,404,201	2,178,434	—	1,157	2,179,591
Long-term liabilities which are not due and payable in the current period	—	—	—	—	943,172	—	—	943,172
Restatement due to change in accounting principles, Note 23	(1,905,570)	—	—	(1,905,570)	(2,530,801)	—	—	(2,530,801)
Fund balances, beginning of year as restated	499,683	(1,663)	611	498,631	590,805	—	1,157	591,962
Fund balances, end of year	$ 452,986	$ (1,663)	$ 1,167	$ 452,490	$ 499,682	$ (1,663)	$ 611	$ 498,630

*FY 2017 was restated for comparative purposes as the 2000 Measure A Fund changed its classification from enterprise to governmental in FY 2018.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Combining Statement of Fiduciary Net Position

Retiree Benefits Trust Funds

June 30, 2018

(In thousands)

	ATU Pension Trust	OPEB Trust	ATU Medical Trusts: Spousal Medical	ATU Medical Trusts: Vision/ Medical	ATU Medical Trusts: Total Medical Trusts	Total
ASSETS						
Cash and cash equivalents	$ 780	$ 1,644	$ 322	$ 221	$ 543	$ 2,967
Investments	560,128	313,380	17,196	11,831	29,027	902,535
Receivables	840	475	—	—	—	1,315
Due from other agencies	1	10	—	—	—	11
Total assets	561,749	315,509	17,518	12,052	29,570	906,828
LIABILITIES						
Accounts payable	367	139	1	—	1	507
Unearned revenues	30	—	—	—	—	30
Total liabilities	397	139	1	—	1	537
NET POSITION						
Restricted for:						
Pension benefits	561,352	—	—	—	—	561,352
Other post-employment benefits	—	315,370	—	—	—	315,370
Spousal medical benefits	—	—	17,517	—	17,517	17,517
Retiree dental and vision benefits	—	—	—	12,052	12,052	12,052
TOTAL NET POSITION	$ 561,352	$ 315,370	$ 17,517	$ 12,052	$ 29,569	$ 906,291

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Combining Statement of Changes in Fiduciary Net Position

Retiree Benefits Trust Funds

For the year ended June 30, 2018

(In thousands)

	ATU Pension Trust	OPEB Trust	ATU Medical Trusts: Spousal Medical	ATU Medical Trusts: Vision/ Dental	ATU Medical Trusts: Total Medical Trusts	Total
ADDITIONS						
Employee contributions	$ 2,725	$ —	$ 1,596	$ 398	$ 1,994	$ 4,719
Employer contributions	28,524	—	—	—	—	28,524
Total contributions	31,249	—	1,596	398	1,994	33,243
Investment earnings:						
Investment income	47,989	75,732	1,221	849	2,070	125,791
Net change in the fair value of investments	(5,065)	(47,177)	221	153	374	(51,868)
Investment expense	(2,319)	(431)	(3)	(2)	(5)	(2,755)
Net investment earnings	40,605	28,124	1,439	1,000	2,439	71,168
Total additions	71,854	28,124	3,035	1,398	4,433	104,411
DEDUCTIONS						
Benefit payments	41,566	12,539	1,393	325	1,718	55,823
Services	—	—	12	7	19	19
Administrative expenses	403	109	—	—	—	512
Total deductions	41,969	12,648	1,405	332	1,737	56,354
Change in net position	29,885	15,476	1,630	1,066	2,696	48,057
Net position, beginning of year	531,467	299,894	15,887	10,986	26,873	858,234
Net position, end of year	$ 561,352	$ 315,370	$ 17,517	$ 12,052	$ 29,569	$ 906,291

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Combining Statement of Assets and Liabilities

Agency Funds

June 30, 2018

(In thousands)

	BAAQMD Program	SB83 VRF Agency	Total
Assets			
Cash and cash equivalents	$ 1,315	$ 3,002	$ 4,317
Investments	4,373	26,173	30,546
Total Assets	$ 5,688	$ 29,175	$ 34,863
Liabilities			
Accounts Payable	$ 634	$ 11	$ 645
Program payable	5,054	29,164	34,218
Total Liabilities	$ 5,688	$ 29,175	$ 34,863

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Combining Statement of Changes in Assets and Liabilities

Agency Funds

For the year ended June 30, 2018

(In thousands)

BAAQMD Program	Balance July 1, 2017	Increase	Decrease	Balance June 30, 2018
Assets				
Cash and cash equivalents	$ 280	$ 1,035	$ —	$ 1,315
Investments	3,608	765	—	4,373
Total assets	$ 3,888	$ 1,800	$ —	$ 5,688
Liabilities				
Accounts Payable	$ 20	$ 614	$ —	$ 634
Program payable	3,868	1,186	—	5,054
Total liabilities	$ 3,888	$ 1,800	$ —	$ 5,688
SB83 VRF Program				
Assets				
Cash and cash equivalents	$ 312	$ 2,690	$ —	$ 3,002
Investments	27,720	—	1,547	26,173
Total assets	$ 28,032	$ 2,690	$ 1,547	$ 29,175
Liabilities				
Accounts Payable	$ 27	$ —	$ 16	$ 11
Program payable	28,005	1,159	—	29,164
Total liabilities	$ 28,032	$ 1,159	$ 16	$ 29,175
Total - All Agency Funds				
Assets				
Cash and cash equivalents	$ 592	$ 3,725	$ —	$ 4,317
Investments	31,328	765	1,547	30,546
Total assets	$ 31,920	$ 4,490	$ 1,547	$ 34,863
Liabilities				
Accounts Payable	$ 47	$ 614	$ 16	$ 645
Program payable	31,873	2,345	—	34,218
Total liabilities	$ 31,920	$ 2,959	$ 16	$ 34,863

STATISTICAL SECTION

Source: Unless otherwise indicated, the source of information presented in the Statistical Section is VTA's current or prior years' CAFR.

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Table 1
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Financial Trend - Changes in Net Position
Ten Years Ended June 30, 2018
(In thousands)

	2009	2010	2011	2012	2013	2014	2015	2016	2017 [3]	2018
EXPENSES										
Business-type activities:										
Transit										
Operations and Operating Projects	$ 343,973	$ 338,771	$ 343,302	$ 364,723	$ 375,086	$ 392,042	$ 407,618	$ 431,212	$ 471,655	$ 495,785
Caltrain Subsidy	15,878	15,878	14,135	10,207	13,700	7,291	8,390	8,414	8,390	8,967
Capital Expenses on behalf of, and contribution to other agencies	42,626	81,714	66,782	80,083	138,794	93,952	61,445	53,094	6,497	7,344
Altamont Corridor Express Subsidy	2,707	2,707	2,706	2,707	2,939	3,019	3,097	3,166	3,270	3,383
Interest Expense	11,651	20,583	23,536	31,307	31,655	27,088	15,204	11,330	7,326	6,972
Other Expenses	5,446	7,268	15,434	8,059	5,865	11,096	5,734	4,177	576	657
Benefit Payments	9,826	7,693	8,410	11,419	10,689	17,947	8,881	12,999	12,654	17,437
Total Business-Type Activities Expenses	432,107	474,614	474,305	508,505	578,728	552,435	510,369	524,392	510,368	540,545
Governmental activities:										
Congestion Management										
Operations and operating projects	8,840	7,164	7,196	6,692	7,622	7,544	8,071	8,228	8,868	8,159
Interest Expense	—	—	—	—	—	—	—	—	7,928	8,068
Other Expenses	—	—	—	—	—	—	—	—	2,352	1,452
Contribution to agencies	—	—	867	37	25	68	168	210	79,670	54,319
Capital projects for the benefit of other agencies	26,398	19,402	21,091	19,052	34,245	36,184	20,127	11,189	9,886	13,869
Total governmental activities expenses	35,238	26,566	29,154	25,781	41,892	43,796	28,366	19,627	108,704	85,867
Total primary government expenses	$ 467,345	$ 501,180	$ 503,459	$ 534,286	$ 620,620	$ 596,231	$ 538,735	$ 544,019	$ 619,072	$ 626,412
PROGRAM REVENUES										
Business-type activities:										
Charges for services	$ 38,439	$ 38,830	$ 40,014	$ 40,070	$ 41,821	$ 42,420	$ 43,054	$ 42,316	$ 40,194	$ 42,434
Operating grants	114,937	126,934	137,804	140,419	142,577	148,669	134,796	126,988 [1]	115,191	130,919
Capital grants	82,175	92,594	148,303	115,584	272,950	193,899	277,421	271,057	38,713	58,259
Total business-type activities program revenues	235,551	258,358	326,121	296,073	457,348	384,988	455,271	440,361	194,098	231,612
Governmental activities:										
Charges for services	2,618	2,606	2,520	2,503	2,520	2,519	2,526	2,529	2,549	2,664
Operating grants	1,496	1,854	2,127	2,110	1,775	2,424	2,096	16,585 [2]	172,844	107,957
Capital grants	29,479	22,314	24,051	21,530	37,612	38,989	22,964	—	—	—
Total governmental activities program revenues	33,593	26,774	28,698	26,143	41,907	43,932	27,586	19,114	175,393	110,621
Total primary government revenues	$ 269,144	$ 285,132	$ 354,819	$ 322,216	$ 499,255	$ 428,920	$ 482,857	$ 459,475	$ 369,491	$ 342,233
NET PROGRAM (EXPENSES)/REVENUES										
Business-type activities	$(196,556)	$(216,256)	$(148,184)	$(212,432)	$(121,380)	$(167,447)	$ (55,098)	$ (84,031)	$(316,270)	$(308,933)
Governmental activities	(1,645)	208	(456)	362	15	136	(780)	(513)	66,689	24,754
Total primary government net program (expenses)/revenues	$(198,201)	$(216,048)	$(148,640)	$(212,070)	$(121,365)	$(167,311)	$ (55,878)	$ (84,544)	$(249,581)	$(284,179)

Table 1
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Financial Trend - Changes in Net Position (continued)
Ten Years Ended June 30, 2018
(In thousands)

	2009	2010	2011	2012	2013	2014	2015	2016	2017 [3]	2018
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION										
Business-type activities:										
Sales tax revenue	$ 274,903	$ 279,342	$ 306,456	$ 332,847	$ 395,163	$ 417,486	$ 446,374	$ 460,316	$ 259,029	$ 257,380
Investment income	16,862	7,352	11,039	19,289	316	9,861	9,420	19,102	2,055	3,222
Proceed from sale of land	—	—	642	6,300	4,052	—	16,732	—	—	—
Federal subsidy for Build America Bonds	—	—	5,848	9,399	9,126	8,755	8,715	—	—	—
Other income	3,385	3,241	6,865	6,007	3,254	7,325	4,261	3,335	5,233	3,317
Transfers	—	—	—	—	—	—	—	—	286,989	250,769
Special items:										
Change in provisions for workers' compensation claims	3,500	—	5,716	—	—	—	—	—	—	—
Total business-type activities	298,650	289,935	336,566	373,842	411,911	443,427	485,502	482,753	553,306	514,688
Governmental activities:										
Sales tax revenue	—	—	—	—	—	—	—	—	208,672	207,870
Investment income	41	12	10	31	8	23	9	16	2,411	2,813
Other income	161	15	1,106	104	115	279	250	155	531	760
Transfers	—	—	—	—	—	—	—	—	(340,682)	(250,769)
Total governmental activities	202	27	1,116	135	123	302	259	171	(129,068)	(39,326)
TOTAL PRIMARY GOVERNMENT	298,852	289,962	337,682	373,977	412,034	443,729	485,761	482,924	424,238	475,362
CHANGE IN NET POSITION										
Business-type activities	102,094	73,679	188,382	161,410	290,531	275,980	430,404	398,722	290,729	205,755
Governmental activities	(1,443)	235	660	497	138	438	(521)	(342)	(62,379)	(14,572)
Total primary government	$ 100,651	$ 73,914	$ 189,042	$ 161,907	$ 290,669	$ 276,418	$ 429,883	$ 398,380	$ 228,350	$ 191,183

[1] Starting with FY 2016, BABs subsidy was reported under Program Revenues-Operating Grants.
[2] Capital Grants under governmental activities were reported under Operating Grants starting with FY 2016. These grants will operate assets that will be owned by other entities.
[3] FY 2017 was restated due to change of 2000 Measure A Program Fund from enterprise to governmental in FY 2018.

Table 2
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Financial Trends - Net Position by Component
Ten Years Ended June 30, 2018
(In thousands)

	2009 [1]	2010	2011	2012	2013	2014	2015	2016	2017 [2]	2018
BUSINESS-TYPE ACTIVITIES										
Net Investment in Capital Assets	$2,180,768	$2,195,790	$2,220,118	$2,351,676	$2,481,805	$2,613,290	$2,950,181	$3,394,540	$4,616,263	$4,839,251
Restricted	362,079	449,096	572,054	548,367	649,724	759,608	822,834	789,000	11,572	9,910
Unrestricted	196,628	168,268	209,364	262,903	321,948	356,559	197,852	186,049	384,850	411,441
Total Business-Type Activities Net Position	2,739,475	2,813,154	3,001,536	3,162,946	3,453,477	3,729,457	3,970,867	4,369,589	5,012,685	5,260,602
GOVERNMENTAL ACTIVITIES										
Restricted	52	287	947	1,444	1,582	2,020	1,499	1,157	72,868	56,746
Unrestricted	—	—	—	—	—	—	—	—	(486,458)	(484,907)
Total Governmental-Type Activities Fund Balance	52	287	947	1,444	1,582	2,020	1,499	1,157	(413,590)	(428,161)
PRIMARY GOVERNMENT										
Net Investment in Capital Assets	2,180,768	2,195,790	2,220,118	2,351,676	2,481,805	2,613,290	2,950,181	3,394,540	4,616,263	4,839,251
Restricted	362,131	449,383	573,001	549,811	651,306	761,628	824,333	790,157	84,440	66,656
Unrestricted	196,628	168,268	209,364	262,903	321,948	356,559	197,852	186,049	(101,608)	(73,466)
Total Primary Governmental Net Position	$2,739,527	$2,813,441	$3,002,483	$3,164,390	$3,455,059	$3,731,477	$3,972,366	$4,370,746	$4,599,095	$4,832,441

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

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

Table 3
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Financial Trends – Fund Balances and Changes in Fund Balances, Governmental Funds
Ten Years Ended June 30, 2018
(Modified Accrual Basis of Accounting)
(In thousands)

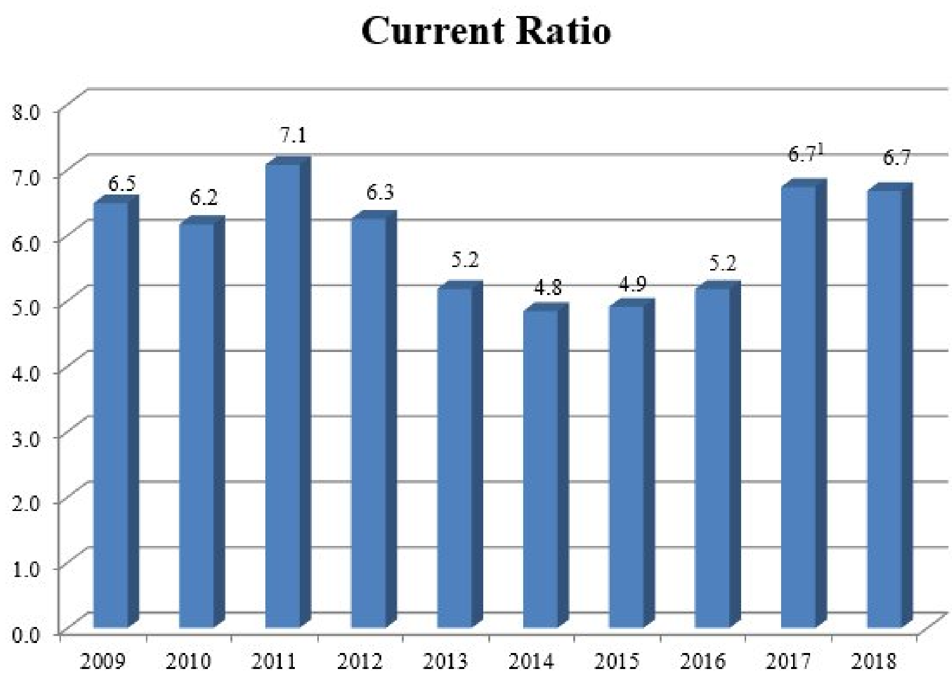
	Fiscal Years									
	2009	2010	2011	2012	2013	2014	2015	2016	2017 [2]	2018
REVENUES										
Member Agency Assessment Revenue	$ 2,495	$ 2,495	$ 2,407	$ 2,407	$ 2,407	$ 2,407	$ 2,407	$ 2,407	$ 2,407	$ 2,528
Federal Technical Studies Operating Assistance Grants	915	1,235	1,398	1,367	1,014	1,728	1,371	1,887	1,219	2,178
Administrative Fees	123	111	113	96	113	112	119	122	142	136
Federal, State and Local Grant Revenues	30,060	22,933	24,780	22,273	38,373	39,685	23,689	14,698 [1]	162,872	96,995
Federal subsidy for Build American Bonds	—	—	—	—	—	—	—	—	8,753	8,784
Sales tax revenue	—	—	—	—	—	—	—	—	208,672	207,870
Investment Earnings	41	12	10	31	8	23	9	16	2,411	2,813
Other Revenues	161	15	1,106	104	115	279	250	155	531	760
Total Revenues	33,795	26,801	29,814	26,278	42,030	44,234	27,845	19,285	387,007	322,064
EXPENDITURES										
Current:										
Congestion Management:										
VTA Labor and Overhead Costs	8,006	6,606	6,814	6,245	7,044	7,160	6,826	7,031	6,128	7,328
Professional Services	793	541	374	436	563	359	1,225	1,176	2,721	817
Program Expenditures	41	17	8	11	15	25	19	21	19	14
Other expenditures	—	—	—	—	—	—	1	—	2,352	1,452
Debt Service:										
Principal	—	—	—	—	—	—	—	—	28,160	29,530
Interest	—	—	—	—	—	—	—	—	10,721	10,107
Contribution to agencies	—	—	867	37	25	68	168	210	79,670	54,319
Capital Improvement Projects	26,398	19,402	21,091	19,052	34,245	36,184	20,127	11,189	9,886	13,869
Total Expenditures	35,238	26,566	29,154	25,781	41,892	43,796	28,366	19,627	139,657	117,436
Excess (Deficiency) of Revenues Over Expenditures	(1,443)	235	660	497	138	438	(521)	(342)	247,350	204,628
OTHER FINANCING SOURCES (USES):										
Transfers Out	—	—	—	—	—	—	—	—	(340,682)	(250,769)
Total Other Financing Sources (Uses)	—	—	—	—	—	—	—	—	(340,682)	(250,769)
Net Change in Fund Balances	$ (1,443)	$ 235	$ 660	$ 497	$ 138	$ 438	$ (521)	$ (342)	$ (93,332)	$ (46,141)
TOTAL GOVERNMENTAL FUNDS										
Restricted – Special Revenue Funds	52	287	947	1,444	1,582	2,020	1,499	1,157	500,293	454,153
Unassigned – Special Revenue Funds	—	—	—	—	—	—	—	—	(1,663)	(1,663)
Total Governmental Funds	$ 52	$ 287	$ 947	$ 1,444	$ 1,582	$ 2,020	$ 1,499	$ 1,157	$ 498,630	$ 452,490

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

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

Table 4
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Financial Trends – Current Ratio
Enterprise Funds
Ten Years Ended June 30, 2018

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

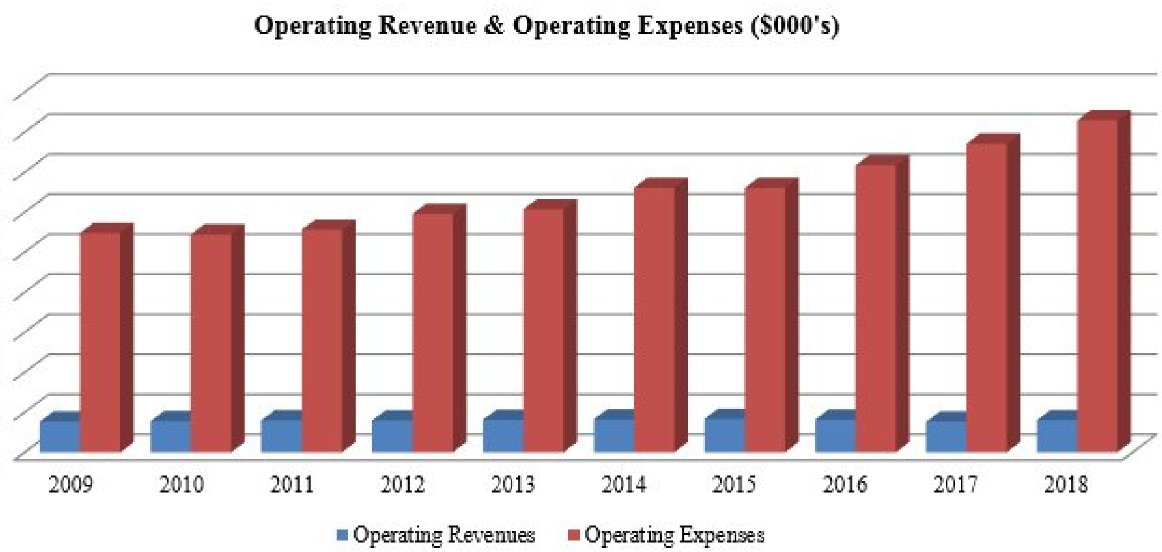


	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Current and Restricted Assets ($000's)	$ 618,436	$ 685,995	$ 855,268	$ 907,208	$1,098,625	$1,284,402	$1,375,968	$1,332,998	$ 685,914	$ 700,885
Current and Restricted Liabilities	95,256	111,204	120,849	142,830	212,127	265,298	280,262	257,399	101,779	104,929
Net Working Capital	$ 523,180	$ 574,791	$ 734,419	$ 764,378	$ 886,498	$1,019,104	$1,095,706	$1,075,599	$ 584,135	$ 595,956
Current Ratio	6.5	6.2	7.1	6.3	5.2	4.8	4.9	5.2	6.7	6.7

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

Table 5
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Financial Trends - Operating Revenues & Operating Expenses
VTA Transit
Ten Years Ended June 30, 2018

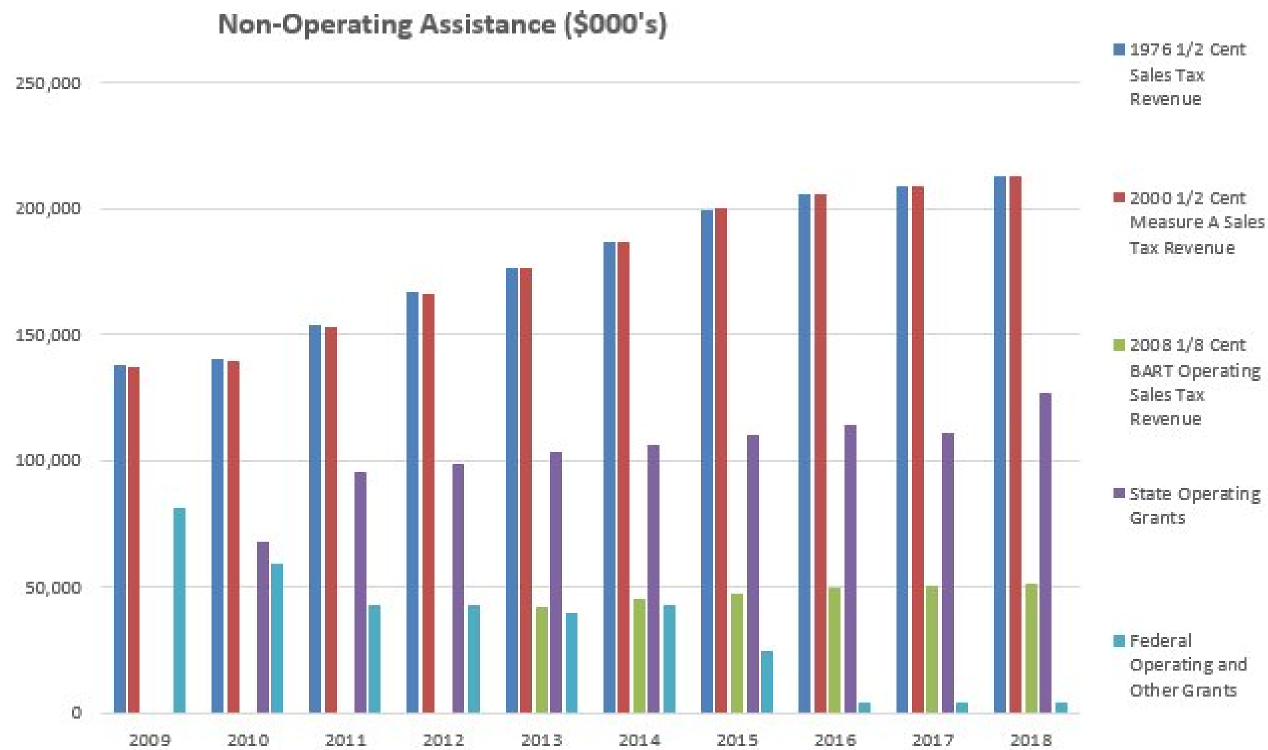
The chart below shows a comparison of operating revenues to expenses. Operating revenues exclude paratransit fares. Operating expenses are exclusive of purchased transportation and depreciation to more accurately reflect operating expenses related to direct operating service.



	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Operating Revenues	$ 38,439	$ 38,830	$ 40,014	$ 39,852	$ 40,772	$ 41,198	$ 41,897	$ 41,042	$ 38,261	$ 38,160
Operating Expenses	273,979	272,196	277,984	297,988	303,622	330,614	330,466	358,538	385,528	414,975

Table 6
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Financial Trends - Non-Operating Assistance
Sales Tax Revenues and Enterprise Operating Grants
Ten Years Ended June 30, 2018
(In thousands)

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



	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
1976 1/2 Cent Sales Tax Revenue	$137,642	$140,037	$153,601	$166,567	$176,716	$186,431	$199,221	$205,418	$209,005	$207,589
2000 1/2 Cent Measure A Sales Tax Revenue [1]	137,261	139,305	152,855	166,280	176,533	186,302	199,653	205,636	208,672	207,870
2008 1/8 Cent BART Operating Sales Tax Revenue [2]	—	—	—	—	41,914	44,753	47,500	49,262	50,024	49,791
State Operating Grants	—	67,834	95,579	98,133	103,213	106,439	110,243	114,135	110,959	126,689
Federal Operating and Other Grants	81,488	59,100	42,225	42,286	39,364	42,230	24,553	4,105	4,232	4,230

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

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

NOTE: 2016 Measure B was not included in this table as the sales tax receipts were booked in the liability due to the related pending litigation.

Table 7
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Financial Trends - Targeted Operating Reserves
VTA Transit Fund
Ten Years Ended June 30, 2018

The policy adopted by the VTA Board established an operating reserve goal of 15% of final operating budget. To calculate the actual reserve at fiscal year-end, total current assets are reduced by total current liabilities (except current portion of long-term debt). Current Net Position is then reduced by inventory and other current assets to reach a current operating reserve total.

	2009	2010 [1]	2011 [2]	2012 [3]	2013	2014	2015	2016	2017	2018
Current Assets, excluding restricted asset	$103,697	$104,933	$108,396	$106,085	$101,726	$110,906	$124,284	$130,096	$143,377	$136,012
Total Current Liabilities, excluding restricted liability	(33,716)	(30,950)	(33,484)	(29,547)	(24,329)	(29,790)	(36,878)	(32,334)	(40,030)	(44,540)
Current Net Position	$ 69,981	$ 73,983	$ 74,912	$ 76,538	$ 77,397	$ 81,116	$ 87,406	$ 97,762	$103,347	$ 91,472
Less: Inventory & Other Current Assets[4]	(23,936)	(22,126)	(20,317)	(20,270)	(20,373)	(21,289)	(24,469)	(33,615)	(36,688)	(36,665)
Operating Reserves, June 30	$ 46,045	$ 51,857	$ 54,595	$ 56,268	$ 57,024	$ 59,827	$ 62,937	$ 64,147	$ 66,659	$ 54,807
Operating Reserves Target	$ 55,760	$ 51,857	$ 54,595	$ 56,268	$ 57,024	$ 59,827	$ 62,937	$ 64,147	$ 71,322	$ 73,979
(15% of Budgeted Expenses)										

[1]In FY 2010, the operating reserve target is 15% of final operating budget at June 30. In prior years, it was based on 15% of adopted operating budget.

[2]Starting FY 2011, the operating reserve target is based on 15% of subsequent year's operating budget.

[3]Starting FY 2012, the current assets balance excludes reserve amounts among which are: local share of capital projects, debt reduction, and sales tax stabilization.

[4]This includes inventory and other current assets.

Table 8
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Revenue Capacity – Revenue Base and Revenue Rates
Ten Year Ended June 30, 2018

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Passenger Fares[1] (In thousands)	$ 36,184	$ 36,857	$ 38,106	$ 37,744	$ 38,331	$ 38,372	$ 39,108	$ 37,663	$ 33,719	$ 34,511
Percentage Increase/(Decrease) from Prior Year	1.0 %	1.9 %	3.4 %	(0.9)%	1.6%	0.1%	1.9%	(3.7)%	(10.5)%	2.3 %
Revenue Base										
Number of Passengers[2]	45,264,434	41,733,376	41,409,630	42,426,797	43,174,646	43,428,492	43,944,096	42,918,436	38,189,131	36,555,500
Percentage Increase/(Decrease) from Prior Year	3.9 %	(7.8)%	(0.8)%	2.5 %	1.8%	0.6%	1.2%	(2.3)%	(11.0)%	(4.3)%
Fare Structure										
Adult Local Fare	$ 1.75	$ 2.00	$ 2.00	$ 2.00	$ 2.00	$ 2.00	$ 2.00	$ 2.00	$ 2.00	$ 2.25
Youth Local Fare	1.50	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.00
Senior/Disabled Local Fare	0.75	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Sales Tax Revenues (In thousands)										
1976 1/2Cent Sales Tax[3]	$ 137,642	$ 140,037	$ 153,601	$ 166,567	$ 176,716	$ 186,431	$ 199,221	$ 205,418	$ 209,005	$ 207,589
2000 Measure A 1/2Cent Sales Tax[4]	137,261	139,305	152,855	166,280	176,533	186,302	199,653	205,636	208,672	207,870
2008 1/8 Cent BART Operating Sales Tax[5]	—	—	—	—	41,914	44,753	47,500	49,262	50,024	49,791
Total Sales Tax Revenue Receipts[6]	$ 274,903	$ 279,342	$ 306,456	$ 332,847	$ 395,163	$ 417,486	$ 446,374	$ 460,316	$ 467,701	$ 465,250
Percentage Increase/(Decrease) from Prior Year										
1976 1/2 Cent Sales Tax	(15.6)%	1.7 %	9.7 %	8.4 %	6.1%	5.5%	6.9%	3.1 %	1.7 %	(0.7)%
2000 Measure A 1/2 Cent Sales Tax	(14.5)%	1.5 %	9.7 %	8.8 %	6.2%	5.5%	7.2%	3.0 %	1.5 %	(0.4)%
2008 1/8 Cent BART Operating Sales Tax		N/A	N/A			6.8%	6.1%	3.7 %	1.5 %	(0.5)%

[1]Includes fares for bus and rail services only.

[2]Represents bus and rail ridership total boarding. Source: VTA Operations Division.

[3]The 1976 half-cent sales tax was approved by County voters in 1976 to fund VTA's transit operations and transportation improvement.

[4]The 2000 Measure A half-cent sales tax was approved by County voters in 2000 to fund specific transportation improvement projects. The collection of this half-cent tax measure started in April 2006.

[5]The 2008 1/8 cent Sales Tax was approved by County voters in 2008 to fund BART operating activities. The collection of this 1/8 cent tax measure started in July 2012.

[6]VTA receives sales tax based on the total taxable sales activity in the County. Although initial collection of 2016 Measure B half-cent sales tax occurred in April 2017, VTA recognized the receipt as a liability due to the legal challenge that the Measure is currently facing.

Table 9
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Revenue Capacity – Overlapping Revenue
Sales Tax Rates
Ten Years Ended June 30, 2018

Fiscal Year	State	City	VTA	Total
2009[1]	7.25%	1.00%	1.00%	9.25%
2010	7.25%	1.00%	1.00%	9.25%
2011	7.25%	1.00%	1.00%	9.25%
2012[2]	6.25%	1.00%	1.00%	8.25%
2013[3]	6.63%	1.00%	1.12%	8.75%
2014	6.63%	1.00%	1.12%	8.75%
2015	6.63%	1.00%	1.12%	8.75%
2016[4]	6.38%	1.25%	1.12%	8.75%
2017[5]	6.12%	1.25%	1.63%	9.00%
2018[6]	6.12%	1.25%	1.63%	9.00%

[1] California state legislature approved a 1% sales tax increase effective July 1, 2009.

[2] The 1% sales tax increase approved by the California state legislature in 2009 expired on July 1, 2011.

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

[4] Effective January 1, 2016, statewide base sales and use tax rate decreased by 0.25% to 6.38%, local sales and use tax under Bradley-Burns Uniform local Sales and Use Tax law increase to 1.25%

[5] Beginning April 1, 2017, Santa Clara Transportation Solution Tax also known as 2016 Measure B Sales tax became effective. Tax collection began April 2017 and VTA received the first advance payment in June 2017. At June 30, 2017, the Measure continued to face pending litigation.

[6] VTA has four specific sales tax measures approved by the voters. The 1976 half-cent sales tax measure was approved by voters in 1976 and does not have a sunset clause. The 2000 Measure A half-cent sales tax was approved in the 2000 General Election and became effective on April 1, 2006. This 30-year sales tax measure will sunset on March 31, 2036. The 2008 1/8-cent sales tax was approved by County voters in 2008 to fund BART Operating and maintenance. The collection of this 1/8-cent tax measure started in July 2012. The 2016 Measure B sales tax was approved by voters in 2016. The collection of this half-cent tax measure started in April 2017. As of June 30, 2018, 2016 Measure B continued to undergo legal challenge.

Source: California Department of Tax and Fee Administration

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

	Fiscal Year 2017[1]			Fiscal Year 2008		
Principal Revenue Payers	**Rank**	**Percentage of Taxable Sales**	**Taxable Sales Amount**	**Rank**	**Percentage of Taxable Sales**	**Amount**
Total all Other Outlets[2]	1	39.4%	$ 16,726	1	39.8%	$ 13,536
Food Services & Drinking Places	2	11.0%	4,657	4	8.5%	2,903
Miscellaneous Store Retailers	3	10.4%	4,404	2	10.0%	3,418
Motor Vehicle & Parts Dealers	4	10.0%	4,266	3	8.7%	2,972
General Merchandise Stores	5	6.2%	2,634	5	7.4%	2,520
Bldg. Matrl. & Garden Equip. & Suppl.	6	4.9%	2,069	8	4.6%	1,565
Gasoline Stations	7	4.8%	2,054	7	7.2%	2,464
Clothing & Clothing Accessories	8	4.8%	2,033	6	4.4%	1,496
Food & Beverage Stores	9	3.4%	1,447	9	3.4%	1,150
Electronics & Appliance Stores	10	1.9%	820	13	2.4%	826
Sport Goods, Hobby, Book & Music	11	1.2%	491	10	1.3%	453
Health & Personal Care Stores	12	1.0%	435	12	1.1%	379
Furniture & Home Furnishing Stores	13	1.0%	429	11	1.2%	406
Total		100.0%	$ 42,465		100.0%	$ 34,088

[1]2018 data is not available at the time of printing

[2]This category is made up of diverse manufacturers and wholesalers, construction contractors, petroleum producer, and a multitude of professional services.

Source: State Board of Equalization, Taxable Sales in California (Sales and Use Tax) for FY2008 and MuniServices for FY2017.

Table 11
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Debt Capacity – Total Outstanding Debt by Type
Ten Years Ended June 30, 2018
(In thousands)

Fiscal Year	Silicon Valley Express Lanes State Route 237 Loan	1976 Sales Tax Revenue Bonds	2000 Sales Tax Revenue Bonds	Total Outstanding Debt
2009	$ —	$ 270,710	$ 355,970	$ 626,680
2010	—	246,298	369,775	616,073
2011	—	237,817	1,036,892	1,274,709
2012	—	219,399	1,029,105	1,248,504
2013	—	209,007	1,021,127	1,230,134
2014	—	210,536	983,255	1,193,791
2015	—	199,054	961,711	1,160,765
2016	—	184,116	932,049	1,116,165
2017	—	168,877	901,545	1,070,422
2018	2,126	154,230	870,348	1,026,704

Table 12
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Sales Tax Secured Debt Capacity - Ratios of Outstanding Debt
Ten Years Ended June 30, 2018

Fiscal Year	Total Outstanding Debt (In thousands)	Total County Taxable Sales[1] (In thousands)	Total Debt as a % of Taxable Sales	Personal Income[2] (In thousands)	Total Debt as a % of Personal Income	Santa Clara County Population (In thousands)	Total Debt per Capita
2009	$ 626,680	$ 29,009,000	2.16%	$ 96,315,176	0.63%	1,858	$ 337
2010	616,073	28,720,000	2.15%	103,636,350	0.59%	1,782	346
2011	1,274,709	32,238,000	3.95%	111,880,131	1.14%	1,782	715
2012	1,248,504	34,698,000	3.60%	122,259,021	1.02%	1,816	688
2013	1,230,134	37,013,000	3.32%	130,624,491	1.08%	1,842	668
2014	1,193,791	38,318,000	3.12%	141,873,705	0.84%	1,894	630
2015	1,160,765	40,617,475	2.86%	158,728,715	0.73%	1,918	605
2016	1,118,181	41,202,462	2.71%	170,672,534	0.66%	1,919	583
2017	1,070,422	41,951,812	2.55%	172,379,259	0.62%	1,937	553
2018	1,024,578 *	42,371,330	2.42%	174,103,052	0.59%	1,957	524

[1]Taxable sales data is available through Fiscal Year 2017 from MuniServices. FY2018 assumes a 1% increase over the previous year's number.

[2]Actual personal income is available through FY 2016. FY 2017 and FY 2018 assume a 1% increase over the prior year's number.

*The total outstanding debt in FY 2018 excludes $2.1 million Santa Clara Express Lanes Program State Route 237 Phase 2 Project Financing secured by toll revenue

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

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

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

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

Table 14
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Debt Capacity – Pledged Revenue Coverage – 1976 Half-Cent Sales Tax Revenue Bonds
Ten Years Ended June 30, 2018
(In thousands)

	Available Revenue	Annual Debt Service			
Fiscal Year	Sales Tax Revenue	Principal	Interest[1]	Total	Coverage
2009	$ 137,642	$ 8,890	$ 11,651	$ 20,541	6.7
2010	140,037	9,180 [2]	7,025	16,205	8.6
2011	152,050	9,370	6,748	16,118	9.4
2012	166,567	10,215	8,153	18,368	9.1
2013	176,716	10,400	9,194	19,594	9.0
2014	186,431	10,435	9,766	20,201	9.2
2015	199,221	10,705	7,965	18,670	10.7
2016	205,418	14,310	7,485	21,795	9.4
2017	209,005	14,820 [3]	7,325	22,145	9.4
2018	207,589	14,322	6,972	21,294	9.7

[1] Interest is exclusive of interest earned from bond proceeds.
[2] This does not include regular principal of $2.9 million due for 1985 Equipment Trust Certificates as this debt was redeemed in FY 2009.
[3] Restated to exclude $10 million of principal payment due to refinancing activity in FY 2017.

Table 15
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Debt Capacity – Pledged Revenue Coverage – 2000 Measure A Half-Cent Sales Tax Revenue Bonds
Ten Years Ended June 30, 2018
(In thousands)

	Available Revenue	Annual Debt Service			
Fiscal Year	**Sales Tax Revenue**	**Principal**	**Interest[1]**	**Total**	**Coverage[2]**
2009	$ 137,261	$ 855	$ 12,321	$ 13,176	10.4
2010	139,305	—	14,156	14,156	9.8
2011	151,518	2,430	33,490	35,920	4.2
2012	166,280	2,525	44,337	46,862	3.5
2013	176,533	2,625	44,262	46,887	3.8
2014	186,302	24,595	45,577	70,172	2.7
2015	199,653	25,775	45,086	70,861	2.8
2016	205,636	26,965	44,118	71,083	2.9
2017	208,672	28,160	43,783	71,943	2.9
2018	207,870	29,530	42,954	72,484	2.9

[1]This is exclusive of interest earned from bond proceeds.
[2]Bond indenture requires VTA to maintain coverage ratio of at least 1.3.

Table 16
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Debt Capacity - Projected Pledged Revenue Coverage
(Proforma and Unaudited)

The table below presents a five-year projection of debt service coverage based on estimates of the 1976 Sales Tax Revenues for the five years ending June 30, 2019 through 2023.

1976 Sales Tax Revenues and Senior Lien Debt Service Coverage
Fiscal Years Ending June 30, 2019 – 2023 (Proforma and Unaudited)
($ In thousands)

Fiscal Year Ending June 30	Projected Sales Tax Revenue	Percent Increase[1*]	Aggregate Debt Service[2]	Projected Coverage[3]
2019	$ 219,650	5.81%	$ 20,743	10.59
2020	223,941	1.95%	20,738	10.80
2021	228,759	2.15%	20,735	11.03
2022	233,606	2.12%	20,910	11.17
2023	238,452	2.07%	20,902	11.41

The table below presents a five-year projection of debt service coverage for the Measure A Bonds, based on estimates of the 2000 Measure A Sales Tax Revenues for the five years ending June 30, 2019 through 2023.

2000 Measure A Sales Tax Revenues and Debt Service Coverage
Fiscal Years Ending June 30, 2019 – 2023 (Proforma and Unaudited)
($ In thousands)

Fiscal Year Ending June 30,	Projected Sales Tax Revenue	Percent Increase[1*]	Aggregate Debt Service[4]	Projected Coverage[3]
2019	$ 219,650	5.67%	$ 73,057	3.01
2020	223,941	1.95%	73,034	3.07
2021	228,759	2.15%	73,036	3.13
2022	233,606	2.12%	72,758	3.21
2023	238,452	2.07%	72,404	3.29

[1]Source: Growth rates provided by outside economists.

[2]Includes actual debt service on the 2017 Series A and B Bonds. Debt Service on the 2008 Bonds is calculated based on the rate established pursuant to the 2008 Swap Agreement, 3.145%.

[3]Does not include any additional parity debt.

[4]Includes actual debt service on the 2010 and 2015 Bonds. Debt Service on the 2008 Bonds is calculated based on the rate established pursuant to the 2008 Swap Agreement, 3.765%.

*No assurance is given that actual results will meet the forecasts of VTA in any way.

TABLE 17
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Demographic and Economic Data - Population Trends

According to population estimates provided by the State of California, the number of residents in Santa Clara County is increasing gradually on a yearly basis. The County's population increased by approximately 9.82 % in 2018 Census compared to the 2010 Census.

A historical summary of population in the County and its incorporated cities is provided in the following table:

County of Santa Clara Population

	1960	1970	1980	1990	2000	2010	2018
Campbell	11,863	24,731	26,843	36,048	38,138	39,349	42,696
Cupertino	3,664	18,216	34,297	40,263	50,546	58,302	60,091
Gilroy	7,348	12,665	21,641	31,487	41,464	48,821	55,615
Los Altos	19,696	24,872	25,769	26,303	27,693	28,976	31,361
Los Altos Hills	3,412	6,862	7,421	7,514	7,902	7,922	8,568
Los Gatos	9,036	23,466	26,906	27,357	28,592	29,413	30,601
Milpitas	6,572	27,149	37,820	50,686	62,698	66,790	74,865
Monte Sereno	1,506	3,074	3,434	3,287	3,483	3,341	3,630
Morgan Hill	3,151	6,485	17,060	23,928	33,556	37,882	44,513
Mountain View	30,889	54,206	58,655	67,460	70,708	74,066	81,527
Palo Alto	52,475	55,999	55,225	55,900	58,598	64,403	69,721
San Jose	204,196	445,779	629,400	782,248	894,943	945,942	1,051,316
Santa Clara	58,880	87,717	87,700	93,613	102,361	116,468	129,604
Saratoga	14,861	27,199	29,261	28,061	29,843	29,926	31,435
Sunnyvale	51,898	95,408	106,618	117,229	131,760	140,081	153,389
Unincorporated	162,056	152,181	127,021	106,193	100,300	89,960	87,666
County Total[1]	641,503	1,066,009	1,295,071	1,497,577	1,682,585	1,781,642	1,956,598
California	15,717,204	18,136,045	23,668,145	29,760,021	33,871,648	37,253,956	39,809,693

[1]Totals may not be precise due to independent rounding.

Source: U.S. Census; State of California, Department of Finance, Demographic Research Unit.

Table 18
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Demographic and Economic Data - Income and Unemployment Rates
Ten Years Ended June 30, 2018

Year	Santa Clara County Personal Income (In thousands) [1, 2]	Santa Clara County Per Capita Personal Income [1, 2]	Unemployment Rate[3]
2009	$ 96,315,176	$ 55,781	11.8%
2010	103,636,350	58,018	11.3%
2011	111,880,131	61,833	10.3%
2012	122,259,021	66,535	8.7%
2013	130,624,491	70,151	6.8%
2014	141,873,705	74,883	5.2%
2015	158,728,715	82,756	3.9%
2016	170,672,534	88,920	4%
2017	172,379,259	89,809	3.5%
2018	174,103,052	90,707	2.9%

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

[2] Actual data is available through 2016. Years 2017 and 2018 data are preliminary and assume a 1% increase over prior year.

[3] California Employment Development Department. Not seasonally adjusted.

Table 19
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Demographic and Economic Data - Wage and Salary Employment by Industry (Annual Average)
Ten Years Ended June 30, 2017

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Civilian Labor Force[1] (In thousands)	876.8	879.8	871.6	894.8	910.9	924.0	993.7	1,018.4	1,026.5	1,041.7
Civilian Employment	825.2	777.5	774.0	804.6	830.6	857.5	942.3	976.1	987.9	1,008.0
Civilian Unemployment	51.7	102.2	97.6	90.2	80.3	66.5	51.4	42.3	38.6	33.7
Civilian Unemployment Rate										
County	5.9%	11.6%	11.2%	10.1%	8.8%	7.2%	5.2%	4.2%	3.8%	3.2%
State of California	7%	11.6%	12.2%	12%	10.6%	8.5%	7.4%	6.2%	5.7%	4.4%
Wage and Salary Employment[2] (In thousands)										
Total Farm Agriculture	4.6	3.6	3.6	3.4	3.5	5.1	3.6	3.6	3.9	3.5
Construction and Mining	50.1	32.9	32.3	30.9	35.6	37.6	38.6	42.3	47.9	48.5
Manufacturing	166.3	153.5	150.7	154.6	155.1	156.3	156.6	159.4	161.3	163.4
Transportation & Public Utilities	13.8	11.7	11.9	11.8	12.7	13.9	14.7	15.0	14.8	14.9
Wholesale Trade	39.9	36.0	34.7	35.0	34.4	36.2	36.2	36.0	37.4	35.2
Retail Trade	88.2	77.4	75.6	77.5	80.3	84.2	82.3	84.9	85.0	85.0
Finance, Insurance & Real Estate	39.5	31.5	30.8	31.2	33.6	33.9	35.1	35.0	35.2	35.8
Services	424.1	404.4	418.5	432.8	455.4	450.0	469.1	491.4	509.3	522.8
Government	92.7	95.0	93.4	88.6	90.2	93.5	92.4	89.9	91.2	92.8
Information	N/A	N/A	N/A	N/A	N/A	N/A	66.2	74.7	74.5	85.0
Total[3]	919.2	846.0	851.5	865.8	900.8	910.7	994.8	1,032.2	1,060.5	1,086.9

[1]Labor force data are based upon place of residence. Employment includes self-employed, unpaid family, workers domestics, and workers involved in labor-management disputes. Data are benchmarked to 2017. FY 2017 is the most recent available data.

[2]Wage and salary employment is reported by place of work. Data are benchmarked to 2017.

[3]Totals may not be precise due to independent rounding.

Sources: State of California, Employment Development Department Labor Market Information Division.
www.labormarketinfo.edd.ca.gov, August 17, 2018

Table 20

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Demographic and Economic Data - Silicon Valley Major Employers

Current Year and Nine Years Ago

		FY 2018		FY 2009	
Company Name	**Nature of Operations**	**Number of Employees***	**Rank**	**Number of Employees**	**Rank**
Apple Inc.	Computer electronics	25,000	1		
Alphabet Inc./Google Inc.	Search, advertising and web software	20,000	2		
County of Santa Clara	County government	17,800	3	15,350	2
Stanford University	Research university	16,919	4	12,219	4
Cisco System Inc.	Computer network equipment manufacturer	14,120	5	17,000	1
Facebook Inc.	Online Social Networking Service	14,000	6		
Kaiser Permanente Northern California	Integrated healthcare delivery plan	12,500	7	13,515	3
Stanford Health Care	Health System	10,034	8	6,145	11
Tesla Motors Inc.	Electric Vehicle Designer & Manufacturer	10,000	9		
Santa Clara Valley Health & Hospital System	Hospital	9,130	10	4,886	15
University of California Santa Cruz	Public University	8,800	11		
Intel Corp.	Semiconductor	8,450	12	5,783	12
Safeway	Supermarket Chain	7,887	13		
Oracle Corp.	Hardware and software, cloud	6,581	14	8,000	6
City of San Jose	City Government	6,159	15	6,256	10
Gilead Sciences Inc.	Biotechnology Company	5,535	16		
San Mateo County	County Government	5,500	17		
Nvidia Corp.	Graphics and digital media Processors	5,000	18		
Western Digital Corp.	Hard disk drive manufacturer and data storage company	4,950	19		
Lockheed Martin Space Systems Co.	Aerospace	4,730	20	8,088	5
Stanford Children's Health	Specializes in the care of babies, children, adolescents, and expectant mothers	4,452	21		
Pajaro Valley Unified School District	Public School District	4,316	22		
Applied materials Inc.	Semiconductor equipment manufacturer	4,230	23	3,988	20
Vmware Inc.	Cloud computing and Platform virtualization Software and services	4,223	24		
Lam Research Corp.	Semiconductor processing equipment	4,000	25		

*Estimate provided by the most recent city and county financial reports because the employer did not provide local employment figure.

Ranking is based on low end of range.

Source: Silicon Valley/San Jose Business Journal. July 27, 2018

The concentration of Santa Clara County's productivity is derived primarily from numerous high-technology and bioscience companies. Public-sector employers continue to rank high among the largest employers in Silicon Valley. As depicted in the chart above, as an employer, Santa Clara County itself, continues to have the largest public-sector employee base with 17,800 workers.

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

Table 21
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Operating Information – Operating Indicators
Ten Years Ended June 30, 2018

BUS

Fiscal Year	Total Ridership	Average Weekday Ridership	Scheduled Miles	Scheduled Hours	Vehicle Revenue Miles	Passenger Miles (000's)	Peak Buses	Active Buses	Bus Fleet
2009	34,510,273	111,820	18,500,655	1,379,428	15,800,214	152,856	336	424	448
2010	31,983,494	103,575	17,739,605	1,322,661	15,130,519	142,754	333	412	424
2011	31,395,126	102,187	16,990,315	1,269,071	14,376,811	148,225	333	434	494
2012	32,053,755	104,583	17,099,227	1,191,992	14,374,343	169,321	345	426	445
2013	32,432,354	106,161	17,491,993	1,213,571	14,582,508	166,576	358	426	443
2014	32,475,527	105,969	17,835,921	1,367,433	14,817,700	173,539	371	432	443
2015	32,623,599	106,214	18,435,525	1,427,554	15,247,087	174,863	384	495	540
2016	32,195,504	104,009	18,629,140	1,461,553	15,517,448	190,321	388	499	500
2017	29,057,047	94,740	18,882,700	1,480,467	15,712,674	150,429	389	460	460
2018	28,048,405	91,270	19,063,629	1,487,575	15,883,914	136,902	384	472	472

LIGHT RAIL

Fiscal Year	Total Ridership	Average Weekday Ridership	Scheduled Miles	Scheduled Hours	Train Revenue Miles	Passenger Miles (000's)	Peak Cars	Light Rail Fleet
2009	10,754,161	34,305	2,216,957	143,533	2,105,555	58,709	54	99
2010	9,749,882	31,555	2,182,849	141,095	2,062,832	50,000	46	99
2011	10,014,504	31,871	2,190,140	132,452	2,055,872	54,048	49	99
2012	10,373,042	32,716	2,209,233	137,495	2,065,099	55,337	55	99
2013	10,742,292	34,242	2,199,018	137,134	2,055,418	58,116	57	99
2014	10,952,965	35,102	2,205,492	139,021	2,057,106	61,631	57	99
2015	11,320,497	34,935	2,232,077	152,821	2,081,092	60,717	59	99
2016	10,722,932	33,301	2,235,167	140,000	2,077,964	54,655	59	99
2017	9,132,084	29,262	2,243,377	139,489	2,081,289	47,937	59	99
2018	8,507,095	27,361	2,094,690	143,136	2,093,852	46,981	57	99

Source: VTA Operations Division.

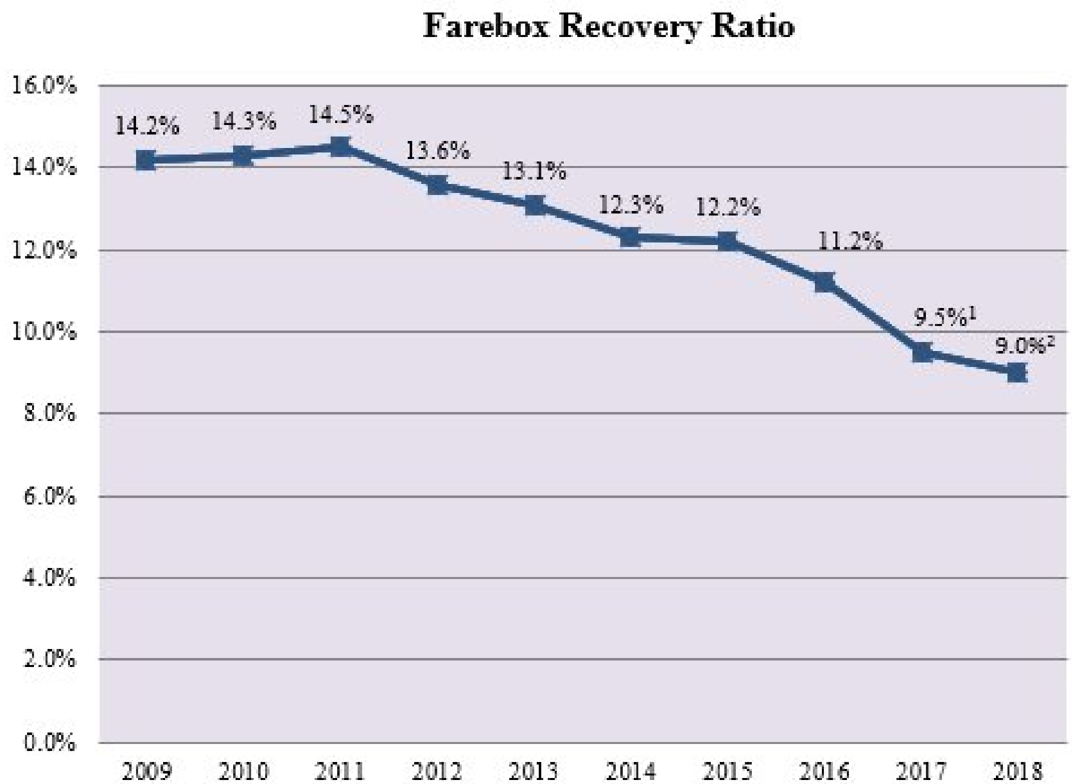
Table 22

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Operating Information - Farebox Recovery Ratio

Ten Years Ended June 30, 2018

The farebox recovery ratio is a measure capturing the percentage of system operated expenses recovered by fare revenue. This ratio is calculated by fare revenue generated from directly operated service (motor bus and light rail) divided by expenses for these same services. Operating expenses consist of bus and light rail modal operating expenses reported annually in the National Transit Database.



	2009	2010	2011	2012	2013	2014	2015	2016	2017 [1]	2018 [2]
Farebox Recovery Ratio	14.2%	14.3%	14.5%	13.6%	13.1%	12.3%	12.2%	11.2%	9.5%	9.0%
Farebox Revenue (In thousands)	$ 36,184	$ 36,857	$ 38,106	$ 37,744	$ 38,331	$ 38,372	$ 39,108	$ 37,663	$ 33,719	$ 34,511
Operating Expenses (In thousands)	254,286	257,954	263,322	278,532	293,447	311,287	319,978	335,140	354,494	383,664

[1] Based on audited NTD data.

[2] Based on proforma and unaudited NTD data.

Table 23
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Operating Information – Revenue Miles
Ten Years Ended June 30, 2018

The following chart shows total vehicle miles in revenue service.

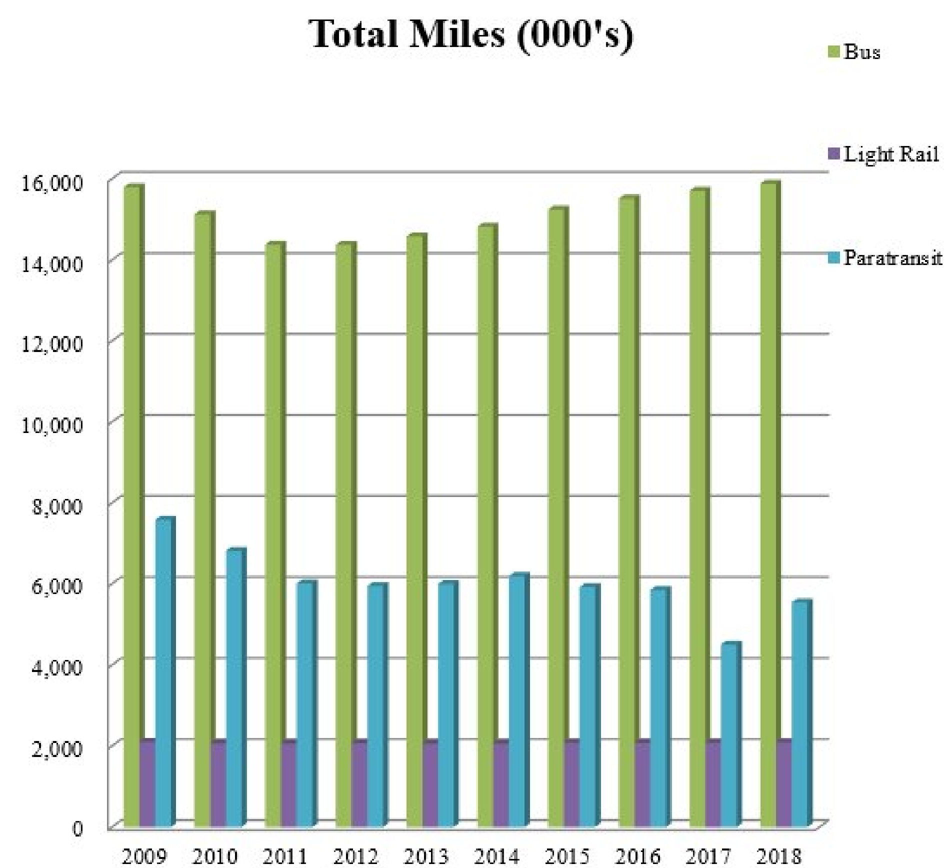


Table 24
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Operating Information – Passenger Miles
Ten Years Ended June 30, 2018

Passenger mile statistics are presented in the chart below. In FY 2018 the total passenger miles have decreased by 6.6% from FY 2017.

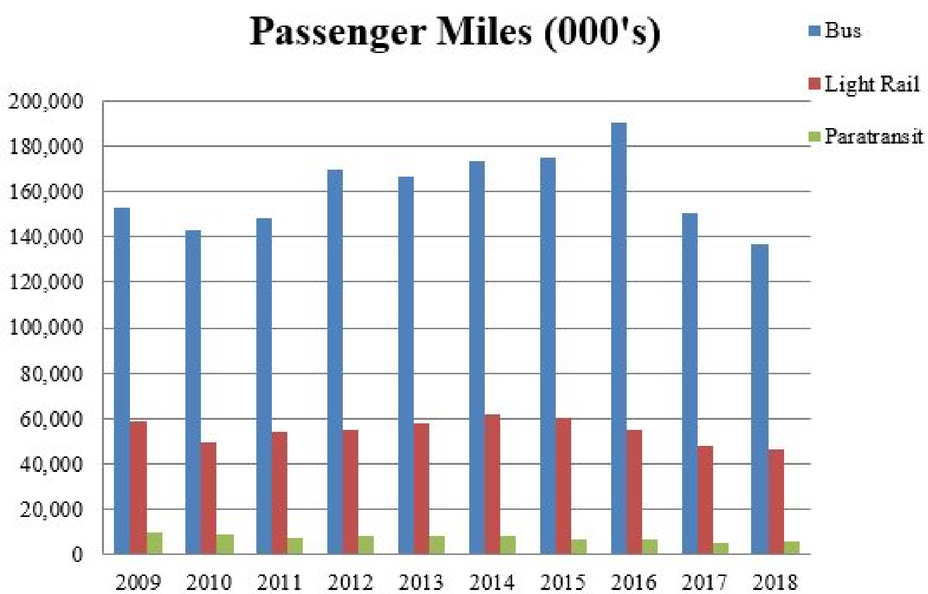


Table 25
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Operating Information – Selected Statistical Data
Ten Years Ended June 30, 2018

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
FAREBOX REVENUE ($000's)[1]	$ 36,184	$ 36,857	$ 38,106	$ 37,744	$ 38,331	$ 38,372	$ 39,108	$ 37,663	$ 34,783	$ 36,555
VEHICLE REVENUE MILES (000's)										
BUS	15,800	15,131	14,377	14,374	14,583	14,818	15,247	15,517	15,713	15,884
LIGHT RAIL	2,106	2,063	2,056	2,065	2,056	2,057	2,081	2,078	2,081	2,094
PARATRANSIT	7,582	6,816	6,011	5,948	5,995	6,196	5,922	5,851	4,503	5,544
PASSENGER MILES (000's)										
BUS	152,856	142,754	148,225	169,321	166,576	173,539	174,863	190,321	150,429	136,902
LIGHT RAIL	58,708	50,000	54,048	55,337	58,116	61,632	60,717	54,980	47,937	46,981
PARATRANSIT	9,908	9,005	8,017	8,133	8,205	8,097	6,827	6,493	5,318	6,338
FLEET SIZE										
BUS	448	424	494	445	443	443	540	500	460	472
LIGHT RAIL	99	99	99	99	99	99	99	99	99	99
CASH FARE SINGLE RIDE										
ADULT	$ 1.75	$ 2.00	$ 2.00	$ 2.00	$ 2.00	$ 2.00	$ 2.00	$ 2.00	$ 2.00	$ 2.25
YOUTH	$ 1.50	$ 1.75	$ 1.75	$ 1.75	$ 1.75	$ 1.75	$ 1.75	$ 1.75	$ 1.75	$ 1.00
SENIOR	$ 0.75	$ 1.00	$ 1.00	$ 1.00	$ 1.00	$ 1.00	$ 1.00	$ 1.00	$ 1.00	$ 1.00

[1]Includes fare revenue from motor bus, light rail and shuttle services;Starting FY 2017, this includes paratransit fare revenue recognized by VTA.

Table 26
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Operating Information - System Data
As of June 30, 2018

URBANIZED AREA (UZA):
346 Square Miles

ROUTES

Type of Route	Number of Routes
Local	34
Limited Stop	4
Express	13
Rapid	1
Community	18
Light Rail	3
Special Event	1
Total	74

HOURS OF OPERATION

Monday-Sunday	24 hours

PARK AND RIDE LOTS:

	Number of Lots	Number of Parking Spaces
Bus	9	714
Light Rail	20	6,170
Caltrain	15	4,837
Total	44	11,721

FACILITIES

Type of Facility	Number of Facilities
Bus Stops	3,800
Shelters	608
Benches	1,925
Trash Receptacles	826
Transit Centers	23

Table 27
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Operating Information – Full-time Equivalent Employees[1]
Ten Years Ended June 30, 2018

Fiscal Year	Operations	Planning & Programming[2]	Finance & Budget[3]	Engineering & Transportation Program Delivery[4]	SVRT Program[4]	Government Affairs[5]	Business Services[6]	Safety & Compliance[7]	Office of the Chief of Staff[8]	General Counsel	General Manager	Total
2009	1649	51	97	99	4	74	102	NA	NA	8	4	2088
2010	1588	50	95	97	4	57	100	NA	NA	8	18	2017
2011	1576	50	90	90	5	53	102	NA	NA	8	11	1985
2012	1599	52	93	86	6	51	103	NA	NA	9	13	2012
2013	1614	51	88	90	6	55	99	NA	NA	11	13	2027
2014	1687	42	69	79	6	37	138	NA	25	12	5	2100
2015	1724	43	74	81	NA	4	135	30	55	13	5	2164
2016	1758	50	75	74	NA	26	192	33	NA	13	11	2232
2017	1761	50	76	74	NA	30	196	NA	41	14	2	2244
2018	1795	48	73	86	NA	4	173	NA	75	13	10	2277

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

[2] Previously referred to as Congestion Management Division. Renamed to Planning and Programming as a result of the reorganization in FY2014.

[3] Previously referred to as Fiscal Resources Division. Renamed to Finance and Budget as a result of the reorganization in FY 2014.

[4] In FY 2015, Engineering & Construction Program merged with SVRT Program to form Engineering & Transportation Infrastructure Development. In FY 2017, the latter was renamed to Engineering & Transportation Program Delivery.

[5] In 2017, Government & Public Relations became Government Affairs.

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

[7] Office of Safety & Compliance reports directly to the Chief of Staff in FY 2017.

[8] As a result of the reorganization in FY2017, Office of the Chief of Staff was designated to be responsible for managing Communications and Marketing, Office of Security and Protective Services, and the Office of Safety and Compliance.

Table 28
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Operating Information - Capital Assets
Ten Years Ended June 30, 2018
(In thousands)

	2009	2010	2011	2012	2013	2014	2015	2016	2017 [1]	2018
Capital assets, not being depreciated:										
Land and right of way	$1,119,217	$1,123,321	$ 1,122,805	$1,122,495	$1,122,368	$1,126,373	$ 1,124,646	$1,126,359	$1,126,872	$ 1,126,872
Construction in Progress	781,381	814,241	902,026	1,107,386	1,347,410	1,728,066	2,177,750	2,611,823	2,906,098	3,131,777
Total capital assets, not being depreciated	1,900,598	1,937,562	2,024,831	2,229,881	2,469,778	2,854,439	3,302,396	3,738,182	4,032,970	4,258,649
Capital assets, being depreciated:										
Intangible Assets	—	—	—	—	—	—	—	—	2,203	2,203
Buildings, improvements, furniture and fixtures	488,156	495,436	504,531	511,853	508,345	516,184	548,139	569,079	586,041	592,244
Vehicles	442,771	435,652	485,590	481,014	486,460	488,229	566,821	553,886	586,754	618,806
Light-rail tracks and electrification	399,824	402,622	403,831	403,394	413,674	415,905	415,905	418,195	418,195	418,194
Caltrain – Gilroy extension	53,155	53,307	53,307	53,307	43,072	43,072	43,072	43,072	43,072	43,072
Other operating equipment	32,044	42,610	46,065	46,152	45,876	46,062	47,156	47,289	47,561	48,890
Leasehold Improvement	9,686	9,686	9,686	9,686	9,686	9,686	9,686	9,686	9,686	9,686
Total capital assets, being depreciated	1,425,636	1,439,313	1,503,010	1,505,406	1,507,113	1,519,138	1,630,779	1,641,207	1,693,512	1,733,095
Less accumulated depreciation										
Total accumulated depreciation	(519,886)	(565,012)	(618,061)	(657,113)	(706,428)	(768,364)	(833,095)	(881,683)	(950,005)	(1,006,414)
Total capital assets, being depreciated, net	905,750	874,301	884,949	848,293	800,685	750,774	797,684	759,524	743,507	726,681
Total capital assets, net	$2,806,348	$2,811,863	$ 2,909,780	$3,078,174	$3,270,463	$3,605,213	$ 4,100,080	$4,497,706	$4,776,477	$ 4,985,330

Source: Comprehensive Annual Financial Report

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

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