NEW ISSUE—BOOK-ENTRY ONLY

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

In the opinion of Norton Rose Fulbright US LLP, Los Angeles, California, Bond Counsel, under existing law interest on the 2015 Series Bonds is exempt from personal income taxes of the State of California and assuming compliance with the tax covenants described herein, interest on the 2015 Series A Bonds is excluded pursuant to section 103(a) of the Internal Revenue Code of 1986 from the gross income of the owners thereof for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. The Authority has taken no action to cause, and does not intend, interest on the 2015 Series B Bonds to be excluded pursuant to section 103(a) of the Internal Revenue Code of 1986 from gross income of the owners thereof for federal income tax purposes. See, however, "TAX MATTERS" herein.

$89,980,000
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
2000 MEASURE A SALES TAX REVENUE REFUNDING BONDS

$86,640,000	$3,340,000
2015 Series A (Tax-Exempt)	**2015 Series B (Taxable)**

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

The $86,640,000 Santa Clara Valley Transportation Authority 2000 Measure A Sales Tax Revenue Refunding Bonds, 2015 Series A (Tax-Exempt) (the "2015 Series A Bonds") and the $3,340,000 Santa Clara Valley Transportation Authority 2000 Measure A Sales Tax Revenue Refunding Bonds, 2015 Series B (Taxable) (the "2015 Series B Bonds" and, together with the 2015 Series A Bonds, the "2015 Series Bonds") are being issued by the Santa Clara Valley Transportation Authority (the "Authority") pursuant to an Indenture, dated as of August 1, 2006 (as supplemented, the "Indenture"), between the Authority and U.S. Bank National Association, as successor trustee (the "Trustee"), to refund the Authority's 2000 Measure A Sales Tax Revenue Refunding Bonds, 2007 Series A (the "2007 Series A Bonds") maturing in the years 2018 through 2036, inclusive (the "Refunded Bonds"), and to pay certain costs of issuing the 2015 Series Bonds. See "PLAN OF REFUNDING" and "ESTIMATED SOURCES AND USES OF FUNDS" herein.

Interest on the 2015 Series Bonds will be payable on April 1 and October 1 of each year, commencing April 1, 2015. The Bonds will be issued as fully registered bonds, without coupons, in the denomination of $5,000 or any integral multiple thereof. The 2015 Series Bonds will be registered in the name of Cede & Co., as holder of the 2015 Series Bonds and nominee for The Depository Trust Company, New York, New York ("DTC"). Purchasers will not receive physical certificates representing their interest in the 2015 Series Bonds purchased. The principal or redemption price of and interest on the 2015 Series Bonds is payable by wire transfer to DTC which, in turn, will remit such principal, redemption price or interest to the DTC Participants for subsequent disbursement to the beneficial owners of the 2015 Series Bonds. See APPENDIX E – "BOOK-ENTRY SYSTEM" herein.

The 2015 Series A Bonds are subject to optional redemption prior to maturity as more fully described herein. See "THE 2015 SERIES BONDS – Redemption" herein. The 2015 Series B Bonds are not subject to redemption prior to maturity.

The 2015 Series Bonds are limited obligations of the Authority secured solely by a pledge of Revenues (as defined in the Indenture), which consist of the receipts from the imposition in the County of Santa Clara of a one-half of one percent retail transactions and use tax authorized in 2000 which took effect April 1, 2006 (the "2000 Measure A Sales Tax"), less certain administrative fees paid to the California State Board of Equalization, as described herein, plus amounts held by the Trustee in certain funds and accounts established under the Indenture. The 2000 Measure A Sales Tax was approved by more seventy percent of the electorate of the County of Santa Clara voting on the ballot measure in November 2000 and is scheduled to expire March 31, 2036. The 2015 Series Bonds are being issued on a parity with certain other bonds and obligations of the Authority. The Authority may also issue additional bonds and incur other obligations secured by the 2000 Measure A Sales Tax on a parity with the 2015 Series Bonds, subject to compliance with the provisions set forth in the Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2015 SERIES BONDS" herein.

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE COUNTY OF SANTA CLARA, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION OR PUBLIC AGENCY THEREOF, OTHER THAN THE AUTHORITY, TO THE EXTENT OF THE PLEDGE OF THE SALES TAX REVENUES AND OTHER AMOUNTS HELD UNDER THE INDENTURE, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, REDEMPTION PREMIUM, IF ANY, OR INTEREST ON THE 2015 SERIES BONDS.

This cover page contains certain information for general reference only. It is not a summary of the security or terms of this issue. Investors must read the entire Official Statement to obtain information essential to make an informed investment decision with respect to the 2015 Series Bonds.

The 2015 Series Bonds are offered when, as and if issued, subject to the approval as to legality by Norton Rose Fulbright US LLP, Los Angeles, California, Bond Counsel to the Authority. Certain legal matters will be passed on for the Authority by the Authority's General Counsel and by Norton Rose Fulbright US LLP, Los Angeles, California, as Disclosure Counsel, and for the Underwriters by their counsel, Nixon Peabody LLP, Los Angeles, California. It is anticipated that the 2015 Series Bonds will be available for delivery through the book-entry facilities of DTC on or about February 26, 2015.

Citigroup

Barclays **Goldman, Sachs & Co.** **RBC Capital Markets**

Dated: January 14, 2015

$86,640,000
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
2000 MEASURE A SALES TAX REVENUE REFUNDING BONDS
2015 SERIES A (TAX-EXEMPT)

MATURITY SCHEDULE

Maturity Date (April 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP (Base No. 80168N)†
2019	$3,080,000	5.000%	0.850%	116.675	GD5
2020	3,235,000	5.000	1.040	119.608	GE3
2021	3,395,000	5.000	1.250	121.947	GF0
2022	3,565,000	5.000	1.460	123.782	GG8
2023	3,740,000	5.000	1.620	125.551	GH6
2024	3,930,000	5.000	1.740	127.317	GJ2
2025	4,130,000	5.000	1.860	128.782	GK9
2026	4,335,000	5.000	1.990	127.408*	GL7
2027	4,550,000	5.000	2.110	126.156*	GM5
2028	4,780,000	5.000	2.200	125.226*	GN3
2029	5,015,000	5.000	2.270	124.508*	GP8
2030	5,270,000	5.000	2.330	123.897*	GQ6
2031	5,530,000	5.000	2.410	123.088*	GR4
2032	5,805,000	5.000	2.460	122.585*	GS2
2033	6,095,000	5.000	2.510	122.085*	GT0
2034	6,405,000	5.000	2.550	121.686*	GU7
2035	6,725,000	5.000	2.590	121.289*	GV5
2036	7,055,000	5.000	2.610	121.091*	GW3

$3,340,000
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
2000 MEASURE A SALES TAX REVENUE REFUNDING BONDS
2015 SERIES B (TAXABLE)

Maturity Date (April 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP†
2018	$3,340,000	1.200%	1.200%	100%	80168NGX1

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* Priced to the first optional redemption date of April 1, 2025.

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

No dealer, salesman or any other person has been authorized by the Santa Clara Valley Transportation Authority (the "Authority") to give any information or to make any statements or representations, other than those contained in this Official Statement, and, if given or made, such other information, statements or representations must not be relied upon as having been authorized. The information set forth herein has been obtained from the Authority and other sources which are believed to be reliable. This Official Statement does not constitute an offer to sell or solicitation of an offer to buy any of the 2015 Series Bonds in any jurisdiction in which such offer or solicitation is not authorized, or in which any person making such offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction.

This Official Statement is not to be construed as a contract with the purchasers of the 2015 Series Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact.

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

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

FORWARD-LOOKING STATEMENTS

Certain statements included or incorporated by reference in this Official Statement constitute forward-looking statements. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "project," "budget" or other similar words. **The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. No assurance is given that actual results will meet the forecasts of the Authority in any way. The Authority does not plan to issue any updates or revisions to those forward-looking statements if or when any of its expectations, or events, conditions or circumstances on which such statements are based occurs.**

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Board of Directors

Perry Woodward, Chairperson
Magdalena Carrasco
Rose Herrera
Ash Kalra
Johnny Khamis
Sam Liccardo

Cindy Chavez, Vice Chairperson
Rich Larsen
Jason Baker
Jose Esteves
David Whittum
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Alternate Board Members

Raul Peralez
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Administrative Staff

Nuria Fernandez, General Manager
Robert Fabela, General Counsel
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Carolyn Gonot, Director, Engineering and Transportation Infrastructure Development
Raj Srinath, Chief Financial Officer
Michael A. Hursh, Chief Operations Officer
Bill Lopez, Director, Business Services
Steven P. Keller, Director, System Safety and Security

SPECIAL SERVICES

Financial Advisor

Ross Financial
San Francisco, California

Bond Counsel and Disclosure Counsel

Norton Rose Fulbright US LLP
Los Angeles, California

Trustee

U.S. Bank National Association
San Francisco, California

Verification Agent

Samuel Klein and Company
Certified Public Accountants
New York, New York


OAKLAND
SAN FRANCISCO
680
LATHROP
MANTECA
120
205
880
DUBLIN
580
TRACY
99
LIVERMORE
MODESTO
PLEASANTON
S.F. AIRPORT
680
5
FREMONT
101
280
Santa Clara County
MILPITAS
PALO ALTO
MTN. VIEW
SANTA
CLARA
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GILROY
SANTA CRUZ
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OFFICIAL STATEMENT

$89,980,000
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
2000 MEASURE A SALES TAX REVENUE REFUNDING BONDS

$86,640,000 **2015 Series A (Tax-Exempt)**	**$3,340,000** **2015 Series B (Taxable)**

INTRODUCTION

General

This Official Statement, which includes the cover page and the appendices hereto, sets forth certain information in connection with the offering by the Santa Clara Valley Transportation Authority (the "Authority") of $86,640,000 in aggregate principal amount of its 2000 Measure A Sales Tax Revenue Refunding Bonds, 2015 Series A (Tax-Exempt) (the "2015 Series A Bonds") and $3,340,000 in aggregate principal amount of its 2000 Measure A Sales Tax Revenue Refunding Bonds, 2015 Series B (Taxable) (the "2015 Series B Bonds" and, together with the 2015 Series A Bonds, the "2015 Series Bonds"). A full review should be made of the entire Official Statement, including the cover page and attached appendices. The offering of the 2015 Series Bonds to potential investors is made only by means of the entire Official Statement.

Authority for Issuance

The 2015 Series Bonds are being issued by the Authority under and pursuant to the Santa Clara Valley Transportation Authority Act, being Sections 100000 *et seq.* of the California Public Utilities Code, and the provisions of the Revenue Bond Law of 1941, being Section 54300 *et seq.* of the California Government Code as referenced in the Santa Clara Valley Transportation Authority Act (collectively, the "Act"), and the Indenture, dated as of August 1, 2006, between the Authority and U.S. Bank National Association, as successor trustee (the "Trustee"), as supplemented and amended by a First Supplemental Indenture, dated as of August 1, 2006 (the "First Supplemental Indenture"), a Second Supplemental Indenture, dated as September 1, 2007 (the "Second Supplemental Indenture"), a Third Supplemental Indenture, dated as of June 1, 2008 (the "Third Supplemental Indenture"), a Fourth Supplemental Indenture, dated as of November 1, 2010 (the "Fourth Supplemental Indenture"), and a Fifth Supplemental Indenture, dated as of January 1, 2015 (the "Fifth Supplemental Indenture"), each between the Authority and the Trustee. The Indenture, as so supplemented and amended and as further supplemented and amended from time to time pursuant to its terms is hereinafter referred to as the "Indenture." All capitalized terms used and not otherwise defined herein shall have the meanings assigned to such terms in APPENDIX D – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE," or, if not defined therein, shall have the meanings assigned to such terms in the Indenture.

Purpose and Application of Proceeds

The 2015 Series Bonds are being issued to refund the Authority's 2000 Measure A Sales Tax Revenue Refunding Bonds, 2007 Series A (the "2007 Series A Bonds") maturing in the years 2018 through 2036, inclusive (the "Refunded Bonds"), and to pay certain costs of issuing the 2015 Series Bonds. See "PLAN OF REFUNDING" and "ESTIMATED SOURCES AND USES OF FUNDS" herein.

Security

The 2015 Series Bonds are limited obligations of the Authority secured by a pledge of sales tax revenues (herein called the "2000 Measure A Sales Tax Revenues") derived from a one-half of one percent (0.5%) retail transactions and use tax (the "2000 Measure A Sales Tax"), imposed in accordance with the Act and the California Transactions and Use Tax Law (Revenue and Taxation Code Section 7251 et seq.), net of an administrative fee paid to the California State Board of Equalization (the "Board of Equalization") in connection with the collection and disbursement of the 2000 Measure A Sales Tax. The 2000 Measure A Sales Tax was approved by more than 70% of the electorate of the County of Santa Clara (the "County") voting on the ballot measure in November 2000 and is scheduled to expire March 31, 2036. The 2015 Series Bonds are further secured by a pledge of certain amounts held by the Trustee under the Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Pledge of 2000 Measure A Sales Tax Revenues and Certain Amounts Held by Trustee" herein.

The 2015 Series Bonds are secured on a parity under the Indenture with the Authority's 2000 Measure A Sales Tax Revenue Refunding Bonds, 2008 Series A, 2008 Series B, 2008 Series C and 2008 Series D (collectively, the "2008 Series Bonds"), currently outstanding in the aggregate principal amount of $235,875,000, the 2007 Series A Bonds, currently outstanding in the aggregate principal amount of $109,755,000, and the Authority's 2000 Measure A Sales Tax Revenue Bonds, 2010 Series A (Taxable Build America Bonds) (the "2010 Series A Bonds") and 2000 Measure A Sales Tax Revenue Bonds, 2010 Series B (Tax-Exempt) (the "2010 Series B Bonds" and, together with the 2010 Series A Bonds, the "2010 Series Bonds"), currently outstanding in the aggregate principal amount of $624,055,000. After the defeasance of the 2007 Series A Bonds that constitute Refunded Bonds, $9,105,000 of 2007 Series A Bonds will remain outstanding.

Additional Bonds and other obligations secured by a pledge of the 2000 Measure A Sales Tax Revenues on a parity with the 2015 Series Bonds, the 2007 Series A Bonds, the 2008 Series Bonds, the 2010 Series Bonds, the regularly scheduled payments on the Swap Agreements (as defined herein) and other bonds and obligations that may hereafter be issued or incurred. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Additional Bonds and Parity Obligations" herein. The 2007 Series A Bonds, the 2008 Series Bonds, the 2010 Series Bonds, the 2015 Series Bonds and any additional bonds hereafter authorized by, and at any time Outstanding under, the Indenture are referred to collectively herein as the "Bonds."

Limited Obligations

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE COUNTY OF SANTA CLARA, THE STATE OF CALIFORNIA (THE "STATE") OR ANY POLITICAL SUBDIVISION OR PUBLIC AGENCY THEREOF, OTHER THAN THE AUTHORITY TO THE EXTENT OF THE PLEDGE OF THE 2000 MEASURE A SALES TAX REVENUES AND OTHER AMOUNTS PLEDGED UNDER THE INDENTURE, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE BONDS.

References

The descriptions and summaries of the Act and the Indenture and other documents hereinafter set forth do not purport to be comprehensive or definitive, and reference is made to each such document for the complete details of all terms and conditions. All statements herein are qualified in their entirety by reference to each such document, copies of which are available for inspection at the offices of the Authority. Capitalized terms not otherwise defined herein shall have the meanings set forth in the Indenture. See APPENDIX D – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE."

THE AUTHORITY

The Authority is an independent public agency responsible for bus and light rail operations in the County, regional commuter and inter-city rail service, ADA paratransit service, congestion management, specific highway improvement and other transportation projects, and countywide transportation planning and funding. A map showing the Authority's bus and rail transit service area is set forth on the page prior to the table of contents of this Official Statement. The Authority (then known as the Santa Clara County Transit District) was created in 1972 pursuant to the Santa Clara County Transit District Act. Prior to January 1, 1995, the County Board of Supervisors served as the Board of Directors of the Authority. Effective January 1, 1995, pursuant to State legislation, the Authority has operated under a separate Board of Directors composed of representatives of the County and cities within the County. On January 1, 2000, pursuant to State legislation, the Authority's name was officially changed from the Santa Clara County Transit District.

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

THE 2015 SERIES BONDS

General

The 2015 Series Bonds will be dated their date of delivery, will bear interest at the rates and will mature on the dates set forth on the inside cover of this Official Statement. Interest on each 2015 Series Bond shall be computed on the basis of a 360-day year, consisting of twelve 30-day months and shall be payable commencing on April 1, 2015 and semiannually thereafter on each April 1 and October 1 (each, an "Interest Payment Date"). The 2015 Series Bonds will be issued in fully registered form without coupons and will initially be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), as the securities depository for the 2015 Series Bonds. The term "Owner" as used herein shall refer to DTC as the registered owner of the Bonds. Purchases of the 2015 Series Bonds are to be made in book-entry only form in the principal amount of $5,000 or any integral multiple thereof. See APPENDIX F – "BOOK-ENTRY SYSTEM."

Redemption

Optional Redemption of 2015 Series A Bonds. The 2015 Series A Bonds maturing on or before April 1, 2025 shall not be subject to redemption prior to their respective stated maturities. The 2015 Series A Bonds maturing on or after April 1, 2026 shall be subject to redemption prior to their respective stated maturities, at the option of the Authority, from any source of available funds, as a whole or in part, in Authorized Denominations, on any date on or after April 1, 2025 at a Redemption Price equal to 100% of the principal amount of 2015 Series A Bonds called for redemption, plus accrued interest to the date fixed for redemption, without premium.

No Redemption of 2015 Series B Bonds. The 2015 Series B Bonds are not subject to redemption prior to maturity.

Selection of Bonds for Redemption. Whenever less than all of the Outstanding 2015 Series A Bonds are to be redeemed on any one date pursuant to the optional redemption provisions of the Indenture, the Trustee shall select the 2015 Series A Bonds to be redeemed among different maturity dates as directed in a Request of the Authority delivered to the Trustee. Whenever less than all of the Outstanding 2015 Series A Bonds of the same maturity (and interest rate) are to be redeemed on any one date pursuant to the optional redemption provisions of the Indenture, the Trustee shall select the 2015

Series A Bonds to be redeemed in minimum denominations of $5,000, by lot in any manner which the Trustee in its sole discretion shall deem appropriate and fair. If less than all of the 2015 Series A Bonds are being redeemed, DTC's current practice is to determine by lot the amount of the interest of each Direct Participant in such 2015 Series A Bonds to be redeemed. See APPENDIX F – "BOOK-ENTRY SYSTEM."

Notice of Redemption. Each notice of redemption with respect to the 2015 Series A Bonds shall be mailed by the Trustee, not less than twenty (20) nor more than sixty (60) days prior to the redemption date, to (i) each Holder, (ii) the Repository and (iii) to the MSRB's Electronic Municipal Market Access system. Any such notice of redemption may be rescinded by written notice delivered to the Trustee by the Authority. Upon receipt of such written notice of rescission from the Authority, the Trustee shall give notice of such rescission as soon thereafter as practicable in the same manner, and to the same parties, as notice of redemption was given pursuant to the Indenture.

Partial Redemption of Bonds. Upon surrender of any 2015 Series A Bond redeemed in part only, the Authority shall execute and the Trustee shall authenticate and deliver to the Owner thereof, at the expense of the Authority, a new 2015 Series A Bond of authorized denominations, and of the same maturity and interest rate, equal in aggregate principal amount to the unredeemed portion of the 2015 Series A Bond surrendered.

Effect of Redemption. Notice of redemption having been duly given as aforesaid, and moneys for payment of the Redemption Price of, together with interest accrued to the redemption date on, the 2015 Series A Bonds (or portions thereof) so called for redemption being held by the Trustee, on the redemption date designated in such notice, the 2015 Series A Bonds (or portions thereof) so called for redemption shall become due and payable at the Redemption Price specified in such notice together with interest accrued thereon to the date fixed for redemption, interest on the 2015 Series A Bonds so called for redemption shall cease to accrue, said 2015 Series A Bonds (or portions thereof) shall cease to be entitled to any benefit or security under this Indenture, and the Owners of said 2015 Series A Bonds shall have no rights in respect thereof except to receive payment of said Redemption Price and accrued interest to the redemption date.

Mandatory Purchase in Lieu of Redemption. Each Holder, by purchase and acceptance of any 2015 Series A Bond, irrevocably grants to the Authority the option to purchase such 2015 Series A Bond, on any date such 2015 Series A Bond is subject to optional redemption provided in the Indenture for the 2015 Series A Bonds at a purchase price equal to the Redemption Price then applicable to such 2015 Series A Bond, plus accrued interest thereon to the date of purchase. In order to exercise such option, the Authority shall deliver to the Trustee a Favorable Opinion of Bond Counsel and shall direct the Trustee to provide notice of mandatory purchase in lieu of redemption, such notice to be provided, as and to the extent applicable, in accordance with the provisions set forth in the Indenture for the 2015 Series A Bonds, the Authority shall pay the purchase price of such 2015 Series A Bond to the Trustee in immediately available funds and the Trustee shall pay the same to the Holders of 2015 Series A Bonds being purchased against delivery thereof. Following such purchase, the Trustee shall register such 2015 Series A Bonds in accordance with the written instructions of the Authority. No purchase of any 2015 Series A Bond shall operate to extinguish the indebtedness evidenced by such 2015 Series A Bond. No Holder may elect to retain a 2015 Series A Bond subject to mandatory purchase.

If the Authority lacks sufficient funds to pay the purchase price of any 2015 Series A Bond subject to mandatory purchase in lieu of redemption pursuant to the Indenture on the date fixed for such purchase, the Authority shall cancel such mandatory purchase in lieu of redemption and shall return each such 2015 Series A Bond to the Holder who shall have tendered such 2015 Series A Bond for mandatory purchase in lieu of redemption pursuant to the Indenture. The Trustee shall give notice that such mandatory purchase was not effected promptly following the date fixed for such purchase. Any failure to pay the purchase price of any 2015 Series A Bond subject to mandatory purchase shall not constitute an Event of Default under the Indenture.

PLAN OF REFUNDING

A portion of the proceeds of the 2015 Series Bonds, together with other available amounts, will be used to refund the Refunded Bonds. Pursuant to the terms of an Escrow Agreement, dated as of January 1, 2015 (the "Escrow Agreement"), by and between the Authority and U.S. Bank National Association, as escrow agent (the "Escrow Agent"), a portion of the proceeds of the 2015 Series Bonds, together with other available moneys (collectively, the "Escrow Deposit"), will be deposited into the Escrow Fund established under the Escrow Agreement. The Escrow Deposit will be sufficient to purchase investment securities (the "Escrowed Securities"), the principal and interest on which when due will provide moneys that, together with uninvested moneys deposited with the Escrow Agent, will be sufficient to pay the interest on the Refunded Bonds to and including April 1, 2017 (the "Redemption Date") and to pay the Refunded Bonds at a price of 100% of the principal amount thereof, without premium, plus accrued interest (the "Redemption Price"), on the Redemption Date.

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

ESTIMATED SOURCES AND USES OF FUNDS

The estimated proceeds of the 2015 Series Bonds and certain other available amounts are expected to be applied as follows:

Sources of Funds:	**2015 Series A Bonds**	**2015 Series B Bonds**
Principal Amount	$ 86,640,000	$3,340,000
Plus Premium	20,273,736	-
Funds Released from Refunded Bonds	2,033,438	63,438
Total Sources:	$108,947,174	$3,403,438
Uses of Funds:		
Deposit to Escrow Fund	$108,535,322	$3,386,017
Costs of Issuance[1]	411,852	17,421
Total Uses:	$108,947,174	$3,403,438

[1] Includes underwriters' discount, rating agency fees, trustee fees, printing costs, bond counsel, disclosure counsel, verification agent and financial advisor fees and expenses and other miscellaneous expenses.

DEBT SERVICE SCHEDULE

The following table shows the annual debt service requirements on the 2015 Series A Bonds (with principal and interest shown separately), the 2007 Series A Bonds, the 2008 Series Bonds and the 2010 Series Bonds.

Fiscal Year Ending June 30	2015 Series A Bonds Principal	2015 Series A Bonds Interest	2015 Series B Bonds Principal	2015 Series B Bonds Interest	2007 Series A Bonds Debt Service[(1)(2)]	2008 Series Bonds Debt Service[(1)(3)]	2010 Series Bonds Debt Service[(1)(4)]	Combined Debt Service[(1)]
2015	-	$421,166.67	-	$ 3,896.67	$3,295,750.00	$ 8,880,693.78	$ 57,138,201.10	$ 69,739,708.22
2016	-	4,332,000.00	-	40,080.00	3,296,000.00	8,880,693.78	57,139,201.10	73,687,974.88
2017	-	4,332,000.00	-	40,080.00	3,296,800.00	8,880,693.78	57,138,201.10	73,687,774.88
2018	-	4,332,000.00	$3,340,000.00	40,080.00	-	8,880,693.78	57,138,701.10	73,731,474.88
2019	$3,080,000.00	4,332,000.00	-	-	-	8,880,693.78	57,139,501.10	73,432,194.88
2020	3,235,000.00	4,178,000.00	-	-	-	8,880,693.78	57,141,151.10	73,434,844.88
2021	3,395,000.00	4,016,250.00	-	-	-	8,880,693.78	57,138,901.10	73,430,844.88
2022	3,565,000.00	3,846,500.00	-	-	-	8,880,693.78	56,895,951.46	73,188,145.24
2023	3,740,000.00	3,668,250.00	-	-	-	8,880,693.78	56,625,215.96	72,914,159.74
2024	3,930,000.00	3,481,250.00	-	-	-	8,880,693.78	56,301,159.00	72,593,102.78
2025	4,130,000.00	3,284,750.00	-	-	-	8,880,693.78	55,943,629.00	72,239,072.78
2026	4,335,000.00	3,078,250.00	-	-	-	8,880,693.78	55,578,851.20	71,872,794.98
2027	4,550,000.00	2,861,500.00	-	-	-	8,880,693.78	55,191,537.20	71,483,730.98
2028	4,780,000.00	2,634,000.00	-	-	-	8,880,693.78	54,781,986.20	71,076,679.98
2029	5,015,000.00	2,395,000.00	-	-	-	8,880,693.78	54,360,203.60	70,650,897.38
2030	5,270,000.00	2,144,250.00	-	-	-	8,880,693.78	53,910,313.40	70,205,257.18
2031	5,530,000.00	1,880,750.00	-	-	-	8,880,693.78	53,447,027.20	69,738,470.98
2032	5,805,000.00	1,604,250.00	-	-	-	8,880,693.78	52,953,881.40	69,243,825.18
2033	6,095,000.00	1,314,000.00	-	-	-	64,630,693.78	-	72,039,693.78
2034	6,405,000.00	1,009,250.00	-	-	-	64,606,706.28	-	72,020,956.28
2035	6,725,000.00	689,000.00	-	-	-	64,629,595.04	-	72,043,595.04
2036	7,055,000.00	352,750.00	-	-	-	64,619,653.78	-	72,027,403.78
Total	$86,640,000.00	$60,187,166.67	$3,340,000.00	$124,136.67	$9,888,550.00	$418,339,136.92	$1,005,963,613.32	$1,584,482,603.58

(1) Includes mandatory sinking fund payments.
(2) Excludes the 2007 Series A Bond maturities that are expected to be refunded with a portion of the proceeds of the 2015 Series Bonds. See “PLAN OF REFUNDING” herein.
(3) Debt service on the 2008 Series Bonds is calculated based on the per annum rate established pursuant to the Swap Agreements, 3.765%. See “OUTSTANDING 2000 MEASURE A SALES TAX OBLIGATIONS – Swap Agreements.”
(4) Does not reflect the Authority’s receipt of any Subsidy Payments with respect to the 2010 Series A Bonds, which are Build America Bonds.

SECURITY AND SOURCES OF PAYMENT FOR THE 2015 SERIES BONDS

Limited Obligations

The Bonds are limited obligations of the Authority secured by a pledge of 2000 Measure A Sales Tax Revenues and certain amounts held by the Trustee in the funds and accounts established under the Indenture. The Authority shall not be required to advance any moneys derived from any source other than Revenues, which include all 2000 Measure A Sales Tax Revenues, and amounts held by the Trustee in the funds and accounts established under the Indenture, excluding amounts in the Rebate Fund and any Purchase Fund for Bonds subject to purchase, and pledged under the Indenture, including interest earnings on such amounts, whether for the payment of the principal or Redemption Price of or interest on the Bonds or for any other purpose of the Indenture.

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE COUNTY OF SANTA CLARA, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION OR PUBLIC AGENCY THEREOF, OTHER THAN THE AUTHORITY, TO THE EXTENT OF THE 2000 MEASURE A SALES TAX REVENUES AND OTHER AMOUNTS HELD UNDER THE INDENTURE, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, REDEMPTION PREMIUM, IF ANY, OR INTEREST ON, THE 2015 SERIES BONDS. THE PLEDGE OF 2000 MEASURE A SALES TAX REVENUES DOES NOT SECURE PAYMENT OF THE PURCHASE PRICE OF THE 2015 SERIES BONDS.

Pledge of 2000 Measure A Sales Tax Revenues and Certain Amounts Held by Trustee

All 2000 Measure A Sales Tax Revenues are irrevocably pledged by the Authority to secure the punctual payment of the principal of, premium, if any, and interest on the Bonds and Parity Obligations, each in accordance with their terms, and the 2000 Measure A Sales Tax Revenues shall not be used for any other purpose while any of the Bonds or Parity Obligations remain Outstanding, except as permitted by the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein, as described below. Pursuant to the Indenture, the pledge of 2000 Measure A Sales Tax Revenues constitutes a first lien to secure the Bonds and Parity Obligations. The pledge of 2000 Measure A Sales Tax Revenues is irrevocable until all Bonds issued under the Indenture, including the 2015 Series Bonds, and all Parity Obligations are no longer Outstanding.

The 2000 Measure A Sales Tax Revenues pledged to the payment of the Bonds and Parity Obligations shall be applied without priority or distinction of one over the other and the 2000 Measure A Sales Tax Revenues shall constitute a trust fund for the security and payment of the Bonds and Parity Obligations; but nevertheless, out of 2000 Measure A Sales Tax Revenues certain amounts may be applied for other purposes as provided in the Indenture.

For a more detailed description of the 2000 Measure A Sales Tax and projected receipts of 2000 Measure A Sales Tax Revenues, see "THE 2000 MEASURE A SALES TAX" herein.

Additionally, there are pledged to secure the payment of the principal of, redemption premium, if any, and interest on the Bonds in accordance with their terms all amounts held by the Trustee under the Indenture (except for amounts held in the Rebate Fund and any Purchase Fund), subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein.

Revenue Fund; Allocation of 2000 Measure A Sales Tax Revenues

As long as any Bonds are Outstanding or any Parity Obligations remain unpaid, the Authority has assigned the 2000 Measure A Sales Tax Revenues to the Trustee and shall cause the Board of Equalization to transmit the same directly to the Trustee each month, less the Board of Equalization administrative fee which is deducted quarterly. The 2000 Measure A Sales Tax Revenues shall be received and held in trust by the Trustee for the benefit of the Owners of the Bonds and Parity Obligations. The Trustee shall forthwith deposit all 2000 Measure A Sales Tax Revenues in the Revenue Fund, maintained and held in trust by the Trustee, when and as such 2000 Measure A Sales Tax Revenues are received by the Trustee. See APPENDIX D – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Allocation of 2000 Measure A Sales Tax Revenues." Investment income on amounts held by the Trustee (other than amounts held in the Rebate Fund or any Purchase Fund or for which particular instructions are provided) shall also be deposited in the Revenue Fund.

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

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

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

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

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

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

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

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

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

No Bond Reserve Fund

No bond reserve fund is established for the 2015 Series Bonds. Bond Reserve Funds established for any other Series of Bonds of the Authority are not available to pay debt service on the 2015 Series Bonds.

Additional Bonds and Parity Obligations

The Authority may issue additional Bonds and may issue or incur other obligations secured in whole or in part by a pledge of 2000 Measure A Sales Tax Revenues on a parity with the 2015 Series Bonds, the 2007 Series A Bonds, the 2008 Series Bonds, the 2010 Series Bonds and the regularly scheduled payments on the Swap Agreements, subject to compliance with the terms and provisions set forth in the Indenture. See APPENDIX D – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Issuance of Additional Bonds and Other Obligations."

Issuance of Additional Series of Bonds. Subsequent to the issuance of the 2015 Series Bonds, the Authority may by Supplemental Indenture establish one or more Series of Bonds payable from 2000 Measure A Sales Tax Revenues and secured by the pledge made under the Indenture equally and ratably with Bonds previously issued, but only upon compliance by the Authority with the provisions of the Indenture. Certain of the applicable provisions of the Indenture are described below:

(a) No Event of Default shall have occurred and then be continuing.

(b) If a Bond Reserve Fund is required in connection with the issuance of an additional Series of Bonds, the Supplemental Indenture providing for the issuance of such Series of additional Bonds may require either (i) the establishment of a Bond Reserve Fund for such Series of Bonds or (ii) that the balance in an existing Bond Reserve Fund, forthwith upon the receipt of the proceeds of the sale of Bonds of such Series, be increased to an amount at least equal to the Bond Reserve Requirement with respect to such Series of Bonds and all other Bonds secured by such Bond Reserve Fund to be considered Outstanding upon the issuance of such additional Series of Bonds. Said deposit may be made from the proceeds of the sale of Bonds of such Series or from other funds of the Authority or from both such sources or in the form of a letter of credit or surety bond or insurance policy as described under APPENDIX D – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Establishment and Application of Funds and Accounts – Funding and Application of Bond Reserve Funds."

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

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

Issuance of Refunding Bonds. Refunding Bonds may be authorized and issued by the Authority without compliance with the provisions of the Indenture summarized above under the caption "Issuance of Additional Series of Bonds"; provided, that Maximum Annual Debt Service on all Bonds and Parity Obligations Outstanding following the issuance of such Refunding Bonds is less than or equal to Maximum Annual Debt Service on all Bonds and Parity Obligations Outstanding prior to the issuance of such Refunding Bonds. The 2015 Series Bonds are Refunding Bonds.

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

Subordinate Obligations

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

OUTSTANDING 2000 MEASURE A SALES TAX OBLIGATIONS

Parity Bonds; Liquidity Facility

The 2015 Series Bonds are secured on a parity under the Indenture with the Authority's 2000 Measure A Sales Tax Revenue Refunding Bonds, 2008 Series A, 2008 Series B, 2008 Series C and 2008 Series D (collectively, the "2008 Series Bonds"), currently outstanding in the aggregate principal amount of $235,875,000, the 2007 Series A Bonds, currently outstanding in the aggregate principal amount of $109,755,000, and the Authority's 2000 Measure A Sales Tax Revenue Bonds, 2010 Series A (Taxable Build America Bonds) (the "2010 Series A Bonds") and 2000 Measure A Sales Tax Revenue Bonds, 2010 Series B (Tax-Exempt) (the "2010 Series B Bonds" and, together with the 2010 Series A Bonds, the "2010 Series Bonds"), currently outstanding in the aggregate principal amount of $624,055,000. See "DEBT SERVICE SCHEDULE" herein.

After the defeasance of the 2007 Series A Bonds that constitute Refunded Bonds, $9,105,000 of 2007 Series A Bonds will remain outstanding.

The 2008 Series Bonds are currently subject to optional tender by the holders thereof. The payment of the purchase price of tendered 2008 Series Bonds is payable from the proceeds of remarketing the 2008 Series Bonds and, to the extent remarketing proceeds are insufficient, from amounts available from an Standby Letter of Credit and Reimbursement Agreement, dated as of June 1, 2013 (the "Liquidity Facility"), between the Authority and Sumitomo Mitsui Banking Corporation, acting through its New York Branch (the "Liquidity Provider"), and from any Alternate Liquidity Facility that may be obtained by the Authority. The Liquidity Facility expires on June 3, 2016, unless extended by the parties thereto.

The obligation of the Authority to reimburse the Liquidity Provider or make any other payments under the Liquidity Facility is secured by a pledge of Measure A Sales Tax Revenues on a parity with the pledge securing the Bonds, including the 2015 Series Bonds. Under certain circumstances, 2008 Series Bonds purchased by the Liquidity Provider and not remarketed may become Liquidity Facility Bonds. The Liquidity Facility Bonds shall bear interest as provided in the relevant Liquidity Facility and may be subject to mandatory payment upon the occurrence of certain events of default described in the Liquidity Facility.

Swap Agreements

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

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

The Swap Agreement with Bank of America, N.A. ("BofA") has an initial notional amount of $50,000,000. Pursuant to this agreement, BofA has agreed to pay the Authority a floating rate equal to 65% of the three-month London Interbank Offered Rate ("LIBOR") and the Authority has agreed to pay BofA a fixed rate equal to 3.765% per annum.

The Swap Agreement with Citibank, N.A. ("Citibank") has an initial notional amount of $85,875,000. Pursuant to this agreement, Citibank has agreed to pay the Authority a floating rate equal to 65% of three-month LIBOR and the Authority has agreed to pay Citibank a fixed rate equal to 3.765% per annum.

The Swap Agreement with Goldman Sachs Mitsui Marine Derivative Products, L.P. ("Goldman") has an initial notional amount of $50,000,000. Pursuant to this agreement, Goldman has agreed to pay the Authority a floating rate equal to 65% of three-month LIBOR and the Authority has agreed to pay Goldman a fixed rate equal to 3.765% per annum.

The Swap Agreement with Morgan Stanley Capital Services, Inc. ("Morgan Stanley") has an initial notional amount of $50,000,000. Pursuant to this agreement, Morgan Stanley has agreed to pay the Authority a floating rate equal to 65% of three-month LIBOR and the Authority has agreed to pay Morgan Stanley a fixed rate equal to 3.765% per annum.

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

Under certain circumstances, one or more of the Swap Agreements may be terminated, at which time the Authority may be required to make a termination payment to the applicable Counterparty. If the Swap Agreements were terminated as of December 1, 2014, the Authority would owe the respective Counterparties an aggregate amount of approximately $72,199,479. Any termination payments made pursuant to the Swap Agreements are secured by a lien on 2000 Measure A Sales Tax Revenues subordinate to the lien which secures the Bonds, Parity Obligations and Subordinate Obligations. The Authority is unable to predict what the specific amount of termination payments owed by the Authority in the future would be if any of the Swap Agreements actually were terminated; however, such termination payments could be substantial. To the extent that the Authority has insufficient funds on hand to make any such payment, the Authority may be required to borrow such amounts through the issuance of additional Bonds or otherwise.

In addition, the Swap Agreements all contain provisions that require the Authority to post collateral at specific fair value amounts based on the Authority's unenhanced long-term credit ratings on the 2008 Series Bonds. Collateral generally consists of cash, U.S. government securities and U.S. agency securities. As of December 1, 2014, the Authority currently had posted $6.6 million of collateral pursuant to the Swap Agreements. For a further discussion regarding the Authority's existing swaps and potential risks in connection therewith, see APPENDIX B – "AUTHORITY AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 2014," Note 7(c), 7(d) and 7(e).

THE 2000 MEASURE A SALES TAX

2000 Measure A Sales Tax

In November of 2000, more than 70% of the electorate of the County voting on the ballot measure approved Measure A ("2000 Measure A") implementing a 30-year half-cent sales tax that became effective on April 1, 2006 and is scheduled to expire on March 31, 2036. The 2000 Measure A Sales Tax is a special retail transactions and use tax of one-half of one percent (0.5%) of the gross receipts of retailers from the sale of all tangible personal property sold at retail in the County and a use tax at the same rate upon the storage, use or other consumption in the County of such property purchased from any retailer for storage, use or other consumption in the County, subject to certain exceptions. Revenues from the 2000 Measure A Sales Tax may be used to finance the transit projects and operations listed in 2000 Measure A, the ordinance which imposed the 2000 Measure A Sales Tax (the "2000 Measure A Ordinance") and in the Authority's Valley Transportation Plan, which was formulated to provide a balanced transportation system consisting of transit, roadway, bicycle and pedestrian improvements. See "THE 2000 MEASURE A PROGRAM" herein.

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

The 2000 Measure A Sales Tax is generally imposed upon the same transactions and items subject to the sales and use tax levied statewide by the State (hereinafter collectively referred to as the "State Sales Tax"), with generally the same exceptions. Proposition 30, approved by the voters of the State in the November 2012 election, increased the State Sales Tax by one-quarter of one percent, from 7.25% to 7.5%, for a period of four years from January 1, 2013 to but excluding January 1, 2017. In general, the State Sales Tax applies to the gross receipts of retailers from the sale of tangible personal property. The State use tax is imposed on the storage, use or other consumption in the State of property purchased from a retailer for such storage, use or other consumption. Since the use tax does not apply to cases where the sale of the property is subject to the sales tax, the application of the use tax generally is to purchases made outside of the State for use within the State.

Many categories of transactions are exempt from the State Sales Tax and the 2000 Measure A Sales Tax. The most important of these exemptions are: sales of food products for home consumption, prescription medicine, edible livestock and their feed, seed and fertilizer used in raising food for human consumption, and gas, electricity and water when delivered to consumers through mains, lines and pipes. In addition, "Occasional Sales" (*i.e.*, sales of property not held or used by a seller in the course of activities for which he or she is required to hold a seller's permit) are generally exempt from the State Sales Tax and from the 2000 Measure A Sales Tax; however, the "Occasional Sales" exemption does not apply to the sale of an entire business or other sales of machinery and equipment used in a business. Sales of property to be used outside the county which are shipped to a point outside the county, pursuant to the contract of sale, by delivery to such point by the retailer, or by delivery by the retailer to a carrier for shipment to a consignee, at such point, are exempt from the State Sales Tax and from the 2000 Measure A Sales Tax.

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

1976 Sales Tax

In addition to the 2000 Measure A Sales Tax, the Authority levies another retail transactions and use tax of one-half of one percent (0.5%) for transportation purposes (the "1976 Sales Tax"). The 1976 Sales Tax, also approved by the voters, is levied against the same sales tax base as the 2000 Measure A Sales Tax. Collection of the 1976 Sales Tax is also administered by the Board of Equalization and is remitted to the trustee for the senior lien obligations secured by the 1976 Sales Tax pursuant to a separate agreement between the Authority and the Board of Equalization in the same manner and subject to payment of a separate administrative charge in the same manner as the 2000 Measure A Sales Tax. **The 1976 Sales Tax Revenues do not secure the 2015 Series Bonds.**

2008 Measure B Sales Tax

In November of 2008, over two-thirds of the voters in Santa Clara County approved Measure B, implementing a one-eighth of one percent (0.125%) sales tax that became effective July 1, 2012 and continues for 30 years (the "2008 Measure B Sales Tax"). The 2008 Measure B Sales Tax is levied against the same sales tax base as the 2000 Measure A Sales Tax, and is dedicated to support the operation and maintenance of the BART to Silicon Valley Project. Collection of the 2008 Measure B Sales Tax is administered by the Board of Equalization in virtually the same manner as the 2000 Measure A Sales Tax. **The 2008 Measure B Sales Tax Revenues do not secure the 2015 Series Bonds.**

State Sales Tax and Other Sales Taxes Levied within the County

In addition to the sales taxes described above, in November 2012, over two-thirds of the voters in Santa Clara County approved a one-eighth of one percent (0.125%) sales tax for general purposes that became effective April 1, 2013 and continues for ten years. In addition, the City of Campbell ("Campbell"), located within Santa Clara County, approved a one-quarter of one percent (0.25%) sales tax in April 2009 for vital city services, maintenance and protection. The Campbell sales tax does not expire.

In addition to these sales taxes levied at the county and city level, the State also imposes a general 7.50% sales tax. Combined with the various sales taxes described above, this results in transactions in the County of Santa Clara currently being taxed at an effective rate of 8.75% outside of Campbell and 9.00% within Campbell.

Historical Sales Tax Revenues

The following table shows historical 2000 Measure A and 1976 sales tax revenues reported by the Authority during the Fiscal Years shown below.

Historical 2000 Measure A and 1976 Sales Tax Revenues
Fiscal Years Ended June 30, 1998 – 2014

Fiscal Year Ended June 30	2000 Measure A Sales Tax Revenues[(2)]	Rate of Change	1976 Sales Tax Revenues[(2)]	Rate of Change
1998	-	-	$138,428,805	-
1999	-	-	143,711,721	3.8%
2000	-	-	166,764,390	16.0
2001	-	-	183,540,308	10.1
2002	-	-	144,217,679	(21.4)
2003	-	-	132,632,377	(8.0)
2004	-	-	138,917,173	4.7
2005	-	-	145,008,106	4.4
2006	$ 38,169,934[(1)]	-	157,283,101	8.5
2007	161,360,552	-	163,675,750	4.1
2008	160,536,904	(0.5)%	163,037,594	(0.4)
2009	137,260,570	(14.5)	137,641,999	(15.6)
2010	139,305,038	1.5	140,036,709	1.7
2011	152,855,102	9.7	153,601,839	9.7
2012	166,279,983	8.8	166,567,320	8.4
2013	176,533,671	6.2	176,715,771	6.1
2014	186,301,711	5.5	186,431,256	5.5

Source: The Authority.
(1) Collection of the 2000 Measure A Sales Tax began on April 1, 2006.
(2) Differences in amount the 1976 Sales Tax and 2000 Measure A Sales Tax are due to adjustments from prior periods resulting from either Authority or Board of Equalization audits of taxpayer records.

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

2000 Measure A Sales Tax Revenues

For the Fiscal Year ended June 30, 2014, the Authority received $186.3 million in 2000 Measure A Sales Tax Revenues, the highest in the Authority's history. For the first two quarters of the Fiscal Year ending June 30, 2015, the Authority has received approximately $97.8 million of 2000 Measure A Sales Tax Revenues (on a cash basis). This compares to $91.9 million of 2000 Measure A Sales Tax Revenues (on a cash basis) received by the Authority during the first two quarters of the Fiscal Year ended June 30, 2014. The amount of 2000 Measure A Sales Tax received in the first two quarters of Fiscal Year 2015 represents a 6.38% increase from the same period of Fiscal Year 2014. For a discussion regarding the procedures related to the collection of the 2000 Measure A Sales Tax, see APPENDIX A – "THE SANTA CLARA VALLEY TRANSPORTATION AUTHORITY – 2000 Measure A Sales Tax Revenues" and "– Management's Discussion of Financial Results."

Based on 2000 Measure A Sales Tax Revenues for Fiscal Year ended June 30, 2014, which amounted to $186,301,711, 2000 Measure A Sales Tax Revenues are anticipated to equal at least 2.51* times Maximum Annual Debt Service on the Bonds through April 1, 2036, the final maturity of the 2015 Series Bonds, assuming such debt service amounts as are shown in the table "DEBT SERVICE SCHEDULE" herein.

THE 2000 MEASURE A PROGRAM

General

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

The 2000 Measure A Transit Improvement Program

The 2000 Measure A Transit Improvement Program, which represents the transit portion of the Authority's Valley Transportation Plan and is funded primarily by 2000 Measure A Sales Tax Revenues, consists of those projects and increased operations included in the 2000 Measure A Ordinance, 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 the Authority's light rail system;
- Extend the Authority's light rail system from Downtown San Jose to the East Valley portion of the County ("DTEV Extension");
- Purchase low floor light rail vehicles to better serve the disabled, senior and other segments of the ridership;
- Improve Caltrain by extending the system's double track to Gilroy and providing funds to electrify the system;
- Increase Caltrain service;
- Construct a new Palo Alto Intermodal Transit Center;
- Improve bus service in major bus corridors;
- Upgrade the Altamont Commuter Express ("ACE") service;
- Improve the Highway 17 express bus service;

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* Preliminary, subject to change.

- 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 Authority intends to implement as many of the projects included in the 2000 Measure A Ordinance as feasible within a framework of projected revenues, including 2000 Measure A Sales Tax Revenues. Projects that have been identified for advancement during the next ten years are included in the Authority's Measure A Capital Improvement Programs (see APPENDIX A – "SANTA CLARA VALLEY TRANSPORTATION AUTHORITY – Authority Capital Improvement Programs – Short Range Transportation Plan"). The Authority publishes a semi-annual status report as a periodic update regarding the implementation of the 2000 Measure A Transit Improvement Program (the most current copy of which may be requested through the Authority).

Future Financing Plans

The 2000 Measure A Transit Improvement Program anticipates total capital expenditures of approximately $2.54 billion to be incurred over the next approximately ten Fiscal Years. The Authority expects to fund these projects through a combination of monies under a Full Funding Grant Agreement ("FFGA"), State transportation grant funds and 2000 Measure A Sales Tax Revenues. The Authority manages the implementation of its 2000 Measure A Transit Improvement Program based on project readiness and the availability of funding and may advance or slow down delivery of projects in response to current conditions. To the extent additional projects are identified for implementation within this timeframe, there could be bonding needs associated with these projects. However, the Authority currently does not have any plans to issue additional bonds secured by 2000 Measure A Sales Tax Revenues to finance these projects. The issuance of additional bonds or other obligations is subject to the requirements of the Indenture and Authority Board approval. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015 BONDS – Additional Bonds and Parity Obligations" herein.

RISK FACTORS

Economy of the County and the State

The 2015 Series Bonds are secured by a pledge of 2000 Measure A Sales Tax Revenues, which consist of the 2000 Measure A Sales Tax less an administrative fee paid to the Board of Equalization. The level of 2000 Measure A Sales Tax Revenues collected at any time is dependent upon the level of retail sales within the County, which is, in turn, dependent upon the level of economic activity in the County and in the State generally. As a result, any substantial deterioration in the level of economic activity within the County or in the State could have a material adverse impact upon the level of 2000 Measure A Sales Tax Revenues and therefore upon the ability of the Authority to pay principal of and interest on the 2015 Series Bonds.

For information relating to economic conditions within the County and the State, see APPENDIX C – "COUNTY OF SANTA CLARA DEMOGRAPHIC AND ECONOMIC INFORMATION."

The 2000 Measure A Sales Tax

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

Proposition 218

On November 5, 1996, voters in the State approved an initiative known as the Right to Vote on Taxes Act ("Proposition 218"). Proposition 218 added Articles XIIIC and XIIID to the California Constitution. Article XIIIC requires majority voter approval for the imposition, extension or increase of general taxes and two-thirds voter approval for the imposition, extension or increase of special taxes by a local government, which is defined to include local or regional governmental agencies such as the Authority. The 2000 Measure A Sales Tax received the approval of more than two-thirds of the voters as required by Article XIIIC. However, Article XIIIC also removes limitations that may have applied to the voter initiative power with regard to reducing or repealing previously authorized taxes. In the opinion of the Authority, however, any attempt by the voters to use the initiative provisions under Proposition 218 to rescind or reduce the levy and collection of the 2000 Measure A Sales Tax in a manner which would prevent the payment of debt service on the 2015 Series Bonds or the other Bonds would violate the Impairment Clause of the United States Constitution and, accordingly, would be precluded. However, it is likely that the interpretation and application of Proposition 218 will ultimately be determined by the courts.

Further Initiatives

Proposition 218 was adopted as a measure that qualified for the ballot pursuant to California's initiative process. From time to time other initiative measures could be adopted, which may affect the Authority's ability to levy and collect the 2000 Measure A Sales Tax.

No Acceleration of Bonds

The Indenture does not permit acceleration of the 2015 Series Bonds in the event of a default in the payment of principal of or interest on the 2015 Series Bonds when due. In the event of a default by the Authority, the Trustee and the Owners of the 2015 Series Bonds will have the right to exercise the remedies, subject to the limitations thereon, set forth in the Indenture. See APPENDIX D – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE."

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

Impact of Bankruptcy of the Authority

The Authority may be authorized to file for Chapter 9 municipal bankruptcy under certain circumstances. Should the Authority file for bankruptcy, there could be adverse effects on the holders of the 2015 Series Bonds.

If the 2000 Measure A Sales Tax Revenues are "special revenues" under the Bankruptcy Code, then 2000 Measure A Sales Tax Revenues collected after the date of the bankruptcy filing should be subject to the lien of the Indenture. "Special revenues" are defined to include taxes specifically levied to finance one or more projects or systems, excluding receipts from general property, sales, or income taxes levied to finance the general purposes of the governmental entity. The 2000 Measure A Sales Tax was levied to finance the Expenditure Plan, which includes a number of projects (collectively, the "Expenditure Plan Projects"), and some of these projects are described in broad terms. If a court determined that the 2000 Measure A Sales Tax was levied to finance the general purposes of the Authority, rather than specific Expenditure Plan Projects, then 2000 Measure A Sales Tax Revenues would not be special revenues. No assurance can be given that a court would not hold that the 2000 Measure A Sales Tax Revenues are not special revenues or are not subject to the lien of the Indenture. Were the 2000 Measure A Sales Tax Revenues determined not to be "special revenues," then 2000 Measure A Sales Tax Revenues collected after the commencement of a bankruptcy case would likely not be subject to the lien of the Indenture. The holders of the 2015 Series Bonds may not be able to assert a claim against any property of the Authority other than the 2000 Measure A Sales Tax Revenues, and were these amounts no longer subject to the lien of the Indenture following commencement of a bankruptcy case, then there could thereafter be no amounts from which the holders of the 2015 Series Bonds are entitled to be paid.

The Bankruptcy Code provides that special revenues can be applied to necessary operating expenses of the project or system from which the special revenues are derived, before they are applied to other obligations. This rule applies regardless of the provisions of the transaction documents. The law is not clear as to whether, or to what extent, 2000 Measure A Sales Tax Revenues would be considered to be "derived" from the Expenditure Plan Projects. To the extent that 2000 Measure A Sales Tax Revenues are determined to be derived from the Expenditure Plan Projects, the Authority may be able to use 2000 Measure A Sales Tax Revenues to pay necessary operating expenses of the Expenditure Plan Projects, before the remaining 2000 Measure A Sales Tax Revenues are turned over to the Trustee to pay amounts owed to the holders of the 2015 Series Bonds. It is not clear precisely which expenses would constitute necessary operating expenses.

If the Authority is in bankruptcy, the parties (including the holders of the 2015 Series Bonds) may be prohibited from taking any action to collect any amount from the Authority or to enforce any obligation of the Authority, unless the permission of the bankruptcy court is obtained. These restrictions may also prevent the Trustee from making payments to the holders of the 2015 Series Bonds from funds in the Trustee's possession. The procedure pursuant to which 2000 Measure A Sales Tax Revenues are paid directly by the Board of Equalization to the Trustee may no longer be enforceable, and the Authority may be able to require the Board of Equalization to pay 2000 Measure A Sales Tax Revenues directly to the Authority.

The Authority as a debtor in bankruptcy may be able to borrow additional money that is secured by a lien on any of its property (including 2000 Measure A Sales Tax Revenues), which lien could have priority over the lien of the Indenture, or to cause some 2000 Measure A Sales Tax Revenues to be released to it, free and clear of lien of the Indenture, in each case provided that the bankruptcy court determines that the rights of the Trustee and the holders of the 2015 Series Bonds will be adequately protected. The Authority may also be able, without the consent and over the objection of the Trustee and the holders of the 2015 Series Bonds, to alter the priority, interest rate, payment terms, collateral, maturity dates, payment sources, covenants (including tax-related covenants), and other terms or provisions of the Indenture and the 2015 Series Bonds, provided that the bankruptcy court determines that the alterations are "fair and equitable."

There may be delays in payments on the 2015 Series Bonds while the court considers any of these issues. There may be other possible effects of a bankruptcy of the Authority that could result in delays or reductions in payments on the 2015 Series Bonds, or result in losses to the holders of the 2015 Series Bonds. Regardless of any specific adverse determinations in an Authority bankruptcy proceeding, the fact of an Authority bankruptcy proceeding could have an adverse effect on the liquidity and value of the 2015 Series Bonds.

Loss of Tax Exemption

As discussed under "TAX MATTERS," interest on the 2015 Series A Bonds could become includable in federal gross income, possibly from the date of issuance of the 2015 Series A Bonds, as a result of acts or omissions of the Authority subsequent to the issuance of the 2015 Series A Bonds.

Loss of Subsidy Payment

The 2010 Series A Bonds were issued as Build America Bonds. The amount of any Subsidy Payments to be received in connection with the 2010 Series A Bonds is subject to legislative changes by the United States Congress. "Subsidy Payments" mean payments to be made by the United States Department of the Treasury to the Trustee pursuant to Section 54AA of the Internal Revenue Code of 1986 (the "Code") or Section 6431 of the Code or any successor to either of such provisions of the Code with respect to the interest due on a taxable bonds that have been accorded Build America Bonds status under the provisions of the American Recovery and Reinvestment Act of 2009 or any successor thereto or replacement thereof. On March 1, 2013, the federal government announced the implementation of certain automatic spending cuts known as the sequester. As a result of the sequester, Subsidy Payments were reduced by 8.7% and by 7.2% for the federal fiscal years ended September 30, 2013 and September 30, 2014, respectively. According to the Internal Revenue Service, Subsidy Payments will be reduced by 7.3% for the federal fiscal year ending September 30, 2015. Further, Subsidy Payments will only be paid if the 2010 Series A Bonds continue to qualify as Build America Bonds. For the 2010 Series A Bonds to be and remain Build America Bonds, the Authority must comply with certain covenants and establish certain facts and expectations with respect to the 2010 Series A Bonds, the use and investment of proceeds thereof and the use of property financed thereby. Thus, it is possible that the Authority may not receive the Subsidy Payments. Subsidy Payments are also subject to offset against amounts that may, for unrelated reasons, be owed by the Authority to any agency of the United States of America. The Authority does not believe that failure to receive the Subsidy Payments or any offset to the Subsidy Payments will materially and adversely impact the Authority's ability to pay interest on the 2010 Series A Bonds or the 2015 Series Bonds.

Investment Considerations Related to Variable Rate Bonds and Interest Rate Swaps

The 2008 Series Bonds are variable rate bonds. Each Series of 2008 Series Bonds may be converted to fixed rate bonds. However, the Authority's protection against rising interest rates is limited because the Authority would be required to continue to pay interest at variable rates until such time as the Authority is permitted to convert 2008 Series Bonds to fixed rate bonds pursuant to the provisions of the Indenture.

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

Counterparties and will receive a variable rate from the Counterparties, the effect of which is intended to achieve a synthetic fixed interest rate with respect to the 2008 Series Bonds.

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

FINANCIAL STATEMENTS

The financial statements of the Authority for the Fiscal Year ended June 30, 2014, included in APPENDIX B of this Official Statement have been audited by Vavrinek, Trine, Day & Co., LLP, independent auditors, as stated in their report therein. Vavrinek, Trine, Day & Co., LLP was not requested to consent to the inclusion of its report in APPENDIX B, nor has it undertaken to update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by Vavrinek, Trine, Day & Co., LLP with respect to any event subsequent to the date of its report.

LITIGATION

There is not now pending or, to the knowledge of the Authority, threatened, any litigation concerning or affecting the validity or the original issuance of the 2015 Series Bonds. Neither the creation, organization or existence of the Authority, nor the title of the present members of the Authority to their respective offices is being contested. See APPENDIX A – "THE SANTA CLARA VALLEY TRANSPORTATION AUTHORITY – Litigation."

TAX MATTERS

2015 Series A Bonds

Tax Exemption. The Code imposes certain requirements that must be met subsequent to the issuance and delivery of the 2015 Series A Bonds for interest thereon to be and remain excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes. Noncompliance with such requirements could cause the interest on the 2015 Series A Bonds to be included in the gross income of the owners thereof for federal income tax purposes retroactive to the date of issuance of the 2015 Series A Bonds. The Authority has covenanted to maintain the exclusion of the interest on the 2015 Series A Bonds from the gross income of the owners thereof for federal income tax purposes.

In the opinion of Norton Rose Fulbright US LLP, Los Angeles, California, Bond Counsel, under existing statutes, regulations, rulings and court decisions, interest on the 2015 Series A Bonds is exempt from personal income taxes of the State of California and, assuming compliance with the covenants mentioned herein, interest on the 2015 Series A Bonds is excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes. It is the further opinion of Bond Counsel that, under existing statutes, regulations, rulings and court decisions, the 2015 Series A

Bonds are not "specified private activity bonds" within the meaning of section 57(a)(5) of the Code and, therefore, that interest on the 2015 Series A Bonds will not be treated as an item of tax preference for purposes of computing the alternative minimum tax imposed by section 55 of the Code. Receipt or accrual of interest on 2015 Series A Bonds owned by a corporation may affect the computation of the alternative minimum taxable income. A corporation's alternative minimum taxable income is the basis on which the alternative minimum tax imposed by section 55 of the Code will be computed.

Pursuant to the Indenture and in the *Tax Certificate Pertaining to Arbitrage and Other Matters under Sections 103 and 141-150 of the Internal Revenue Code of 1986*, to be delivered by the Authority in connection with the issuance of the 2015 Series A Bonds, the Authority will make representations relevant to the determination of, and will make certain covenants regarding or affecting, the exclusion pursuant to section 103(a) of the Code of interest on the 2015 Series A Bonds from the gross income of the owners thereof for federal income tax purposes. In reaching its opinions described in the immediately preceding paragraph, Bond Counsel will assume the accuracy of such representations and the present and future compliance by the Authority with its covenants.

Except as stated in this section above, Bond Counsel will express no opinion as to any federal or state tax consequence of the receipt of interest on, or the ownership or disposition of, the 2015 Series A Bonds. Furthermore, Bond Counsel will express no opinion as to any federal, state or local tax law consequence with respect to the 2015 Series A Bonds, or the interest thereon, if any action is taken with respect to the 2015 Series A Bonds or the proceeds thereof predicated or permitted upon the advice or approval of other counsel. Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance of the 2015 Series A Bonds may affect the tax status of interest on the 2015 Series A Bonds or the tax consequences of the ownership of the 2015 Series A Bonds.

Bond Counsel's opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the Authority described above. No ruling has been sought from the Internal Revenue Service (the "Service") with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel's opinion is not binding on the Service. The Service has an ongoing program of examining the tax-exempt status of the interest on municipal obligations. If an audit of the 2015 Series A Bonds is commenced, it is likely that under current procedures the Service would treat the Authority as the "taxpayer" and that the owners would have no right to participate in the examination process. In responding to or defending an examination of the tax-exempt status of the interest on the 2015 Series A Bonds, the Authority may have different or conflicting interests from the owners. Public awareness of any such examination of the 2015 Series A Bonds could adversely affect the value and liquidity of the 2015 Series A Bonds during the pendency of the examination, regardless of its ultimate outcome.

No assurance can be given that future legislation, if enacted into law, will not contain provisions that could directly or indirectly reduce the benefit of the exemption of interest on the 2015 Series A Bonds from personal income taxation by the State of California or of the exclusion of the interest on the 2015 Series A Bonds from the gross income of the owners thereof for federal income tax purposes.

A copy of the proposed form of opinion of Bond Counsel relating to the Bonds is attached hereto as Appendix G.

Tax Accounting Treatment of Bond Premium. To the extent that a purchaser of a 2015 Series A Bond acquires that 2015 Series A Bond at a price in excess of its "stated redemption price at maturity" (within the meaning of section 1273(a)(2) of the Code), such excess will constitute "bond premium" under the Code. Section 171 of the Code, and the Treasury Regulations promulgated thereunder, provide generally that bond premium on a tax-exempt obligation must be amortized over the remaining term of the obligation (or a shorter period in the case of certain callable obligations); the amount of premium so amortized will reduce the owner's basis in such obligation for federal income tax purposes, but such amortized premium will not be deductible for federal income tax purposes. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of the obligation. The amount of premium that is amortizable each year by a purchaser is determined by using such purchaser's yield to maturity. The rate and timing of the amortization of the bond premium and the corresponding basis reduction may result in an owner realizing a taxable gain when its 2015 Series A Bond is sold or disposed of for an amount equal to or in some circumstances even less than the original cost of the 2015 Series A Bond to the owner.

Persons considering the purchase of 2015 Series A Bonds with initial bond premium should consult with their own tax advisors with respect to the determination of amortizable bond premium on such 2015 Series A Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of such 2015 Series A Bonds. Bond Counsel will express no opinion regarding any such tax consequence.

Other Tax Consequences. Although interest on the 2015 Series A Bonds may be exempt from California personal income tax and excluded from the gross income of the owners thereof for federal income tax purposes, an owner's federal, state or local tax liability may be otherwise affected by the ownership or disposition of the 2015 Series A Bonds. The nature and extent of these other tax consequences will depend upon the owner's other items of income or deduction. Without limiting the generality of the foregoing, prospective purchasers of the 2015 Series A Bonds should be aware that (i) section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the 2015 Series A Bonds and the Code contains additional limitations on interest deductions applicable to financial institutions that own tax-exempt obligations (such as the 2015 Series A Bonds), (ii) with respect to insurance companies subject to the tax imposed by section 831 of the Code, section 832(b)(5)(B)(i) reduces the deduction for loss reserves by 15% of the sum of certain items, including interest on the 2015 Series A Bonds, (iii) interest on the 2015 Series A Bonds earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by section 884 of the Code, (iv) passive investment income, including interest on the 2015 Series A Bonds, may be subject to federal income taxation under section 1375 of the Code for Subchapter S corporations that have Subchapter C earnings and profits at the close of the taxable year if greater than 25% of the gross receipts of such Subchapter S corporation is passive investment income, (v) section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account, in determining the taxability of such benefits, receipts or accruals of interest on the 2015 Series A Bonds and (vi) under section 32(i) of the Code, receipt of investment income, including interest on the 2015 Series A Bonds, may disqualify the recipient thereof from obtaining the earned income credit. Bond Counsel will express no opinion regarding any such other tax consequence.

2015 Series B Bonds

State Tax Exemption. In the opinion of Bond Counsel, under existing law interest on the 2015 Series B Bonds is exempt from personal income taxes of the State of California. Except as stated in the immediately preceding sentence, Bond Counsel will express no opinion as to any federal or state tax consequence of the receipt of interest on, or the ownership or disposition of, the 2015 Series B Bonds. A copy of the form of opinion of Bond Counsel relating to the 2015 Series B Bonds is included in Appendix G.

Federal Income Tax Considerations. The following is a general summary of certain United States federal income tax consequences of the purchase and ownership of the 2015 Series B Bonds. The discussion is based upon the Code, United States Treasury Regulations, rulings and decisions now in effect, all of which are subject to change (possibly, with retroactive effect) or possibly differing interpretations. No assurances can be given that future changes in the law will not alter the conclusions reached herein.

The discussion below does not purport to deal with United States federal income tax consequences applicable to all categories of investors and generally does not address consequences relating to the disposition of a 2015 Series B Bond by the owner thereof for federal income tax purposes. Further, the discussion below does not discuss all aspects of federal income taxation that may be relevant to a particular investor in the 2015 Series B Bonds in light of the investor's particular circumstances or to certain types of investors subject to special treatment under the federal income tax laws (including insurance companies, tax exempt organizations and other entities, financial institutions, broker-dealers, persons who have hedged the risk of owning the 2015 Series B Bonds, traders in securities that elect to use a mark to market method of accounting, thrifts, regulated investment companies, pension and other employee benefit plans, partnerships and other pass through entities, certain hybrid entities and owners of interests therein, persons who acquire 2015 Series B Bonds in connection with the performance of services, or persons deemed to sell 2015 Series B Bonds under the constructive sale provisions of the Code). The discussion below also does not discuss any aspect of state, local, or foreign law or United States federal tax laws other than United States federal income tax law. The discussion below is limited to certain issues relating to initial investors who will hold the 2015 Series B Bonds as "capital assets" within the meaning of section 1221 of the Code, and acquire such 2015 Series B Bonds for investment and not as a dealer or for resale. The discussion below addresses certain federal income tax consequences applicable to owners of the 2015 Series B Bonds who are United States persons within the meaning of section 7701(a)(30) of the Code ("United States persons") and, except as discussed below, does not address any consequence to persons other than United States persons. Prospective investors should note that no rulings have been or will be sought from the Service with respect to any of the United States federal income tax consequences discussed below, and no assurance can be given that the Service will not take contrary positions.

ALL PROSPECTIVE INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS IN DETERMINING THE FEDERAL, STATE, LOCAL, FOREIGN AND ANY OTHER TAX CONSEQUENCE TO THEM FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE 2015 SERIES B BONDS.

Interest on the 2015 Series B Bonds. Bond Counsel has rendered no opinion regarding the exclusion pursuant to section 103(a) of the Code of interest on the 2015 Series B Bonds from gross income for federal income tax purposes. The Authority has taken no action to cause, and does not intend, interest on the 2015 Series B Bonds to be excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes. The Authority intends to treat the 2015 Series B Bonds as debt instruments for all federal income tax purposes, including any applicable reporting requirements under the Code. THE AUTHORITY EXPECTS THAT THE INTEREST PAID ON A 2015 SERIES B BOND GENERALLY WILL BE INCLUDED IN THE GROSS INCOME OF THE OWNER THEREOF FOR FEDERAL INCOME TAX PURPOSES WHEN RECEIVED OR ACCRUED, DEPENDING UPON THE TAX ACCOUNTING METHOD OF THAT OWNER.

Disposition of 2015 Series B Bonds, Inclusion of Acquisition Discount and Treatment of Market Discount. An owner of 2015 Series B Bonds will generally recognize gain or loss on the sale or exchange of the 2015 Series B Bonds equal to the difference between the sales price (exclusive of the amount paid for accrued interest) and the owner's adjusted tax basis in the 2015 Series B Bonds. Generally, the owner's adjusted tax basis in the 2015 Series B Bonds will be the owner's initial cost, increased by original issue discount (if any) previously included in the owner's income to the date of disposition. Any gain or loss generally will be capital gain or loss and will be long-term or short-term, depending on the owner's holding period for the 2015 Series B Bonds.

Under current law, a purchaser of a 2015 Series B Bond who did not purchase that 2015 Series B Bond in the initial public offering (a "subsequent purchaser") generally will be required, on the disposition (or earlier partial principal payment) of such 2015 Series B Bond, to recognize as ordinary income a portion of the gain (or partial principal payment), if any, to the extent of the accrued "market discount." In general, market discount is the amount by which the price paid for such 2015 Series B Bond by such a subsequent purchaser is less than the stated redemption price at maturity of that 2015 Series B Bond, except that market discount is considered to be zero if it is less than one quarter of one percent of the principal amount times the number of complete remaining years to maturity. The Code also limits the deductibility of interest incurred by a subsequent purchaser on funds borrowed to acquire 2015 Series B Bonds with market discount. As an alternative to the inclusion of market discount in income upon disposition, a subsequent purchaser may elect to include market discount in income currently as it accrues on all market discount instruments acquired by the subsequent purchaser in that taxable year or thereafter, in which case the interest deferral rule will not apply. The recharacterization of gain as ordinary income on a subsequent disposition of such 2015 Series B Bonds could have a material effect on the market value of such 2015 Series B Bonds.

Stated Interest and Reporting of Interest Payments. The stated interest on the 2015 Series B Bonds will be included in the gross income, as defined in section 61 of the Code, of the owners thereof as ordinary income for federal income tax purposes at the time it is paid or accrued, depending on the tax accounting method applicable to the owners thereof. Subject to certain exceptions, the stated interest on the 2015 Series B Bonds will be reported to the Service. Such information will be filed each year with the Service on Form 1099-INT (or other appropriate reporting form) which will reflect the name, address, and taxpayer identification number of the owner. A copy of such Form 1099-INT will be sent to each owner of a 2015 Series B Bond for federal income tax purposes.

Medicare Contribution Tax. Pursuant to Section 1411 of the Code, as enacted by the Health Care and Education Reconciliation Act of 2010, an additional tax is imposed on individuals beginning January 1, 2013. The additional tax is 3.8% of the lesser of (i) net investment income (defined as gross income from interest, dividends, net gain from disposition of property not used in a trade or business, and certain other listed items of gross income), or (ii) the excess of "modified adjusted gross income" of the individual over $200,000 for unmarried individuals ($250,000 for married couples filing a joint return and a surviving spouse). Owners of the 2015 Series B Bonds should consult with their own tax advisor concerning this additional tax, as it may apply to interest earned on the 2015 Series B Bonds as well as gain on the sale of a 2015 Series B Bond.

Defeasance. Persons considering the purchase of a 2015 Series B Bond should be aware that the bond documents permit the Authority under certain circumstances to deposit monies or securities with the Trustee, resulting in the release of the lien of the Indenture (a "defeasance"). A defeasance could result in the realization of gain or loss by the owner of a 2015 Series B Bond for federal income tax purposes, without any corresponding receipt of monies by the owner. Such gain or loss generally would be subject to recognition for the tax year in which such realization occurs, as in the case of a sale or exchange.

Owners of 2015 Series B Bonds are advised to consult their own tax advisers with respect to the tax consequences resulting from such events.

Backup Withholding. Under section 3406 of the Code, an owner of the 2015 Series B Bonds who is a United States person may, under certain circumstances, be subject to "backup withholding" of current or accrued interest on the 2015 Series B Bonds or with respect to proceeds received from a disposition of the 2015 Series B Bonds. This withholding applies if such owner of 2015 Series B Bonds: (i) fails to furnish to the payor such owner's social security number or other taxpayer identification number ("TIN"); (ii) furnishes the payor an incorrect TIN; (iii) fails to properly report interest, dividends, or other "reportable payments" as defined in the Code; or (iv) under certain circumstances, fails to provide the payor with a certified statement, signed under penalty of perjury, that the TIN provided to the payor is correct and that such owner is not subject to backup withholding.

Backup withholding will not apply, however, with respect to payments made to certain owners of the 2015 Series B Bonds. Owners of the 2015 Series B Bonds should consult their own tax advisors regarding their qualification for exemption from backup withholding and the procedures for obtaining such exemption.

Withholding on Payments to Nonresident Alien Individuals and Foreign Corporations. Under sections 1441 and 1442 of the Code, nonresident alien individuals and foreign corporations are generally subject to withholding at the current rate of 30% (subject to change) on periodic income items arising from sources within the United States, provided such income is not effectively connected with the conduct of a United States trade or business. Assuming the interest income of such an owner of the 2015 Series B Bonds is not treated as effectively connected income within the meaning of section 864 of the Code, such interest will be subject to 30% withholding, or any lower rate specified in an income tax treaty, unless such income is treated as "portfolio interest." Interest will be treated as portfolio interest if: (i) the owner provides a statement to the payor certifying, under penalties of perjury, that such owner is not a United States person and providing the name and address of such owner; (ii) such interest is treated as not effectively connected with the owner's United States trade or business; (iii) interest payments are not made to a person within a foreign country that the Service has included on a list of countries having provisions inadequate to prevent United States tax evasion; (iv) interest payable with respect to the 2015 Series B Bonds is not deemed contingent interest within the meaning of the portfolio debt provision; (v) such owner is not a controlled foreign corporation, within the meaning of section 957 of the Code; and (vi) such owner is not a bank receiving interest on the 2015 Series B Bonds pursuant to a loan agreement entered into in the ordinary course of the bank's trade or business.

Assuming payments on the 2015 Series B Bonds are treated as portfolio interest within the meaning of sections 871 and 881 of the Code, then no withholding under section 1441 and 1442 of the Code and no backup withholding under section 3406 of the Code is required with respect to owners or intermediaries who have furnished Form W-8 BEN, Form W-8 EXP or Form W-8 IMY, as applicable, provided the payor does not have actual knowledge or reason to know that such person is a United States person.

The preceding discussion of certain United States federal income tax consequences is for general information only and is not tax advice. Accordingly, each investor should consult its own tax advisor as to particular tax consequences to it of purchasing, owning, and disposing of the 2015 Series B Bonds, including the applicability and effect of any state, local, or foreign tax law, and of any proposed change of applicable law.

LEGAL MATTERS

Norton Rose Fulbright US LLP, Los Angeles, California, Bond Counsel to the Authority, will render an opinion substantially in the form set forth in APPENDIX G hereto, with respect to the Indenture and the 2015 Series Bonds. Bond Counsel expresses no opinion regarding the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed upon for the Authority by the Authority's General Counsel and by Norton Rose Fulbright US LLP, as Disclosure Counsel to the Authority, and for the Underwriters by their counsel, Nixon Peabody LLP, Los Angeles, California. Compensation paid to Bond Counsel and Disclosure Counsel is contingent on the successful issuance of the 2015 Series Bonds.

RATINGS

Standard & Poor's Financial Services LLC and Moody's Investors Service, Inc. will assign their ratings of "AA+" and "Aa2," respectively, to the 2015 Series Bonds. These ratings reflect only the views of the rating agencies, and do not constitute a recommendation to buy, sell or hold securities. The Authority has furnished to the rating agencies certain information respecting the 2015 Series Bonds and the Authority. Generally, rating agencies base their ratings on such information and materials and their own investigations, studies and assumptions. The ratings are subject to revision or withdrawal at any time by the rating agencies, and there is no assurance that the ratings will continue for any period of time or that they will not be lowered or withdrawn. Any reduction or withdrawal of the ratings may have an adverse effect on the market price of the 2015 Series Bonds.

UNDERWRITING

Citigroup Global Markets Inc., as representative of itself and the underwriters listed on the cover page of this Official Statement (the "Underwriters"), have purchased the 2015 Series A Bonds from the Authority for a purchase price of $106,770,297.46 (representing $86,640,000.00 aggregate principal amount of 2015 Series A Bonds, plus a premium of $20,273,735.55, less an Underwriters' discount of $143,438.09). The Underwriters have purchased the 2015 Series B Bonds from the Authority for a purchase price of $3,336,808.41 (representing $3,340,000.00 aggregate principal amount of 2015 Series B Bonds, less an Underwriters' discount of $3,191.59). The Underwriters may offer and sell the 2015 Series Bonds to certain dealers and others at prices lower than the offering prices stated on the inside cover page hereof. The offering prices on the 2015 Series Bonds may be changed from time to time by the Underwriters.

Citigroup Global Markets Inc., an Underwriter of the 2015 Series Bonds, has entered into a retail distribution agreement with each of TMC Bonds L.L.C. ("TMC") and UBS Financial Services Inc. ("UBSFS"). Under these distribution agreements, Citigroup Global Markets Inc. may distribute municipal securities to retail investors through the financial advisor network of UBSFS and the electronic primary offering platform of TMC. As part of this arrangement, Citigroup Global Markets Inc. may compensate TMC (and TMC may compensate its electronic platform member firms) and UBSFS for their selling efforts with respect to the 2015 Series Bonds.

Goldman, Sachs & Co. ("Goldman Sachs"), one of the Underwriters of the 2015 Series Bonds, has entered into a master dealer agreement (the "Master Dealer Agreement") with Incapital LLC ("Incapital") for the distribution of certain municipal securities offerings, including the 2015 Series Bonds, to Incapital's retail distribution network at the initial public offering prices. Pursuant to the Master Dealer Agreement, Incapital will purchase the 2015 Series Bonds from Goldman Sachs at the initial public offering price less a negotiated portion of the selling concession applicable to any the 2015 Series Bonds that Incapital sells.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities which may include securities trading, commercial and investment banking, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for Authority for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of Authority.

FINANCIAL ADVISOR

The Authority has retained Ross Financial, San Francisco, California, as financial advisor (the "Financial Advisor") in connection with the issuance and sale of the 2015 Series Bonds. Compensation paid to the Financial Advisor is contingent on the successful issuance of the 2015 Series Bonds.

CONTINUING DISCLOSURE

The Authority has covenanted for the benefit of the owners and beneficial owners of the 2015 Series Bonds to provide certain financial information and operating data relating to the Authority by not later than 210 days following the end of the Authority's Fiscal Year (presently June 30) (the "Annual Report"), commencing with the report for the Fiscal Year ending June 30, 2015, and to provide notices of the occurrence of certain enumerated events. The Annual Report will be filed by Digital Assurance Certification, L.L.C. (the "Dissemination Agent") on behalf of the Authority with the Municipal Securities Rulemaking Board (the "MSRB"). Any notices of enumerated events will be filed by the Dissemination Agent on behalf of the Authority with the MSRB. The specific nature of the information to be contained in the Annual Report and the notices of enumerated events is set forth under the caption APPENDIX E – "FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made in order to assist the Underwriters in complying with Rule 15c2-12, as amended (the "Rule") of the U.S. Securities and Exchange Commission promulgated under the Securities Exchange Act of 1934, as amended. The Authority believes that it has not failed to comply in the past five years in all material respects with any previous continuing disclosure undertaking pursuant to the Rule to provide annual reports or notices of enumerated events. However, certain rating changes and notices to bondholders regarding redemptions or defeasances either were not filed or could not be verified by the Authority as having been filed.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

The Verification Agent will verify the accuracy of (i) mathematical computations concerning the adequacy of the maturing principal amounts of and interest earned on the Escrowed Securities deposited in the Escrow Fund, together with amounts held as cash therein, to provide for payment of the Redemption Price of the Refunded Bonds on the Redemption Date and (ii) certain mathematical computations supporting the conclusion that the Bonds are not "arbitrage bonds" under the Code, which will be used in part by Bond Counsel to be delivered at the closing of the Bonds in concluding that interest on the Bonds is excluded from gross income of the Owners thereof for federal income tax purposes under present laws, including applicable provisions of the Code, existing court rulings, regulations and Internal Revenue Service rulings.

The report of the Verification Agent will include the statement that the scope of its engagement was limited to verifying the mathematical accuracy of the computations contained in such schedules provided to it and that the Verification Agent has no obligation to update its report because of events occurring, or data or information coming to its attention, after the date of its report.

MISCELLANEOUS

The references herein to the Act and the Indenture are brief summaries of certain provisions thereof. Such summaries do not purport to be complete or definitive. For full and complete statements of such provisions reference is made to the Act or such documents, as the case may be. A copy of the Indenture is available for inspection at the Authority and following delivery of the 2015 Series Bonds will be on file at the offices of the Trustee in San Francisco, California.

Any statement in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Authority and the purchasers or Owners of any of the 2015 Series Bonds.

The execution and delivery of this Official Statement has been duly authorized by the Authority.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

By: /s/ Raj Srinath
Chief Financial Officer

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APPENDIX A

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

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

Administration

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

Group 1 (San José)	5 Members, 1 Alternate from the City of San José
Group 2 (Northwest)	1 Member, 1 Alternate from the Town of Los Altos Hills and the City of Los Altos
Group 3 (West Valley)	1 Member, 1 Alternate from the Cities of Campbell and Saratoga
Group 4 (South County)	1 Member, 1 Alternate from the Cities of Gilroy and Morgan Hill
Group 5 (Northeast)	2 Members, 1 Alternate from the Cities of Milpitas, Sunnyvale and Santa Clara
Group 6 (County of Santa Clara)	2 Members, 1 Alternate from the County Board of Supervisors

Current members of the Board and the jurisdictions each Board member represents are set forth below.

Perry Woodward, Chairperson
Cindy Chavez, Vice Chairperson

GROUP 1 (San José)	
City of San José	Magdalena Carrasco Rose Herrera Ash Kalra Johnny Khamis Sam Liccardo* Raul Peralez, Alternate
GROUP 2 (Northwest)	
City of Los Altos	Jeannie Bruins, Alternate
Town of Los Altos Hills	Rich Larsen
City of Mountain View	
City of Palo Alto	
GROUP 3 (West Valley)	
City of Campbell	Jason Baker*
City of Cupertino	
Town of Los Gatos	
City of Monte Sereno	
City of Saratoga	Howard Miller, Alternate
GROUP 4 (South County)	
City of Gilroy	Perry Woodward
City of Morgan Hill	Larry Carr, Alternate
GROUP 5 (Northeast)	
City of Milpitas	Jose Esteves
City of Santa Clara	Jamie Matthews, Alternate
City of Sunnyvale	David Whittum
GROUP 6 (Santa Clara County)	
County of Santa Clara	Cindy Chavez Ken Yeager Dave Cortese*, Alternate
Ex-Officio**	
Metropolitan Transportation Commission Representing Santa Clara County, Cities of Santa Clara County, and City of San José	None

* These individuals also serve on the MTC.

** There are no *Ex-Officio* Board Members for 2015 as the MTC representatives from Santa Clara County, the Cities of Santa Clara County and the City of San José are also Authority Board Members or Alternate Authority Board Members.

The Board has established five standing committees, each consisting of four Board members: Administration and Finance Committee, Governance and Audit Committee, Congestion Management Program and Planning Committee, Transit Planning and Operations Committee, and Silicon Valley Rapid Transit Program Working Committee. Several advisory committees have also been formed to make recommendations to the Board on technical and policy issues.

Certain key members of the Authority's administrative staff include the following:

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

ROBERT R. FABELA – General Counsel since January 2012. Prior to his appointment as General Counsel, Mr. Fabela served as Senior Deputy City Attorney for the City of San José from 1996 through January 2012, and as an Associate with the Palo Alto law firm of Wilson Sonsini Goodrich and Rosati from 1990 through 1996. Mr. Fabela graduated from UCLA School of Law, class of 1990.

INEZ P. EVANS – Chief of Staff since September 2014. Ms. Evans is a Senior Executive with over 20 years of experience in the transportation field that include mass transit operations, design and construction of transit system infrastructure and rail systems and planning. Ms. Evans previously served as Chief Operating Officer for the Southwest Ohio Regional Transit Authority ("SORTA") where she was responsible for the overall day to day operation of fixed-route and paratransit bus operations, fleet maintenance, facilities maintenance and rail services.

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

JOHN H. RISTOW – Director, Planning and Program Development since April 2014. Prior to holding this position, Mr. Ristow served as Chief Congestion Management Agency ("CMA") Officer from October 2007 to April 2014. Prior to his appointment as Chief CMA Officer, Mr. Ristow served as Deputy Director, Programming and Project Development for the Authority, where he was responsible for highway planning, environmental clearance, right of way and preliminary engineering phases for all Authority projects. Prior to joining the Authority, Mr. Ristow worked at the Riverside County Transportation and Land Management Agency where he managed the County's Road and Bridge Benefit Districts and the countywide National Pollutant Discharge Elimination System program. Since joining the Authority in 1998, Mr. Ristow has managed the completion of the Measure B Highway Program as well as highway projects funded through federal, State and local sources.

CAROLYN M. GONOT – Director, Engineering and Transportation Infrastructure Development since October 2014. Prior to holding this position, Ms. Gonot served as Chief Silicon Valley Rapid Transit ("SVRT") Program Officer from June 2007 to October 2014. Prior to her appointment as Chief SVRT Program Officer, Ms. Gonot served as Chief Development Officer and as the Deputy Director of the Congestion Management Program. Ms. Gonot has been employed by the Authority since July 1996. Ms. Gonot worked for transportation consulting firms before joining the Authority.

RAJ SRINATH – Chief Financial Officer since October 2014. Prior to joining VTA, Mr. Srinath was the Treasurer of Washington Metropolitan Area Transit Authority ("WMATA") for six years and was the Associate Treasurer for the District of Columbia before joining WMATA. Mr. Srinath has 25 years of experience in finance, mostly in the transportation industry.

MICHAEL A. HURSH – Chief Operations Officer since May 2012. Mr. Hursh joined VTA in 2006 and has served as Deputy Director, Operations for Maintenance and Security. Prior to joining VTA, Mr. Hursh served as Deputy General Manager for Safety, Security and Training at San Francisco Municipal Railway (MUNI). Mr. Hursh has over 20 years' experience in the communications, electronics and transit industries.

BILL LOPEZ – Director, Business Services since April 2006. Prior to joining the Authority, Mr. Lopez spent 22 years with the City of San Diego, most recently as Director of Risk Management. Prior to that, Mr. Lopez served as the Deputy Director for the Operations and Maintenance Division, Metropolitan Wastewater Department, and the Labor Relations Officer for the City of San Diego City Manager's Office.

STEVEN P. KELLER – Director, System Safety and Security since September 2014. Mr. Keller came to VTA in 2006 and has more than 25 years' experience in insurance, claims and safety related to the transportation industry. Prior to his most recent appointment, Mr. Keller was the Risk Manager at VTA with responsibility over claims, insurance, environmental, health and safety and system safety.

Employees

The Authority has approximately 1,951 employees of which approximately 94% are represented by unions. The Amalgamated Transit Union, Division 265 (the "ATU"), represents approximately 1,350 employees (69.2% of total Authority employees), including mechanics and maintenance personnel, bus and light rail operators, dispatchers, and customer service representatives. The agreement between VTA and ATU that was scheduled to expire on February 10, 2013 was extended through mutual agreement and is currently scheduled to expire on February 2, 2015. VTA and ATU are currently in negotiations for a successor agreement. The ATU agreement will continue in force until such time as a successor agreement is in place.

The remaining represented employees consist of members of Service Employees International Union, Local 521 ("SEIU Local 521"), representing approximately 254 employees in technical, paraprofessional and administrative positions; members of American Federation of State, County and Municipal Employees, Local 101 ("AFSCME"), representing approximately 210 employees in managerial, supervisory and other professional level positions; and members of Transit Authority Engineers and Architects ("TAEA"), representing 32 employees in engineering and architect positions. The Authority will begin negotiating the terms of a successor agreement with SEIU Local 521, whose contract expires on May 31, 2015. The contract with AFSCME expires on April 30, 2016. The TAEA contract expires on June 30, 2016.

Since its formation, the Authority has never experienced any strikes by its unionized employees.

The Authority's Transit System

The Authority's transit system consists of bus, light rail and other services that are funded from a variety of revenues, but primarily from sales tax revenues (see "Authority Revenues" herein).

Bus Transit Service. The Authority presently operates a bus system providing service to the approximately 346-square-mile urbanized portion of the County, a county of 1,236 square miles with a population of approximately 1.8 million. The Authority currently maintains an active fleet of 460 buses, consisting of 291 diesel-powered, 44 unleaded gasoline-powered, and 125 hybrid-diesel-powered buses. The average age of these buses is 10.48 years and the buses range from one to 17 years old. Buses are operated and maintained from three operating divisions and an Overhaul and Repair ("O&R") facility: Cerone Operating Division, Don Pedro Chaboya Operating Division, North Operating Division and Cerone O&R Division. Along the bus routes, there are approximately 3,816 bus stops, 796 of which have bus shelters. The Authority also maintains seven park and ride lots – two owned by the Authority and the rest provided under a lease, permit or joint use agreement with other agencies.

Light Rail Transit Service. The Authority currently operates and maintains a 42-mile light rail system (the "LRT System") connecting areas of Mountain View, Sunnyvale, Santa Clara, North San José and Milpitas to areas in South San José and Campbell. The Authority's fleet consists of 99 low floor light rail vehicles and four historic trolleys. Currently, the LRT System has 62 stations and 21 park and ride lots, which are fully integrated with the bus system.

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

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

The Authority provides funding for a portion of the operating costs of the Altamont Corridor Express ("ACE") pursuant to a cooperative agreement (the "ACE Agreement") among the Authority, Alameda County Congestion Management Agency and the San Joaquin Regional Rail Commission ("SJRRC"). ACE rail service provides peak hour weekday commuter rail service from the Central Valley to the County. The rail line includes stops located in Stockton, Lathrop/Manteca, Tracy, Livermore (2), Pleasanton, Fremont, Santa Clara (2) and San José. Pursuant to the ACE agreement, funding of operating costs is based on Fiscal Year 2003 contributions, escalated annually by the consumer price index increases. The Authority's share is approximately 42% of the cost of the service. The Authority also provides eight free shuttles to transport ACE riders from the Great America Station (Santa Clara) to major employment sites. These shuttles are funded by a grant from the Transportation Fund for Clean Air through the Bay Area Air Quality Management District and SJRRC.

The Dumbarton Express is overseen by a consortium comprised of representatives from the Alameda-Contra Costa Transit District ("AC Transit"), BART, the City of Union City, SamTrans, and the Authority through a Cooperative Agreement. The Authority currently does not provide any funding for the service, a transbay express bus route operating between the Union City BART station and Stanford University/Stanford Research Park in Palo Alto. Currently Regional Measure 2 funds are used to pay for all operating expenses. AC Transit manages the service which is operated by a private contractor.

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

The Authority implemented a paratransit brokerage system in 1993, which operates throughout the Authority's service area. Paratransit service is a specialized form of transportation operated for persons with disabilities who cannot use conventional public transit service. As an operator of bus and light rail service, the Authority is required under the Americans with Disabilities Act (the "ADA") to ensure that paratransit service is provided to eligible individuals with disabilities. The level of service provided must be comparable, in terms of hours of service and area served, to the service provided by the bus and light rail system. The Authority does not directly provide paratransit service but contracts with Outreach and Escort, Inc. ("Outreach"), a paratransit broker service. Outreach determines and certifies qualified individuals for paratransit eligibility, receives and schedules trip requests, builds vehicle manifests, and contracts for services with taxi, sedan and accessible van service providers.

The Authority, in partnership with the City of San José, provides free Airport Flyer bus service connecting the Norman Y. Mineta San José International Airport terminals with the Authority's Metro/Airport Light Rail Station and the Santa Clara Caltrain Station. The City of San José contributes approximately 19% to the net operating costs for this service with the Authority funding the remainder.

The Authority, Monterey-Salinas Transit ("MST") and the Capitol Corridor JPA have entered into a Memorandum of Understanding to provide express bus service operating from Monterey to San José, funded by a federal Jobs Access Reverse Commute grant, the Capitol Corridor JPA and the Authority. The Line 55 Monterey-San José Express is managed and operated by MST and provides daily service with three round trips, covering commute times in the morning, mid-day and evening. The service provides passengers with transfers to and from Capitol Corridor trains that operate between San José-Oakland-Sacramento, Caltrain (including Baby Bullet express trips), and the Authority's bus and light rail services. The service originates in downtown Monterey with other stops in Monterey County before stopping at the Gilroy Caltrain Station, Morgan Hill Caltrain Station, San José State University, downtown San José and the San José Diridon Station.

Authority Revenues

The Authority's primary revenue sources consist of (i) the 1976 Sales Tax; (ii) the 2000 Measure A Sales Tax; (iii) the 2008 Measure B Sales Tax; (iv) the one-quarter of one percent (0.25%) sales tax imposed pursuant to the California Transportation Development Act of 1971, as amended, described herein under the caption "Transportation Development Act Revenues"; (v) a portion of the revenues derived from the sales tax on diesel fuel purchases appropriated by the State Legislature to the State Transit Assistance Program ("STA") for public transportation purposes, described herein under the caption "State Transit Assistance Program"; and (vi) passenger fares charged by the Authority.

1976 Sales Tax Revenues

The 1976 Sales Tax is the Authority's single largest source of revenue for operations. The 1976 Sales Tax is a special retail transactions and use tax of one-half of one percent (0.5%) of the gross receipts of retailers from the sale of all tangible personal property sold at retail in the County and a use tax at the same rate upon the storage, use or other consumption in the County of such property purchased from any retailer for storage, use or other consumption in the County, subject to certain exceptions. The tax is collected by the California State Board of Equalization (the "SBOE") and does not expire. Pursuant to an agreement between the Authority and the SBOE, the SBOE remits revenues from the 1976 Sales Tax to the trustee for senior lien obligations secured by the 1976 Sales Tax (the "1976 Sales Tax Bond Trustee") on a monthly basis. Pursuant to its procedures, the SBOE projects receipts of the 1976 Sales Tax on a quarterly basis and remits an advance of such receipts to the 1976 Sales Tax Bond Trustee each month based on such projection. During the last month of each quarter, the SBOE adjusts the amount remitted to reflect the actual receipts of the 1976 Sales Tax for the previous quarter less administration costs. After application for payment of the senior lien obligations and junior lien obligations (if any) secured by the 1976 Sales Tax (herein referred to as the "1976 Sales Tax Obligations"), 1976 Sales Tax Revenues are remitted to the Authority and are available to pay operating expenses and capital expenditures. **The 1976 Sales Tax Revenues do not secure the 2015 Series Bonds.**

2000 Measure A Sales Tax Revenues

In November of 2000, more than 70% of the voters in the County voting on such ballot measure approved Measure A ("2000 Measure A"), implementing a 30-year, half-cent sales tax that became effective on April 1, 2006 and is scheduled to expire on March 31, 2036 (the "2000 Measure A Sales Tax"). The 2000 Measure A Sales Tax is similar to the 1976 Sales Tax, both in terms of the tax base (County population) and tax rate (0.5%). Revenues from the 2000 Measure A Sales Tax may be used to finance the transit projects and operations listed in 2000 Measure A, the ordinance which imposed the 2000 Measure A Sales Tax (the "2000 Measure A Ordinance") and in the Authority's Valley Transportation Plan, which was formulated to provide a balanced transportation system consisting of transit, roadway, bicycle and pedestrian improvements. See "The 2000 Measure A Program" herein.

Collection of the 2000 Measure A Sales Tax is administered by the SBOE in the same way as is done for the 1976 Sales Tax. The Authority has authorized the SBOE to remit 2000 Measure A Sales Tax Revenues directly to the Trustee. Pursuant to its procedures, the SBOE projects receipts of the 2000 Measure A Sales Tax on a quarterly basis and remits an advance of such receipts to the 2000 Measure A Sales Tax Bond Trustee on a monthly basis based on such projection. During the last month of each quarter, the SBOE adjusts the amount remitted to reflect the actual receipts of the 2000 Measure A Sales Tax for the prior quarter and to deduct the full amount of the administrative fee for the prior quarter. Upon receipt of the 2000 Measure A Sales Tax Revenues, the Trustee retains an amount necessary to meet debt service requirements and make the other deposits required by the Indenture and the balance is then forwarded to the Authority.

The following table shows the total amount of 2000 Measure A Sales Tax and 1976 Sales Tax received during the 15 fiscal years ended June 30, 2014.

Santa Clara Valley Transportation Authority
Historical Sales Tax Revenues
2000 Measure A Revenues and 1976 Sales Tax Revenues
Fiscal Years Ended June 30, 2000 – 2014

Fiscal Year Ended June 30	2000 Measure A Sales Tax Revenues[2]	Rate of Change	1976 Sales Tax Revenues	Rate of Change
2000	-	-	$166,764,390	16.0%
2001	-	-	183,540,308	10.1
2002	-	-	144,217,679	-21.4
2003	-	-	132,632,377	-8.0
2004	-	-	138,917,173	4.7
2005	-	-	145,008,106	4.4
2006	$ 38,169,934	-	157,283,101	8.5
2007	161,360,552	-	163,675,750	4.1
2008	160,536,904	-0.50%	163,037,594	-0.4
2009	137,260,570	-14.5	137,641,999	-15.6
2010	139,305,038	1.5	140,036,709	1.7
2011	152,855,102	9.7	153,601,839	9.7
2012	166,279,983	8.8	166,567,320	8.4
2013	176,533,671	6.2	176,715,771	6.1
2014	186,301,711	5.5	186,431,256	5.5

[1] Differences between 1976 Sales Tax and 2000 Measure A Sales Tax revenues are due to prior period adjustments.
[2] Collection of 2000 Measure A Sales Tax began April 1, 2006.

2008 Measure B Sales Tax

In November of 2008, over two-thirds of the voters in the County approved Measure B, implementing a one-eighth of one percent (0.125%) sales tax that became effective July 1, 2012 and continues for 30 years (the "2008 Measure B Sales Tax"). The 2008 Measure B Sales Tax is levied against the same sales tax base as the 2000 Measure A Sales Tax, and is dedicated to support the operation and maintenance of the BART to Silicon Valley Project. Collection of the 2008 Measure B Sales Tax is administered by the SBOE in the same manner as the 2008 Measure A Sales Tax. **The 2008 Measure B Sales Tax Revenues do not secure the 2015 Series Bonds.**

Other Revenues

Transportation Development Act Revenues. Transportation Development Act Revenues ("TDA Revenues") are a State subsidy consisting of an allocation of State sales tax revenue under the California Transportation Development Act of 1971, as amended (the "TDA"), whereby a 0.25% levy of the State's sales tax (net of collection costs) is made available for public transportation operating and capital expenses in the county in which the sales tax is collected. TDA Revenues are the Authority's second largest source of revenue for operations and are separate and distinct from revenues derived from the 2000 Measure A Sales Tax, the 1976 Sales Tax, and the 2008 Measure B Sales Tax.

TDA Revenues are apportioned, allocated and paid by MTC, the regional planning organization for the nine-county San Francisco Bay Area. Under TDA regulations, MTC allocates approximately 11% of the TDA Revenues to fund community and paratransit service programs, facilities for the use of pedestrians and bicycles and the transportation planning and programming process. The Authority receives approximately three-fourths of this 11% allocation. The remaining 89% of the TDA Revenues are allocated to operators who provide public transportation services in the County. As the only eligible public transit service provider in the County, the Authority is eligible to receive the entire amount of the 89% allocation of TDA Revenues. TDA Revenues are available to the Authority in an amount up to 50% of the Authority's operating budget, after deduction of the amount received from federal grants, provided that certain TDA eligibility requirements are met. The Authority, formerly known as the Santa Clara County Transit District, began operations in 1972 and has complied with TDA eligibility requirements since it began receiving TDA funds in 1973. In accordance with procedures and eligibility requirements set forth in the TDA, the Authority submits a request for TDA Revenues to MTC following MTC's adoption of the next Fiscal Year's revenue estimate. If MTC approves the request, MTC then directs the Controller of the County (in the case of the County, the County Treasurer) to release the TDA Revenues to the Authority. TDA Revenues are received by the County Treasurer and distributed to the Authority based on direction from MTC as collected and transmitted by the State.

The table set forth below shows the total amount of TDA Revenues for operations available from annual State sales tax collections in the County during the five Fiscal Years ended June 30, 2014.

Santa Clara Valley Transportation Authority
Historical Transportation Development Act Revenues

Fiscal Year Ended June 30	**TDA Revenues for Operations Distributed to the Authority**
2010	$65,800,680
2011	74,452,324
2012	81,928,315
2013	86,295,600
2014	89,517,914

Source: Santa Clara Valley Transportation Authority CAFR Fiscal Year 2014.

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

The Authority has received STA Revenues each year since Fiscal Year 1980, except for Fiscal Years 2009 and 2010, as explained below. The following table shows STA Revenues received by the Authority for the five Fiscal Years ended June 30, 2014.

Santa Clara Valley Transportation Authority
Historical State Transit Assistance Program Revenues

Fiscal Year Ended June 30	STA Revenues Received
2010	$ -0-
2011	16,695,427
2012	14,055,417
2013	14,906,558
2014	15,337,987

Source: Santa Clara Valley Transportation Authority CAFR Fiscal Year 2014.

In February 2009, then-Governor Arnold Schwarzenegger and the Legislature approved a package of bills that made a series of mid-year revisions to the State budget for Fiscal Year 2009 and enacted the State budget for Fiscal Year 2010. As part of this package, funding for STA was eliminated for the third and fourth quarters of Fiscal Year 2009, and entirely for Fiscal Year 2010 through Fiscal Year 2013 in order to address significant State General Fund shortfalls.

In March 2010, then-Governor Schwarzenegger signed into law a three-bill package, ABX8 6, ABX8 9 and SB 70, that implemented a complex swapping of state transportation funding sources that was intended to achieve roughly $1 billion in annual budget savings by relieving the State General Fund of the obligation to pay for transportation bond debt service. This restructuring of State transportation funding eliminated the State sales tax on gasoline, the sole revenue source for Proposition 42 (Transportation Congestion Improvement Act) and one of the revenue sources for the Public Transportation Account, and replaced it with a 17.3-cent per gallon increase in the gasoline excise tax. This transportation funding swap took effect on July 1, 2010. Pursuant to this swap, revenues from the gasoline excise tax increase were used to pay highway bond debt service and to provide money for the State Transportation Improvement Program ("STIP"), local streets and roads, and the State Highway Operation and Protection Program ("SHOPP"). The distribution of these revenues was structured to ensure that the STIP and local streets/roads would receive at least the same amount of money as under Proposition 42. Furthermore, the SBOE was required to adjust the gasoline excise tax rate on an annual basis, if necessary, to ensure that the swap did not result in a tax increase for consumers at the pump.

In the case of public transit, the package retained the State sales tax on diesel fuel for the Public Transportation Account. A one-time appropriation of $400 million was made for STA to cover Fiscal Years ending June 30, 2010 and June 30, 2011.

Beginning in the Fiscal Year ending June 30, 2012, the State diesel sales tax rate was increased from 4.75 % to 6.75%, in conjunction with a corresponding decline in the per-gallon diesel fuel excise tax at the pump. Revenues from the sales tax are to be allocated first to pay high-speed rail/transit bond debt service, with remaining revenues from the 4.75% base rate split 50% to STA, and 50% to intercity rail and other miscellaneous State transit programs. All revenues above the base rate of 4.75% are dedicated to STA.

The elimination of State sales tax on gasoline does not affect the Authority's local sales tax collections on gasoline.

In November 2010, California voters approved two ballot measures that affected the transportation funding swap. Proposition 22 prevents the State from taking, diverting or borrowing local government and transportation money to address General Fund deficits. Proposition 26, among other things, prohibits the Legislature from using a simple majority vote to raise one tax while simultaneously reducing another, an approach that was used to enact the transportation funding swap.

In response, Assembly Bill 105 was enacted into law in March 2011 to ensure that all of the goals of the swap, both for the General Fund and for transportation, could be realized. This legislation re-enacted the transportation funding swap's increases in both the gas tax and the diesel sales tax to prevent Proposition 26 from eliminating billions in revenues for state highways, local streets/roads and public transit. It also made the necessary statutory revisions to ensure that (a) the distribution of revenues from the 17.3-cent per gallon gas tax increase would achieve the same fiscal results that were anticipated for state highways and local streets/roads when the swap was enacted and (b) STA receives, at a minimum $350 million per year, as contemplated by the swap.

In June 2014, Governor Brown signed the Fiscal Year 2015 State budget into law. This budget estimates for the fiscal year ending June 30, 2015 STA funding at $379 million, of which the Authority is projected to receive $13.9 million, slightly above the VTA's Fiscal Year 2015 budget.

Ridership and Farebox, Advertising and Other Revenues. The table set forth below shows the Authority's ridership, farebox revenues, revenues from advertisements placed on the Authority's vehicles and bus shelters and other revenues received by the Authority for the five Fiscal Years ended June 30, 2014.

Santa Clara Valley Transportation Authority
Ridership and Farebox, Advertising and Other Revenues

Fiscal Year Ended June 30	Number of Passengers[1]	Farebox, Advertising and Other Revenues Received
2010	41,733,376	$38,830,000
2011	41,409,630	40,013,572
2012	42,426,617	40,069,960
2013	43,146,890	41,821,614
2014	43,428,492	42,419,160

[1] Directly operated services.
Source: Santa Clara Valley Transportation Authority CAFR Fiscal Year 2014. Revenues include Toll Revenues collected on Express Lanes.

The Authority's ridership is highly correlated to employment within the County. In Fiscal Year 2010 ridership fell significantly as a result of the economic recession. It then stabilized in 2011 and started to grow again in 2012. In Fiscal Year 2014 ridership increased 0.2% and 1.9% for Bus and Light Rail, respectively, compared to the previous year. In the first three months of Fiscal Year 2015 this trend accelerated, with Bus ridership increasing by 1.8% and Light Rail increasing by 7.6% compared to the same period the year before. Most of the increase is due to special events ridership, notably due to the opening of Levi's Stadium in the city of Santa Clara, the new home of the San Francisco 49ers NFL football team.

Other Revenues. Federal guidelines established pursuant to the Moving Ahead for Progress in the 21st Century Act ("MAP-21"), the successor to the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users ("SAFETEA-LU"), which was the successor to the Transportation Equity Act for the 21st Century, allow the Authority to claim grants under the Section 5307 Urbanized Area Formula Program (which are normally restricted to capital projects) for preventive maintenance costs. The Authority's principal motivation in programming this source of capital grants for preventive maintenance is to accelerate cash flow, and thus improve its financial position. In addition to the above-described revenues, the Authority, from time to time, receives other State assistance that may be used to pay operating expenses and receives interest on its operating funds.

MAP-21 was set to expire on September 30, 2014. However, the Congress passed the Highway and Transportation Funding Act of 2014, extending MAP-21 through May 2015.

Authority Budgeted Revenues and Expenditures

The Authority's budget is prepared biennially. The Adopted Budget for Fiscal Year ending June 30, 2014 and Fiscal Year ending June 30, 2015 (the "Budget") was approved by the Board of Directors on June 6, 2013 and includes appropriations for operating expenditures in support of all activities under the jurisdiction of the Authority's Board, including bus and rail operations in the County, regional commuter and inter-city rail service, ADA Paratransit service, congestion management, specific highway improvement and other transportation projects, and county wide transportation planning and funding. If additional appropriations are necessary, the budget generally is revised in January of each year.

A detailed discussion of the Budget related to the 2000 Measure A Program, congestion management, highway improvements and countywide transportation planning (all of which are funded from sources of revenue other than those discussed herein) is included in the budget document, which is currently available at http://www.vta.org/about-us/budgets/budget-disclosures-miscellaneous. None of the information on such website is incorporated by reference herein. The remaining approved Budget amounts are in support of transit-related transportation projects, bus and rail operations in the County, and regional commuter and inter-city rail service.

The Budget includes no change in the current fare structure, while reflecting a 3.2% increase from Fiscal Year 2013 projected sales tax revenues for Fiscal Year 2014, followed by a 4.6% increase in Fiscal Year 2015. The Budget includes $13.6 million per year in STA funding for Fiscal Year 2014 and Fiscal Year 2015.

The Fiscal Years 2016-2017 budget process is currently underway and a new budget is expected to be adopted by the Board by June 2015.

Transit System-Operating and Capital Budget. The following table summarizes the Authority's Adopted Operating and Capital Budget which supports activities related to the Authority's Transit System. See "The Authority's Transit System" herein. Additional information related to capital expenses is included in the Authority's Short Range Transportation Plan. See "Short Range Transportation Plan" below.

Santa Clara Valley Transportation Authority
Fiscal Years 2012 through 2014 – Summary of Transit System Revenues and Expenses
(in Thousands)

	Actual 2012	Actual 2013	Actual 2014
Operating Reserve Balance, July 1	$ 54,595	$ 56,268	$ 57,024
1976 Sales Tax Revenues	166,568	176,716	186,431
Other Operating and Non-Operating Revenues[1]	225,591	219,146	217,946
Federal Grants	15,575	5,523	8,855
Transit Security Grant Program (TSGP)[2]	1,510	1,258	-
State Grants – Prop 1B	12,386	9,379	7,895
Regional Measure 2 (RM2)[3]	396	444	1,117
Other	459	257	382
Total Revenues	**422,485**	**412,723**	**422,626**
Total Available for Transit System Expenses	**477,080**	**468,991**	**479,650**
Transit System Operating Expenses:			
Directly Operated Transit Service	290,743	296,872	322,144
Other Expense	56,700	59,566	48,980
Total Transit System Operating Expense	**347,443**	**356,438**	**371,124**
Transit System Capital Expenses:			
Revenue Vehicles and Equipment	16,313	2,952	3,398
Guideway	5,228	7,360	8,679
Non-Revenue Vehicles	1	2,762	-
Operations Facilities and Equipment	4,750	618	4,432
Passenger Facilities	2,701	1,924	120
Information Systems and Technology	1,332	6,675	8,385
Miscellaneous	-	243	5
Total Transit Capital Expense	**30,325**	**22,534**	**25,019**
Total Transit System Operating & Capital Expenses	**377,768**	**378,972**	**396,143**
Transit Operating Reserves in Excess of 15% transferred to Debt Reduction Fund	(24,044)	(32,995)	(23,680)
Transfer to Transit Sales Tax Stabilization Fund	(19,000)	-	-
Ending Balance – Transit Operating Reserve	**$ 56,268**	**$ 57,024**	**$ 59,827**

(1) Includes 2000 Measure A Sales Tax Revenues allocable to operations and other sources of revenue to the Authority, including fares, Transportation Development Act funds, STA funds, federal operating grants and other income.
(2) TSGP provides grant funding to the nation's key high-threat urban areas to enhance security measures for their critical transit infrastructure including bus, rail and ferry systems.
(3) In March 2004, voters passed RM2, raising the toll on the seven State-owned toll bridges in the San Francisco Bay Area by $1.00. This extra dollar is to fund various transportation projects within the region that have been determined to reduce congestion or to make improvements to travel in the toll bridge corridors, as identified in SB 916 (Chapter 715, Statutes of 2004). Specifically, RM2 establishes the Regional Traffic Relief Plan and identifies specific transit operating assistance and capital projects and programs eligible to receive RM2 funding.

Authority Capital Improvement Programs. The Authority is committed to facilitating and providing enhanced customer focus, improved mobility and access for the community and integrated transportation and land use planning, while maintaining financial stability. Based on these commitments, the Authority has embarked on the extensive capital programs described below under "Valley Transportation Plan" and "Short Range Transportation Plan."

Valley Transportation Plan. As the designated Congestion Management Agency for the County, the Authority is responsible for preparing the County's long-range countywide transportation plan. In August 2000, the Authority's Board of Directors adopted the Valley Transportation Plan 2020 (as revised, from time to time, the "Valley Transportation Plan") to satisfy this requirement. The Board of Directors adopted the current revision of the Valley Transportation Plan, Valley Transportation Plan 2040 in October 2014. The Valley Transportation Plan is a long-range transportation planning document which does not set priorities or schedules for project completion. The Valley Transportation Plan encompasses a set of investments through 2040 that offers improvements and manages the existing roadway network with local multimodal investments, an expanded high-occupancy vehicle ("HOV") system, improved interchanges and freeway-to-freeway connector ramps, and freeway upgrades.

The Valley Transportation Plan also includes investments in transit improvements, including the Authority's BART to Silicon Valley Program, consisting of the extension of the BART system to Milpitas, San José, and Santa Clara, a new light rail line that will serve Capitol Expressway, and a transit improvement (Bus Rapid Transit) on the Santa Clara/Alum Rock Corridor where the Authority's highest concentration of transit riders live. The primary source of funding for transit improvements included in the Valley Transportation Plan is the 2000 Measure A Sales Tax. VTA expects to update the Valley Transportation Plan in 2017.

Short Range Transportation Plan. As a transit operator, the Authority prepares a complete Short Range Transit Plan ("SRTP") every four years and a "mini-SRTP" every year as required by MTC and the Federal Transit Administration ("FTA"). The SRTP is used as documentation to support projects included in the Regional Transportation Plan ("RTP") prepared by MTC. Both the FTA and MTC use the SRTP as the detailed planning justification required for awarding operating and capital grants to the Authority. The Authority's most recent SRTP for the Fiscal Years 2014-2023 was adopted by the Board of Directors in August 2014.

Two Capital Improvement Programs are included in the SRTP: the Authority's Core System Capital Improvement Program ("Core CIP") and the 2000 Measure A Program ("Measure A CIP"). For a discussion on the Measure A CIP, refer to the Authority's Short Range Transit Plan, which is available at http://www.vta.org/srtp. The information set forth on such website is not incorporated by reference herein. The CIPs are funded by a combination of federal, State and local regional funding as well as bonds secured by the Authority's sales tax revenues.

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

Core Capital Improvement Program Summary
(In Thousands)

Program Area	**Fiscal Years 2014-2023**
Revenue Vehicles and Equipment	$410,739
Operations Facilities and Equipment	45,709
Light Rail System Maintenance & Enhancement	151,661
Passenger Facilities	38,777
Information Systems and Technology	31,300
Security	14,413
Miscellaneous Projects	61,734
Total Program Project Costs	$754,331

Funding for the Core CIP includes grant (federal, State and regional) funding of $523 million with the remaining portion funded from Authority local funds. The 2000 Measure A Sales Tax does not provide funding for the Core CIP.

The most significant capital project not part of the Core CIP is the BART Silicon Valley Project (a 2000 Measure A project) described below.

Bay Area Rapid Transit ("BART") Silicon Valley Project. The BART Silicon Valley Project is a 16-mile extension of the existing BART system to San José, Milpitas, and Santa Clara, which will be delivered through a phased approach. The first phase, the Berryessa Extension, is a 10-mile, two-station extension, beginning in Fremont south of the future BART Warm Springs Station and proceeding via 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 José, at the second station. The Authority plans to continue project development activities for the second 6-mile phase of the project that includes a 5.1 mile-long subway tunnel through downtown San José, ending at grade in Santa Clara near the Caltrain Station. Construction on the second phase of the project will commence as additional funding is secured.

The cost of the Berryessa Extension is approximately $2.4 billion. Funding for the Berryessa Extension includes $900 million in federal assistance, $350 million in State funding and $1.171 billion from the 2000 Measure A Sales Tax. In March 2012, the Authority received a $900 million grant commitment from the FTA for the project, along with the first $100 million appropriation, as provided for in a Full Funding Grant Agreement (the "FFGA"). The FFGA is a multi-year contractual agreement with the Federal Transit Administration that formally defines the project scope, cost and schedule, and establishes the terms of the federal financial assistance.

The first major design and construction contract, valued at $772 million for the line, track, systems and stations, was awarded in December 2011 to Skanska-Shimmick-Herzog, a Joint Venture. Construction of the 10-mile, two station project is planned for 2012 to 2016. Initial construction activities include relocating utilities and preparing the future station areas for construction. Other current and near-term work includes construction at major intersections that the BART system will cross. Installing the tracks for BART will be one of the last construction activities.

Significant Accounting Policies

The Authority follows the accrual basis of accounting and the economic resources exchange measurement focus. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. See APPENDIX B – "AUDITED FINANCIAL STATEMENTS OF THE SANTA CLARA VALLEY TRANSPORTATION AUTHORITY FOR FISCAL YEAR ENDED JUNE 30, 2014 – Note 2 – Summary of Significant Accounting Policies," which includes a more detailed explanation regarding the Authority's significant accounting policies.

Financial Results

The table on the following page summarizes the Statement of Revenues, Expenses and Changes in Fund Net Assets for the Enterprise Fund of the Authority for the five Fiscal Years ended June 30, 2014. The summary statements are presented in accordance with generally accepted accounting principles ("GAAP"), are excerpted from the audited financial statements of the Authority and are qualified in their entirety by reference to such statements, including the notes thereto. For the audited financial statements of the Authority for the Fiscal Year ended June 30, 2014, see APPENDIX B – "AUDITED FINANCIAL STATEMENTS OF THE SANTA CLARA VALLEY TRANSPORTATION AUTHORITY FOR FISCAL YEAR ENDED JUNE 30, 2014." Totals may not add due to independent rounding.

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Santa Clara Valley Transportation Authority
Statements of Revenues and Expenses
Fiscal Years Ended June 30, 2010 through 2014
(In Thousands)

	2010	2011	2012	2013	2014
Operating Revenues:					
Passenger fares	$36,857	$ 38,106	$ 37,744	$ 38,331	$ 38,372
Advertising and other	1,973	1,908	2,326	3,490	4,048
Total operating revenues	**38,830**	**40,014**	**40,070**	**41,821**	**42,420**
Operating Expenses:					
Labor	129,803	129,291	135,097	139,467	146,315
Fringe benefits	116,736	119,082	127,459	133,085	134,375
Materials and supplies	26,216	29,765	30,912	30,677	32,806
Services	18,345	18,116	20,241	20,202	28,488
Utilities	6,718	6,787	6,983	7,251\	7,585
Casualty and liability	4,688	4,962	4,862	3,415	13,813
Purchased transportation	24,245	20,768	18,923	18,179	18,493
Leases and rentals	2,217	495	552	953	1,334
Miscellaneous	1,461	1,313	1,481	1,451	1,616
Costs allocated to capital and other programs(1)	(33,989)	(31,827)	(29,452)	(32,879)	(34,864)
Total operating expenses, excluding depreciation	**296,440**	**298,752**	**317,058**	**321,801**	**349,961**
Operating loss before depreciation	**(257,610)**	**(258,738)**	**(276,988)**	**(281,029)**	**(307,541)**
Depreciation Expense:					
Total depreciation expense	51,378	55,060	57,886	59,863	59,445
Operating loss	**(308,988)**	**(313,798)**	**(334,874)**	**(340,892)**	**(366,986)**
Non-operating revenues (expenses):					
1976 Sales Tax Revenues	140,037	153,602	166,567	176,716	186,431
Measure A Sales Tax Revenues	139,305	152,855	166,280	176,533	186,302
BART Operating Fund	-	-	-	41,914	44,753
Federal operating grants and reimbursements	59,101	42,225	42,286	39,364	42,230
Federal Subsidy for Build America Bonds	-	5,848	9,399	9,126	8,755
State and local operating grants and reimbursements	67,833	95,579	98,133	103,213	106,439
Caltrain subsidy and Capital contributions to other agencies	(97,592)	(80,917)	(90,290)	(152,494)	(101,243)
Altamont Commuter Express Subsidy	(2,708)	(2,706)	(2,707)	(2,939)	(3,019)
Investment Earnings	5,764	10,067	18,594	292	9,555
Interest expense & Other Bond Fees	(20,583)	(23,536)	(31,307)	(31,655)	(27,088)
Other (expense)/Income, net(2)	(4,192)	(8,939)	3,797	751	(4,261)
Total non-operating revenues, net	**286,965**	**344,078**	**380,752**	**360,821**	**448,854**
Change in net assets, before capital contributions	**(22,024)**	**30,280**	**45,878**	**20,819**	**81,868**
Capital Contributions	92,594	148,303	115,584	272,950	193,899
Transfer In/(Out)	-	32,650	-	-	-
Net income (loss)(3)	**$ 70,570**	**$ 211,233**	**$161,462**	**$293,769**	**$275,767**

(1) 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. See Note 2(k) to the audited financial statements of the Authority attached hereto as Appendix B.

(2) Includes miscellaneous revenues such as permit fees, parking citations, property rentals and miscellaneous expenses such as costs related to express services, freight shipping and other bond related expenses associated with liquidity and remarketing fees.

(3) Net income (loss) is funded from reserves and presented in accordance with GAAP.

Management's Discussion of Financial Results

The Authority has experienced 18 consecutive quarters of sales tax growth. Sales tax revenues from the Authority's 1976 Sales Tax (which subsidize operations) have increased more than 35% since Fiscal Year 2009 and, in Fiscal Year 2014, reached their highest levels, exceeding the revenues of the "dot.com" boom in Fiscal Year 2001. Coupled with VTA's strategies to address the budgetary impacts from the recent financial crisis, VTA has ended the last five fiscal years with overall revenues exceeding transit operating costs.

The Authority maintains three Board-designated reserve funds designed to promote long-term financial sustainability: its Operating Reserve Fund, its Debt Reduction Fund and its Transit Sales Tax Stabilization Fund. The Transit Sales Tax Stabilization Fund was established in Fiscal Year 2011 as part of the Board's strategies to address budgetary shortfalls following the Great Recession. Additionally, Authority management designated a SWAP/Lease Collateral Fund as an unrestricted reserve fund.

The purpose of the Operating Reserve Fund is to ensure that sufficient funds are always available in the event of either unanticipated revenue shortfalls (other than sales tax revenues) or unavoidable expenditure needs. The Authority Board policy goal is a funding level equal to 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. As of June 30, 2014, the Operating Reserve Fund was at $59.8 million, 15% of the Fiscal Year 2015 adopted operating budget, as compared to Fiscal Year 2013 funding of $57.0 million.

The Authority's Debt Reduction Fund provides reserves against unfunded obligations and long-term liabilities and funding for transit-related capital improvements and capital replacement in lieu of financing. As of June 30, 2014, the Debt Reduction Fund was at $101.9 million compared to Fiscal Year 2013 funding of $131.1 million.

The Transit Sales Tax Stabilization Fund serves to mitigate the impact of sales tax receipt volatility on service levels and the VTA Transit Fund Operating Budget. Sales tax-based revenues for the Transit Sales Tax Stabilization Fund include the 1976 Sales Tax, a quarter-cent State sales tax (from the Transportation Development Act or TDA), and 2000 Measure A Sales Tax – Operating Assistance which is derived from 18.5% of 2000 Measure A Sales Tax Revenues. As of June 30, 2014, the Transit Sales Tax Stabilization Fund was funded at $35.0 million, the capped limit authorized by the Board, unchanged from Fiscal Year 2013 funding.

The Authority's SWAP/Lease Collateral Fund reserves against contingent liabilities arising from the Authority's interest rate swaps and leveraged lease arrangements. As of June 30, 2014, the SWAP/Lease Collateral Fund was at $76.1 million compared to Fiscal Year 2013 funding of $74.8 million, as a result of the Authority's lower liabilities associated with the swaps.

Authority Obligations

Obligations Secured by the 1976 Sales Tax. The following table sets forth the senior lien obligations secured by the Authority's 1976 Sales Tax Revenues.

	Original Principal Amount	Principal Amount Outstanding as of January 1, 2015
Sales Tax Revenue Refunding Bonds, 2011 Series A	$ 47,485,000	$ 39,575,000
Sales Tax Revenue Refunding Bonds, 2008 Series A, Series B and Series C[(1)]	168,585,000	150,895,000
Sales Tax Revenue Refunding Bonds, 2007 Series A	26,275,000	16,420,000

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

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

	Original Principal Amount	Principal Amount Outstanding as of January 1, 2015
Sales Tax Revenue Bonds, 2010 Series A and 2010 Series B	$645,890,000	$624,055,000
Sales Tax Revenue Refunding Bonds, 2008 Series A, Series B, Series C and Series D[(1)]	236,730,000	235,875,000
Sales Tax Revenue Refunding Bonds, 2007 Series A	120,095,000	109,755,000[(2)]

(1) The Authority has entered into interest rate swap agreements in connection with the 2008 Series Bonds. A description of the swaps is included in Note 7(c-e) of the Authority's audited financial statements attached hereto as Appendix B.
(2) A portion of the 2007 Series A Bonds will be refunded with a portion of the proceeds of the 2015 Series Bonds.

Leveraged Lease Transactions. The Authority has outstanding four tax-advantaged leveraged lease transactions encumbering certain light rail vehicles. These transactions involve a lease of the Authority's interest in these vehicles to special purpose trusts formed by equity investors and a leaseback to the Authority. One of these transactions involving rail vehicles with an aggregate value of $54.2 million was entered into in 1998 and has a lease expiration date of 2017 (the "1998 Lease"). Three of these transactions involving rail vehicles with an aggregate value of $181.2 million were entered into in 2003 and have lease expiration dates of 2027 and 2034 (the "2003 Leases" and, collectively with the 1998 Lease, the "Leases").

Under the Leases, the Authority is required to make annual rental payments to the special purpose trusts. The Authority also has a purchase option at the end of each Lease term. The funding for those rental payments and the purchase options, if exercised, derives from various deposits, payment agreements with certain financial institutions ("payment undertakers") and U.S. Government and Agency securities entered into or purchased at the outset of each Lease, as the case may be. In addition, early termination payments, if any, under the Leases are guaranteed by surety providers.

Under the Leases, the Authority was required to replace the payment undertakers and surety providers if their credit ratings fall below certain thresholds. Failure to replace such undertakers and surety providers within specified time frames could trigger a technical default which, if uncured, could cause an early termination at a substantial penalty to the Authority. This requirement remains in place for the 1998 Lease but was amended for the 2003 Leases.

The 1998 Lease involves Assured Guaranty Municipal Corp. ("AGM") as surety provider. On January 17, 2013, Moody's Investors Service downgraded the rating of AGM to "A2", which is below the required minimum Moody's minimum rating of "Aa3" under the 1998 Lease documents; Standard & Poor's Corporation ("S&P") rates AGM "AA," which complies with the required minimum rating. Under the 1998 Lease documents, the Authority is required to replace AGM within 30 days upon demand of the equity investor. The Authority's failure to replace AGM within 30 days could result in the termination of the 1998 Lease, requiring the Authority to make a payment equal to the scheduled termination value on the termination date. As of November 2, 2014, the scheduled termination value for the 1998 Lease was approximately $24.4 million. The 1998 Lease contains a pledge of U.S. Treasury securities, which mature in amounts that will be sufficient for the Authority to fund its purchase option, if exercised, under the 1998 Lease; as of June 30, 2014, the market value of those U.S. Treasury securities was approximately $24.9 million. The equity investor has not made any demands of the Authority to replace AGM.

The 2003 Leases involve American International Group Inc. ("AIG") and Ambac Assurance Corp. ("Ambac") as surety providers, whose ratings have fallen below the required minimum ratings. With respect to the 2003 Lease involving Ambac, the Authority entered into a collateral delivery and pledge agreement with the equity investor and statutory trust whereby the Authority's obligation to replace Ambac was waived, assuming the Authority continues to post collateral in the form of marketable securities for the benefit of the equity investor and statutory trust in accordance with that agreement. That agreement allows the Authority to hold the collateral on its books and provides for the Authority to receive the income from that collateral. With respect to the 2003 Leases involving AIG, the equity investor has permanently waived the requirement to replace AIG as a surety coverage provider in two of the transactions.

All payments with respect to the Leases have been made in full and on a timely basis.

See APPENDIX B – "AUDITED FINANCIAL STATEMENTS OF THE SANTA CLARA VALLEY TRANSPORTATION AUTHORITY FOR FISCAL YEAR ENDED JUNE 30, 2014 – Note 21."

Litigation

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

Investments and Investment Policy

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

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

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

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

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

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

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

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

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

Pension and Retirement Plans

Santa Clara Valley Transportation Authority Amalgamated Transit Union, Local 265 Pension Plan. All ATU employees are covered by the Santa Clara Valley Transportation Authority Amalgamated Transit Union, Local 265 Pension Plan ("ATU Plan"). The ATU Plan is a noncontributory single-employer defined benefit pension plan. The ATU Plan provides retirement, disability, and death benefits based on the employees' years of service, age, and final compensation. As of January 1, 2013, there were 2,882 members of the ATU Plan. Employees with ten (10) or more years of service are entitled to full annual pension benefits beginning at age 65. Employees with less than ten (10) but at least five (5) years of service are entitled to a reduced annual benefit at age 65 provided that the Pension Board approves such benefit. Employees with fifteen (15) or more years of service are entitled to full annual pension benefits beginning at age 55. The ATU Plan permits early retirement if an employee becomes disabled after ten (10) or more years of service, and deferred vested retirement upon employee termination after ten (10) or more years of service, with benefits payable at age 65. Employees may elect to receive their benefits in the form of a joint or survivor annuity. These benefit provisions and all other requirements are established by State statute and the labor agreement with the ATU. The following actuarial methods and assumptions are based on a report dated January 1, 2014.

Actuarial Methods and Assumptions:

Description	**Methods/Assumptions**
Valuation Date	January 1, 2014
Actuarial cost method	Individual Entry Age Normal to Final Decrement
Amortization method	Level dollar open
Remaining amortization period	20 years
Asset Valuation Method	Market value adjusted to reflect investment earnings greater than (or less than) the assumed rate over a five-year period.
Actuarial Assumptions	
Investment Rate of Return	7.50%
Projected Salary Increases	3.51% to 15.64%, depending on service (includes inflation at CPI rate of 3.25%)
Consumer Price Index (CPI)	3.25% per year
Costs of living adjustments	None

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

Asset Allocation	Range	Actual[1]	Ongoing Target
Domestic Fixed Income	28-38%	33%	33%
Domestic Large-Cap Value	12-22	18	17
Domestic Large-Cap Index	8-18	14	13
Domestic Small-Cap Value	2-12	7	7
International Equity Developing Markets	9-19	13	14
International Emerging Markets	2-10	4	5
US Core Real Estate	5-15	10	10
Cash	0-5	1	1

(1) As of November 30, 2014.

The Authority contributes to the ATU Plan at actuarially determined rates applied to eligible payroll sufficient to maintain funding of vested benefits. Actuarial rates are determined on the basis of the previous calendar year data for implementation in the following fiscal year, beginning on July 1 of that year. Such contribution includes an amortized amount of the unfunded accrued actuarial liability ("UAAL") as well as current year normal costs. Totals of the actual cost and the amortized cost of the UAAL equal the actuarial rate that would liquidate the UAAL over the remaining amortization period (20 years). The actuarial review and analysis as of January 1, 2014 resulted in an deccrease in the Authority's contributions to $25.5 million, or 23.55% as a percentage of covered payroll. The Authority pre-funded its Fiscal Year 2015 contribution to the ATU Pension plan at $25.5 million. The schedules of funding progress using Actuarial Value of Assets ("AVA") and Market Value of Assets ("MVA") for the most recent 10 years of available data are as follows:

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	UAAL	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/04	$268,428,853	$350,895,167	$ 82,466,314	76%	$ 88,448,718	93%
12/31/05	288,829,224	363,114,404	74,285,180	80	92,663,178	80
12/31/06	314,816,391	397,853,860	83,037,469	79	93,985,560	88
12/31/07	344,521,552	423,739,213	79,217,661	81	98,722,453	80
12/31/08	325,247,483	442,830,578	117,583,095	73	100,877,989	117
12/31/09	354,785,095	462,912,195	108,127,100	77	102,625,557	105
12/31/10	368,134,113	486,770,538	118,636,425	76	97,569,124	122
12/31/11	373,170,465	517,200,475	144,030,010	72	100,376,441	143
12/31/12	386,347,400	543,942,719	157,595,319	71	102,040,657	154
12/31/13	426,675,205	572,244,808	145,569,603	75	110,682,869	132

Source: The Authority.

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

Actuarial Valuation Date	Market Value of Assets	Actuarial Accrued Liability	UAAL	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/04	$277,537,728	$350,895,167	$ 73,357,439	79%	$ 88,448,718	83%
12/31/05	295,228,426	363,114,404	67,885,978	81	92,663,178	73
12/31/06	334,890,452	397,853,860	62,963,408	84	93,985,560	67
12/31/07	347,417,595	423,739,213	76,321,618	82	98,722,453	77
12/31/08	271,039,569	442,830,578	171,791,009	61	100,877,989	170
12/31/09	327,447,278	462,912,195	135,464,917	71	102,625,557	132
12/31/10	361,181,295	474,252,147	113,070,852	76	97,569,124	116
12/31/11	356,289,950	517,200,475	160,910,525	69	100,376,441	160
12/31/12	401,661,601	543,942,719	142,281,118	74	102,040,657	139
12/31/13	459,423,208	572,244,808	112,821,600	80	110,682,869	102

Source: The Authority.

Based on the Authority's Comprehensive Annual Financial Report, the annual pension costs and contributions for the past ten fiscal years have been as follows:

Fiscal Year Ended	Annual Pension Cost ("APC")	Percentage of APC Contributed
6/30/05	$14,292,000	100%
6/30/06	15,278,000	100
6/30/07	14,859,000	100
6/30/08	16,137,000	100
6/30/09	14,843,000	100
6/30/10	17,905,000	100
6/30/11	17,807,000	100
6/30/12	19,148,000	100
6/30/13	24,412,835	100
6/30/14	25,787,000	100

Source: The Authority.

The funding ratio for termination liability, which is an estimate of the obligation the ATU Plan would have to meet if it was terminated as of January 1, 2013, was 83.3%. This estimate is based on pay and years of service of all covered employees and uses the actuarial methods and assumptions above.

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

CalPERS is an agent multiple-employer defined benefit retirement plan that acts as a common investment and administrative agent for various local and state governmental agencies within the State. CalPERS provides retirement, disability, and death benefits based on the employees' years of service, age, and final compensation. Employees vest after five (5) years of service and may receive retirement benefits at age 50. These benefit provisions and all other requirements are established by state statute and Authority resolutions. The Authority contracts with CalPERS to administer these benefits. The actuarial methods and assumptions are based on a report dated October 2014, for data as of June 30, 2013.

Actuarial Methods and Assumptions:

Description	Methods/Assumptions
Valuation Date	June 30, 2013
Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level percent of Payroll
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Discount Rate	7.50% (net of administrative expense)
Projected Salary Increases	3.30% to 14.20% depending on Age, Service, and type of employment
Inflation	2.75%
Payroll Growth	3.00%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of 0.25%

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

Historically, the Authority has paid both the required employer and employee contributions, including payments for the UAAL. The required employer contribution rate is 16.589% of payroll for the Fiscal Year ended June 30, 2016, based on the latest actuarial valuation and projected to be 17.8% for the Fiscal Year ended June 30, 2017. The employee contribution rate for the pension benefit is 7.0%. The Authority has budgeted its contributions at the required rates. For the Fiscal Year ended June 30, 2014, the Authority's annual CalPERS pension cost was $8,173,000.

On September 1, 2011, the Authority's Board of Directors approved labor contracts with AFSCME, SEIU Local 521 ("SEIU") and TAEA. The terms of the contracts call for current employees to pay 1% and 3% toward the employee's required contribution to CalPERS, effective January 2012 and January 2013, respectively and new employees to pay 6% and 7% toward the employee's required contribution to CalPERS, also effective January 2012 and January 2013, respectively.

New contracts with AFSCME and TAEA have been recently approved by the Board, call for increased employees' pension contributions, with an additional 1% in each of January 2014, 2015 and 2016. The contract with SEIU calls for similar additional contributions, but due to the shorter length of the contract, those 1% increments are agreed only for January 2014 and 2015. The Authority implemented the same terms for non-represented employees.

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

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liabilities	UAAL	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
6/30/04	$119,708,580	$142,662,507	$22,953,927	84%	$50,876,724	45%
6/30/05	135,508,064	160,103,833	24,595,769	85	50,193,561	49
6/30/06	152,536,031	177,983,295	25,447,264	86	50,301,722	51
6/30/07	170,836,697	195,098,516	24,261,819	88	49,681,839	49
6/30/08	188,897,985	214,450,572	25,552,587	88	51,043,339	50
6/30/09	203,338,247	238,083,095	34,744,848	85	54,589,177	64
6/30/10	217,334,996	252,655,448	35,320,452	86	53,230,543	66
6/30/11	233,515,530	274,924,477	41,408,947	85	51,626,152	80
6/30/12	248,962,798	295,109,856	46,147,058	84	53,949,689	86
6/30/13[1]	236,908,826	317,711,068	80,802,242	75	52,712,593	153

Source: The Authority.
[1] Data as of June 30, 2013 from CalPERS Annual Valuation Report dated October 2014.

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

Actuarial Valuation Date	Market Value of Assets	Actuarial Value of Liabilities	UAAL	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
6/30/04	$117,874,036	$142,662,507	$24,788,471	83%	$50,876,724	49%
6/30/05	139,214,955	160,103,833	20,888,878	87	50,193,561	42
6/30/06	161,056,711	177,983,295	16,926,584	90	50,301,722	34
6/30/07	196,452,892	195,098,516	(1,354,376)	101	49,681,839	(3)
6/30/08	190,976,832	214,450,572	23,473,740	89	51,043,339	46
6/30/09	148,423,875	238,083,095	89,659,220	62	54,589,177	164
6/30/10	170,928,494	252,655,448	81,726,954	68	53,230,543	154
6/30/11	208,802,014	274,924,477	66,122,463	76	51,626,152	128
6/30/12	209,208,442	295,109,856	85,901,414	71	53,949,689	159
6/30/13[1]	236,908,826	317,711,068	80,802,242	75	52,712,593	153

Source: The Authority.
[1] Data as of June 30, 2013 from CalPERS Annual Valuation Report dated October 2014.

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

Fiscal Year Ended	**Annual Pension Cost (APC)**	**Percentage of APC Contributed**
6/30/05	$5,171,000	100%
6/30/06	6,501,000	100
6/30/07	5,929,000	100
6/30/08	6,278,000	100
6/30/09	6,507,000	100
6/30/10	6,167,000	100
6/30/11	6,090,000	100
6/30/12	7,159,000	100
6/30/13	7,497,000	100
6/30/14	8,173,000	100

Source: The Authority.

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

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

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

GASB Statement 68. In June 2012, the Governmental Accounting Standards Board ("GASB") issued Statement 68: Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27 ("Statement 68"). Statement 68 applies to both ATU and non-ATU plans and requires, commencing for the Fiscal Year ending June 30, 2015, that the pension liability for both plans be reflected on the balance sheet of the Authority. As a result of Statement 68, the Authority will record a pension liability on its balance sheet against available reserves of approximately $192 million ($146 million for ATU and $46 million for CalPERS). CalPERS has cited a lack of resources in being able to provide information required to their member agencies, including the Authority, creating a potential audit issue for the Authority for the Fiscal Year ending June 30, 2015.

California Public Employees' Pension Reform Act of 2013. The Governor signed the California Public Employee's Pension Reform Act of 2013 (the "PEPRA") into law on September 12, 2012. PEPRA affects CalPERS most substantially as it relates to new employees hired after January 1, 2013. A classic CalPERS member or PEPRA Safety member becomes eligible for service retirement at age 50 with at least 5 years of credited service (total service across all CalPERS employers, and with certain other retirement systems with which CalPERS has reciprocity agreements). For employees hired into a plan with the 1.5% at 65 formula, eligibility for service retirement is age 55 with at least 5 years of service. PEPRA miscellaneous members become eligible for service retirement at age 52 with at least 5 years of service.

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

Retiree Health Care Program. Employees who retire directly from the Authority are eligible for retiree health benefits if they meet certain requirements relating to age and service. For ATU retirees, the Authority provides an ATU Retiree Health Care Program ("ATU Program"), in accordance with the agreement between the Authority and the ATU, to all ATU represented employees who retire from the Authority on or after attaining the age of 55 with at least fifteen (15) years of service, or age 65 with ten (10) years of service, age 65 with five (5) years of service upon approval of the Authority/ATU Board of Pensions or if an employee becomes disabled and has completed at least ten (10) years of service. The Authority pays the full cost of employee-only premium for employees who retired before September 1, 2004. ATU employees who retired on or after September 1, 2004 contribute $25 toward the employee only monthly premium. ATU retirees who retire on or after January 1, 2011 will pay the greater of $35 or the amount over the Kaiser Out of Area Medicare Rate. ATU retirees who are eligible for Medicare are reimbursed for the Medicare Part B premium. As of June 30, 2014, 966 retirees met the eligibility requirements for the ATU program.

All non-ATU employees upon retirement with at least five (5) years of service and attaining age 50 are also covered under a Retiree Health Care Program (Non-ATU Program) if hired before specific dates (as described below).

- SEIU represented employees hired on or after May 15, 2006 must have 8 years of service;
- TAEA represented employees hired on or after December 5, 2006 must have 8 years of service;

- AFSCME represented employees hired between August 10, 2007 and December 31, 2009 must have 8 years of service;

- AFSCME represented employees hired on or after January 1, 2010 must have 15 years of service;

- Non-represented employees hired between February 11, 2008 and October 31, 2009 must have 8 years of service;

- Non-represented employees hired on or after November 1, 2009 must have 15 years of service.

The Authority contribution towards retiree health benefits for Non-ATU retirees who retired before January 2, 2006 is limited to the Kaiser single active employee rate. The Authority also reimburses Medicare Part B premiums for retirees eligible for Medicare. Non-ATU employees who retired after January 1, 2006 contribute $25 toward the employee only monthly premium. As of June 30, 2014, 432 retirees met the eligibility requirements for the Non-ATU Program.

The most recent actuarial analysis of Retiree Health Benefits as of July 1, 2014 disclosed that the actuarial accrued liability, which is the present value of benefits attributed to past service, is $297.0 million. The unfunded actuarial accrued liability of the Authority as of July 1, 2014 is $36.7 million. The funded ratio is 87.7%, up from 77.7% from the prior year (the actuarial value of assets is equal to market value). The Authority contributions are, at a minimum, advance funded on an actuarially determined basis. For the Fiscal Year ending June 30, 2015, the Authority made advance contributions to both the ATU and Non-ATU programs in the total amount of $12.0 million. The Unfunded Accrued Liability ("UAL") is amortized as a level percent of pay over a closed 20 year period with 14 years remaining. The Authority made a one-time irrevocable contribution of $20.65 million to reduce the unfunded liability in the Fiscal Year ended June 30, 2013.

The actuarial cost method used for determining the benefit obligations is the entry age normal method. The significant economic assumptions used were: (1) a discount rate of 7.00%; (2) a projected salary increase of 3.25% per year plus those due to longevity and promotion; (3) inflation component of 3.25% used for amortization; and (4) a healthcare inflation assumption (non-Part B) of 8.0% in 2015, declining gradually to 4.5% in 2028 and remaining at that level thereafter.

APPENDIX B

AUDITED FINANCIAL STATEMENTS OF THE AUTHORITY FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Comprehensive Annual Financial Report

FISCAL YEAR 2014

For Fiscal Year Ended
June 30, 2014
Santa Clara County, California

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

VTA's Great America Light Rail Station with a newly built platform serves thousands of fans heading to Levi's Stadium in Santa Clara.

"Your 'Fare' Play On Game Day" flyer handed out to VTA customers highlighting many fare options to Levi's Stadium on game days.

VTA's BART *Silicon* Valley Extension - Crews pouring concrete for the Milpitas Station foundation slab.

VTA staff leading/hosting an El Camino BRT bus tour at the 2014 Transportation Summit held in Palo Alto, hosted by Transform.

VTA uses GPS to track the location of bus and light rail as they travel throughout the county.

To locate your ride, visit *vta.org/transitlive/info.html*

Bicyclists join GM Nuria Fernandez and Supervisor Ken Yeager on the Guadalupe Trail for Bike to Work Day.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

SAN JOSE, CALIFORNIA

Comprehensive Annual Financial Report (CAFR)
For Fiscal Year Ended June 30, 2014

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, 2014

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SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Comprehensive Annual Financial Report

For the Year Ended June 30, 2014

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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, 2013

Executive Director/CEO

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SECTION 1 - **INTRODUCTION**

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LETTER OF TRANSMITTAL

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October 9, 2014

Board of Directors
Santa Clara Valley Transportation Authority

Subject: Comprehensive Annual Financial Report

It is a pleasure to submit to you the Comprehensive Annual Financial Report (CAFR) of the Santa Clara Valley Transportation Authority (VTA) for the year ended June 30, 2014. 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, 2014, and that the financial statements are fairly stated in conformity with generally accepted accounting principles (GAAP). The independent auditor's report is presented as the first component of the financial section of this report.

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

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statements, the agency's internal controls over compliance, and compliance with legal requirements.

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

PROFILE OF THE GOVERNMENT

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

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

VTA is governed by a 12 member Board of Directors (the Board or the Board of Directors) consisting of elected officials appointed by the jurisdictions they represent. Five members of the Board and one alternate are appointed by the San Jose City Council. One member of the Board and one alternate are appointed from among the city councils of the cities of Los Altos, Mountain View, Palo Alto, and the Town of Los Altos Hills. One Board member and one alternate are appointed from among the city councils of the cities of Campbell, Cupertino, Monte Sereno, Saratoga, and the Town of Los Gatos. One Board member and one alternate are also appointed from among the city councils of the cities of Gilroy and Morgan Hill. Two members of the Board and one alternate are appointed from among the city councils of the cities of

Milpitas, Santa Clara, and Sunnyvale. The final two seats on the Board and one alternate are appointed by the Santa Clara County Board of Supervisors. The allocation of Board representation is generally based on population. A chart depicting the current membership of the Board and the jurisdictions they represent is located on page 1-11 of this report.

ECONOMIC ENVIRONMENT

The 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. According to the California Department of Finance, the County is home to approximately 1.8 million residents. As rapidly recovering job market attracts armies of young tech workers, Santa Clara County is now the fastest growing county in California. New figures from the State Department of Finance show that the per capita income in Santa Clara County is $67,200[1] and the average salary per worker is the highest in the state at $111,997[2]. The northwest portion of the County, known as Silicon Valley, is home to many leading computer and electronic companies. With varied and relatively stable employers such as Google, Cisco, Hewlett-Packard, Stanford University, and Apple among others, Santa Clara County has enjoyed a diverse employment and revenue base.

The US economy continues to show signs of recovery. According to a U.S. Department of Labor report in June 2014, the national unemployment rate dropped to 6.1% and the number of unemployed persons was 9.5 million[3], compared to prior year's statistics during the same period, when unemployment rate was 7.6% and the number of unemployed persons was 11.8 million. Other signs which point to the economy's brightening health include rising auto sales at the fastest pace in eight years in June; increasing factory orders, and improving monthly home sales gain.[4]

In June 2014, the County's unemployment rate dropped to 5.4% from 6.8% the prior year, and the State's unemployment dropped to 7.4% from 8.5% the prior year.[5] The housing market also made solid strides this past year. The County is currently seeing a surge in the construction of higher density multi-family housing units, many of which were designed with the utilization of public transit in mind. The long-term employment picture in Santa Clara County remains bright because of the strong technology sector. A recent report by federal labor officials shows that Santa Clara County now has the nation's strongest job market.[6]

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[1] Bureau of Economic Analysis. US Department of Commerce, 2013.
[2] Santa Clara Economic Forecast. 2013.
[3] Economic News Release. July 3, 2014.
[4] BloombergView.com. "Sales Pickup Shows Healing U.S, Real Estate Market." June 23, 2014.
[5] Homefacts. Unemployment Rate Report. June 2014.
[6] San Jose Mercury News, "Bay Area loses jobs, but Santa Clara County and East Bay post gains." April 2014.

The 2015 State budget presents a balanced plan which allows paying down budgetary debt from past years, saving for a rainy day, and increasing spending for education, safety, health care, and affordable housing, among others. According to a study by UCLA School of Management, job growth in much of California has outpaced the national average over the last year, signaling a continuing economic rebound for the State in the coming years. The education and health sectors are, along with construction, major contributors to the job growth.[7] Consistent with the improved financial condition at the state level, the Transportation Development Act (TDA) and State Transit Assistance (STA) revenues, state programs that provide funds to operate bus and rail systems in California, experienced an increase of $3.2 million and $0.4 million, respectively, in FY 2014.

During FY 2014, decreased unemployment brought higher consumer and business spending. VTA's largest revenue sources for operations and capital activity, the 1976 Half-Cent Sales Tax and the 2000 Measure A Sales Tax were bolstered by increased taxable sales activity throughout the County. For FY 2014, the 1976 Half-Cent Sales Tax and the 2000 Measure A Sales Tax revenue both grew 5.5%.

ENTERPRISE NET POSITION OVERVIEW

GASB Statement Number 34 requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A beginning on page 2-4 and should be read in conjunction with it.

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

Enterprise Funds net position increased by $275.8 million to $3.7 billion consisting of VTA Transit Fund of $2.1 billion, Measure B Transit Fund of $2.4 million, Express Lanes Fund of $1.7 million, Measure A Transit Fund of $1.5 billion, BART Operating Fund of $87 million, and Joint Development Fund of $12.4 million.

[7] Hsu, Tiffany. Lost Angeles Times. "Construction powers California job grown." June 19, 2014.

Total FY 2014 Net Position consisted of the following (in thousands):

Net Investment in Capital Assets		$ 2,613,290
Restricted:		
2000 Measure A projects	$ 538,095	
SWAP/lease collateral	76,349	
BART Operating	87,070	
Debt service	51,724	
Retention	4,724	
1996 Measure B Projects	1,646	759,608
Unrestricted:		
Debt reduction	$ 101,948	
Operating reserve	59,827	
Sales tax stabilization	35,000	
Local share of capital projects	113,607	
Inventory and prepaid expenses	21,288	
Irrevocable transfer made to OPEB trust fund	20,650	
Joint Development	10,606	
Express Lanes	1,690	364,616
Total Net Position		$ 3,737,514

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 VTA plans to pursue over the next 25 years. It considers all travel modes and addresses the links between transportation and land use planning, air quality, energy use, and community livability. VTA annually updates and incorporates the VTA Financial Forecasting Model as part of its long-range planning process. As a transit operator, VTA prepares the Short Range Transit Plan (SRTP) every two years. The SRTP is used as documentation to support projects included in the Regional Transportation Plan prepared by Metropolitan Transportation Commission (MTC) and activities contained in the county's long-range transportation plan.

Biennial Budget and Budgetary Controls

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

Funds with appropriated budget are categorized as follows:

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

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

Internal Control

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

Basis of Accounting

VTA's accounting records are maintained using the system of fund accounting. All proprietary and fiduciary funds are accounted for using accrual basis of accounting and the economic resources exchange measurement focus. Under the accrual basis, revenues are recorded when they are earned and expenses are recorded as soon as the goods or services are received, regardless of when the related cashflows take place.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available.

Reserves

The following table summarizes VTA Transit reserves established by the Board of Directors:

Reserve	Balance as of June 30, 2014 (in millions)	Remarks
Operating Reserve	$59.827	The operating reserve goal is 15% of the subsequent year's final operating budget in the VTA Transit Enterprise Fund. These funds are to remain unappropriated for any operating or capital use except to meet emergency needs that cannot be funded from any other source. The purpose of this reserve is to ensure that sufficient funds are always available in the event of either unanticipated revenue shortfalls or unavoidable expenditure needs. The detailed calculation and information on the operating reserve is shown on page 3-8.
Sales Tax Stabilization	$35.0	This reserve serves to mitigate the impact of sales tax receipt volatility on service levels and the operating budget. VTA Transit Sales Tax Stabilization reserve is at its current ceiling.
Debt Reduction	$102.0	This reserve may be used to reduce long-term liabilities or provide funding for approved transit-related capital improvements and replacement of capital assets. This reserve is used to fund local portion of the VTA Transit capital program in order to keep assets in a state of good repair.

Financial Stability Policy

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

1. Preservation of the level of fixed route transit service and paratransit service provided to VTA riders to the extent possible. This includes developing a service plan that is in accordance with VTA's Transit Sustainability Policy and service design guidelines and in the best interest of the public.

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

MAJOR INITIATIVE

VTA's BART Silicon Valley Project

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

The cost of the SVBX Project is approximately $2.4 billion, which includes $900 million in federal assistance, $386.2 million in state and other local funding, and $1.135 billion from Measure A sales tax. In March 2012, VTA received a $900 million grant commitment from the FTA for the project, along with the first $100 million allocation, as provided for in the Full Funding Grant Agreement (FFGA). The FFGA is a multi-year contractual agreement that formally defines the project scope, cost, and schedule, and establishes the terms of the federal financial assistance. Execution of the FFGA allowed the commencement of construction of the 10-mile, two-station BART extension. As of September 2014, $253 million of the grant funding has been expended and received. The most recent federal award occurred in August 2014 in the amount of $150 million.

VTA also received in August 2014 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.

The first major design and construction contract, valued at $772 million for the line, track, systems, and stations, was awarded in December 2011 to Design Builder Skanska-Shimmick-Herzog, a Joint Venture. Construction of the 10-mile, two-station project is planned for 2012 to 2016. Construction continues at future station areas and major intersections that the BART system will cross. In August 2014, McCarthy Builders was awarded the design-build contract in the amount of $87 million for the parking garages in Milpitas and Berryessa Stations.

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

VTA continues project development activities for the second 6-mile phase of the project that includes a 5.1 mile-long subway tunnel through downtown San Jose, and ends at grade in Santa Clara near the Caltrain Station. Construction on the second phase of the project will commence as additional funding is secured.

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 2013 Comprehensive Annual Financial Report. This is the 18th 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 are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this CAFR required a concerted team effort throughout VTA, including staff from Accounting, Disbursements, Revenue Services, Contracts and Purchasing, Risk Management, Budget and Analysis, Investment Services, and Finance departments. The Copy Center, Creative Services, 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

Raj Srinath
Chief Financial Officer
(As of October 6, 2014)

2014 VTA BOARD OF DIRECTORS

VTA is an independent special district governed by its own Board of Directors. Board members are elected governing officials appointed by the jurisdictions they represent, and all jurisdictions within the county have representation on the Board. The VTA Board of Directors 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.

Ash Kalra, Chairperson
Perry Woodward, Vice Chairperson
As of June 30, 2014

Group	Jurisdiction	Member
GROUP 1	City of San Jose	Xavier Campos Rose Herrera Ash Kalra Johnny Khamis Donald Rocha TBD, Alt.
GROUP 2	City of Los Altos	
	Town of Los Altos Hills	Rich Larsen, Alt.
	City of Mountain View	
	City of Palo Alto	Gail A. Price
GROUP 3	City of Campbell	Jason Baker, Alt.
	City of Cupertino	
	Town of Los Gatos	Joe Pirzynski*
	City of Monte Sereno	
	City of Saratoga	
GROUP 4	City of Gilroy	Perry Woodward
	City of Morgan Hill	Larry Carr, Alt.
GROUP 5	City of Milpitas	Jose Esteves
	City of Santa Clara	Jamie Matthews, Alt.
	Citty of Sunnyvale	David Whittum
GROUP 6	County of Santa Clara	Cindy Chavez Ken Yeager David Cortese,* Alt.
Ex-Officio	Metropolitan Transportation Commission Representing Santa Clara County	Sam Liccardo

**Dave Cortese and Joe Pirzynski also serve on the Metropolitan Transportation Commission.*

VTA BOARD OF DIRECTORS' STANDING COMMITTEES

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

2. **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 also oversees the activities of the auditor general, the internal audit function, and the public accounting firm that conducts VTA's financial audit.

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

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

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

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VTA BOARD OF DIRECTORS' ADVISORY COMMITTEES

1. **Committee for Transit Accessibility (CTA)** 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 21 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 broker and the VTA Board of Directors.

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

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

4. **Technical Advisory Committee (TAC)** is a 16 voting member committee comprised of one staff member (usually a public works, planning, 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) appoints one 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 Board of Supervisors. The PAC ensures that all local jurisdictions have an opportunity to participate in the development of VTA's policies.

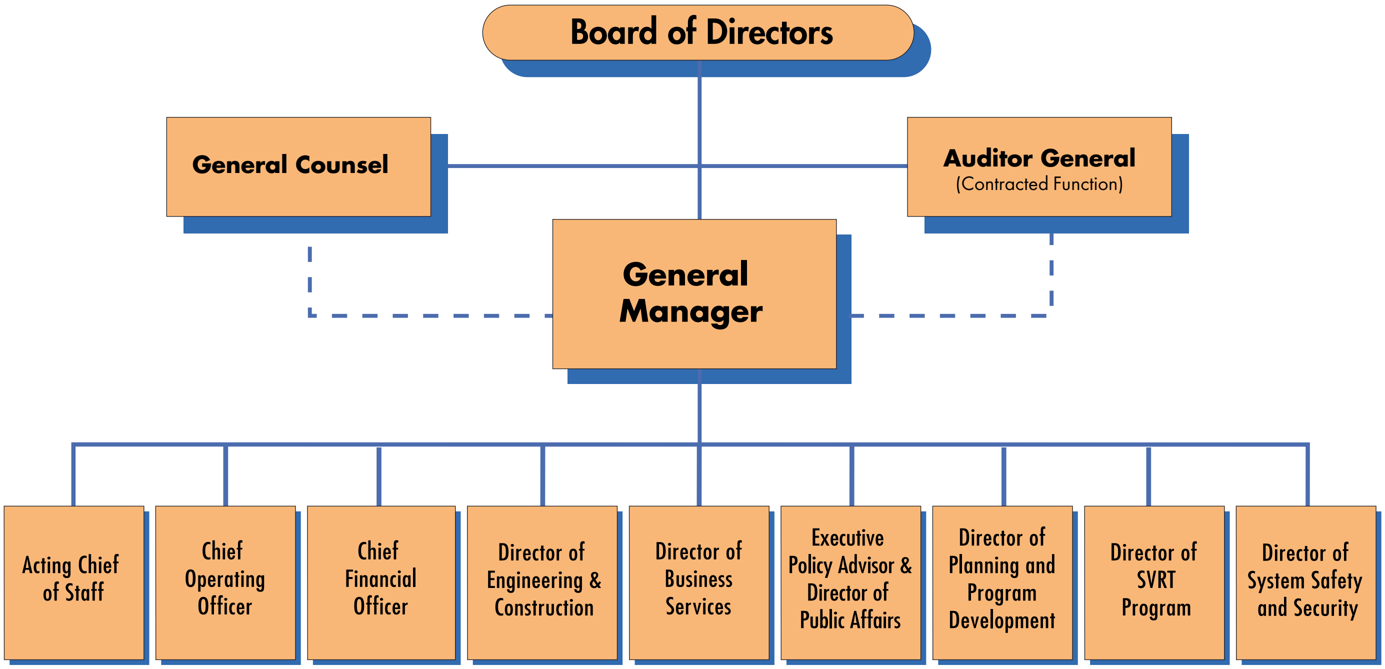
VTA BOARD OF DIRECTORS' POLICY ADVISORY BOARDS

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

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

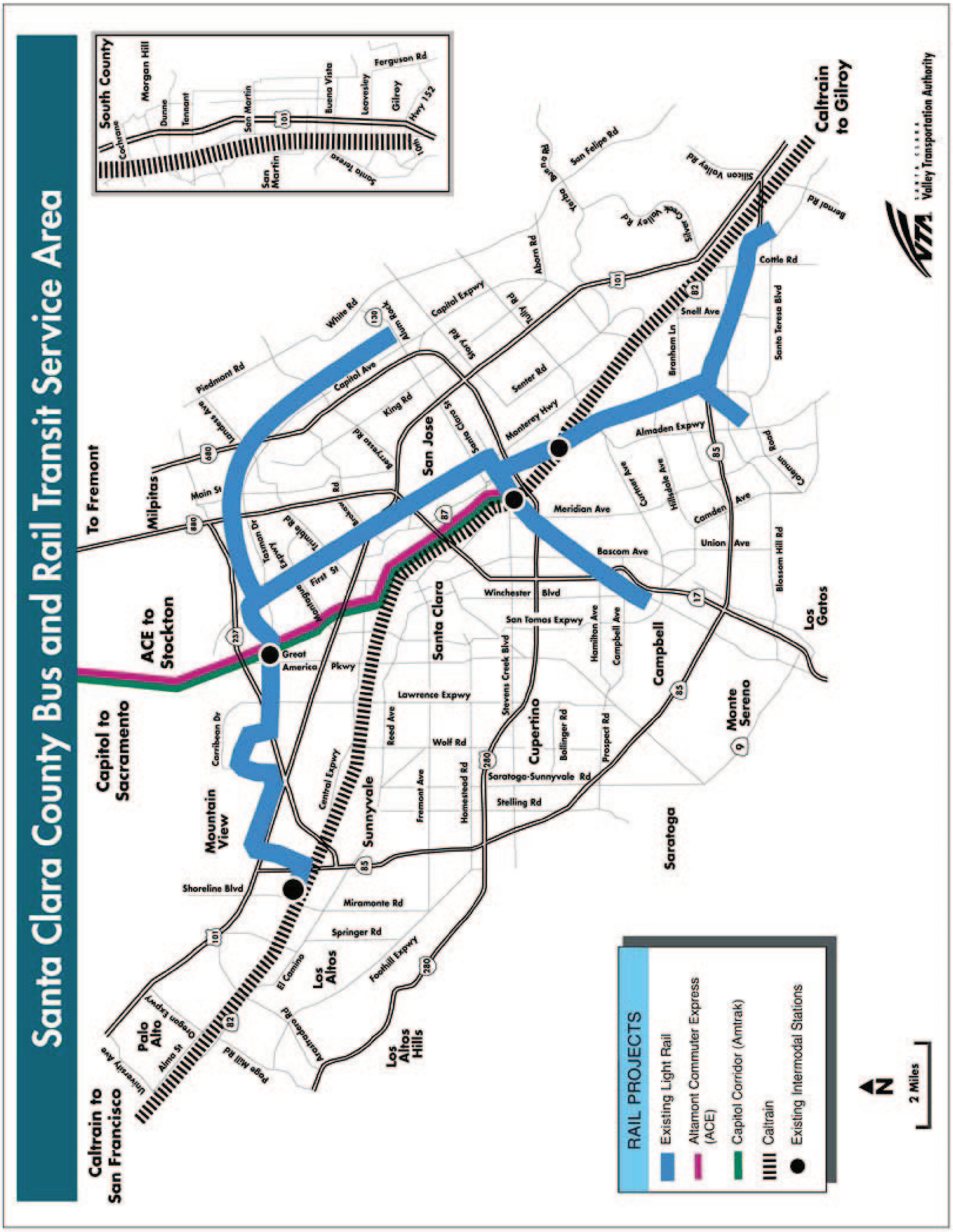
Santa Clara Valley Transportation Authority

As of June 30, 2014



Principal Officials as of June 30, 2014

General Manager	Nuria I. Fernandez
General Counsel	Robert Fabela
Auditor General	McGladrey LLP
Acting Chief of Staff	Sandra Weymouth
Chief Operating Officer	Michael Hursh
Chief Financial Officer	Joseph Smith
Director of Engineering & Construction	Mark Robinson
Director of Business Services	Bill Lopez
Executive Policy Advisor & Director of Public Affairs	James Lawson
Director of Planning and Program Development	John Ristow
Director of SVRT Program	Carolyn Gonot
Director of System Safety & Security	(Vacant)


Santa Clara County Bus and Rail Transit Service Area
South County
Morgan Hill
Cochrane
Dunne
Tennant
San Martin
San Martin
101
Santa Teresa
Buena Vista
Leavesley
Gilroy
Ferguson Rd
Hwy 152
10th
Caltrain to San Francisco
Capitol to Sacramento
ACE to Stockton
To Fremont
Milpitas
Mountain View
Palo Alto
Los Altos
Los Altos Hills
Sunnyvale
Santa Clara
San Jose
Cupertino
Campbell
Saratoga
Monte Sereno
Los Gatos
Caltrain to Gilroy
Great America Pkwy
Shoreline Blvd
Miramonte Rd
Springer Rd
Foothill Expwy
El Camino
Central Expwy
Lawrence Expwy
Reed Ave
Wolf Rd
Fremont Ave
Homestead Rd
Stevens Creek Blvd
Saratoga-Sunnyvale Rd
Stelling Rd
Bollinger Rd
Prospect Rd
Winchester Blvd
San Tomas Expwy
Hamilton Ave
Campbell Ave
Bascom Ave
Meridian Ave
Union Ave
Camden Ave
Blossom Hill Rd
Almaden Expwy
Curtner Ave
Hillsdale Ave
Coleman Road
Branham Ln
Snell Ave
Santa Teresa Blvd
Cottle Rd
Bernal Rd
Silicon Valley Rd
Silver Creek Valley Rd
San Felipe Rd
Yerba Buena Rd
Aborn Rd
Tully Rd
Capitol Expwy
Story Rd
Senter Rd
Monterey Hwy
Santa Clara St
King Rd
Berryessa Rd
Capitol Ave
White Rd
Alum Rock
Piedmont Rd
Landess Ave
Main St
Tasman Dr
Trimble Rd
Montague Expwy
First St
Brokaw Rd
Caribbean Dr
University Ave
Oregon Expwy
Alma St
Page Mill Rd
Arastradero Rd
RAIL PROJECTS
Existing Light Rail
Altamont Commuter Express (ACE)
Capitol Corridor (Amtrak)
Caltrain
Existing Intermodal Stations
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Santa Clara Valley Transportation Authority

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SECTION 2 – **FINANCIAL SECTION**

INDEPENDENT AUDITOR'S REPORT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Required Supplementary Information)

BASIC FINANCIAL STATEMENTS:

Government-wide Financial Statements
- Statement of Net Position
- Statement of Activities

Fund Financial Statements:

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

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

Fiduciary Funds:
- Statement of Fiduciary Net Position
- Statement of Changes in Fiduciary Net Position – Retiree Trust Funds

NOTES TO THE BASIC FINANCIAL STATEMENTS

Required Supplementary Information (other than MD&A):
- Schedule of Funding Progress – ATU Pension Plan
- Schedule of Funding Progress – CalPERS Plan
- Schedule of Funding Progress – Retirees' Other Post Employment Benefits Trust
- Budgetary Comparison Schedule – Congestion Management Program Special Revenue Fund
- Note to Required Supplementary Information – Budgetary Basis of Accounting

Supplementary Information – Combining and Individual Fund Statements and Schedules:

Enterprise Funds:
- Comparative Statement of Fund Net Position
- Comparative Statement of Revenues, Expenses and Changes in Fund Net Position
- Comparative Statement of Cash Flows
- Budgetary Comparison Schedule

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

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INDEPENDENT AUDITOR'S REPORT

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

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, 2014, 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 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.

Opinion

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, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Report on Summarized Comparative Information

We have previously audited VTA's financial statements as of and for the year ended June 30, 2013, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 14, 2013. In our opinion, the summarized comparative information presented in the Supplementary Information Section herein as of and for the year ended June 30, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Emphasis of Matter

VTA adopted Government Accounting Standards Board (GASB) Statement No. 65 - *Items Previously Reported as Assets and Liabilities as of July 1, 2013* which required classifying certain items as deferred inflow and outflow of resources on the statement of net position. 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, budgetary comparison information, and schedules of funding progress for pensions and other post employment benefit plans as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The enterprise and fiduciary fund supplementary information as listed in the table of contents is the responsibility of management and is 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.

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 20, 2014, 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 20, 2014

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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 2014. 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, 2014, VTA's net position amounted to approximately $3.7 billion. Of this amount, approximately $2.6 billion constituted net investment in capital assets which is associated with VTA's capital program.
- Enterprise Funds operating revenues mainly from passenger fares were $42.4 million, an increase of $599 thousand or 1.4% from FY 2013.
- As of June 30, 2014, VTA had total outstanding bonds in the amount of $1.2 billion. There was no new bond issuance in FY 2014.
- In FY 2014, VTA Transit Fund net position increased $13.9 million to $2.1 billion. The three board-designated reserves: Transit Operating Reserve, Debt Reduction Fund, and Sales Tax Stabilization Reserve were $59.8 million, $102 million, and $35 million, respectively.
- VTA Measure A Fund net position in FY 2014 added $215.5 million to a total of $1.5 billion. This amount is restricted for the Measure A Transit Improvement Program per the Measure A Ballot.
- The 1976 Sales Tax revenue, reflecting an improvement in taxable sales activity in the County, increased $9.7 million, or 5.5% from FY 2013 level to $186.4 million in FY 2014.
- The 2000 Measure A Sales Tax revenue increased $9.8 million or 5.5% to $186.3 million in FY 2014.
- Federal, state, and local operating assistance were $6.1 million or 4.3% higher in FY 2014 due to increases in the Transportation Development Act (TDA) revenue of $3.2 million, State Transit Assistance (STA) revenue of $0.4 million, and Federal Maintenance Assistance Grant revenue of $2.6 million. These were offset partly by a decline of $385 thousand in State Operating Assistance Grant relating to Employment Training Panel.
- Capital grants decreased by $79 million from the FY 2013 level, due to a decrease in grant-funded activities related to the Silicon Valley Berryessa Extension (SVBX). Additionally, there was a decrease in project activities with state funding pertaining to

pedestrian and bus stop improvements along Capitol Avenue to Eastridge Transit Center as the project approaches its completion. FY 2013 also reported $50.4 million State grant for the Hayward Maintenance Center which did not occur again in FY 2014.

- As of June 30, 2014, the net position of Express Lanes and Joint Development funds amounted to $1.7 million and $12.4 million, respectively. The Express Lanes Fund recorded toll collection from SR 237/I880 Express Connector. The Joint Development Fund reported rental revenues from properties overseen under the Joint Development Program.
- In FY 2014, BART operating fund's net position was $87 million. The BART Operating Sales Tax increased $2.8 million or 6.8%, to $44.8 million in FY 2014.

Overview of the Financial Statements

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

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

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

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

   The government-wide statements distinguish functions of VTA that are principally supported by sales tax and intergovernmental revenues. The VTA business-type activity is transit, which includes bus/light rail operations, joint development, express lanes, BART operating, and capital project activity. Although the transit operation's primary function is intended to recover its costs through charges for services (business-type activities), the recovery is not significant. The governmental activities of VTA consist of congestion management and highway programs, which include planning, programming, and construction of highway projects.

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

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

   VTA maintains three major governmental funds to account for the financial activities of VTA's Congestion Management Program, the Congestion Management and Highway Program, and the 1996 Measure B Highway Program.

   Proprietary funds - VTA maintains two types of proprietary funds: enterprise funds and internal service funds. The enterprise funds are used to report the same function presented as "business-type activities" in the government-wide financial statements. The internal service funds are used to account for activities that provide services to other funds, departments or to other governments on a cost-reimbursement basis. General Liability, Workers' Compensation, and Compensated Absences are accounted for in the internal service funds. VTA uses the enterprise funds to account for its transit operation and capital activities, the 1996 Measure B Transit projects, the 2000 Measure A capital and operating activities, BART Operating, Joint Development Program, and Express Lanes Program.

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

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

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

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

3. **Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 2-33 through 2-85 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 VTA's progress in funding its obligation to provide employees with pension benefits and also shows the Congestion Management Program Budgetary Schedule. Required supplementary information can be found on pages 2-86 through 2-90 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 2-91 through 2-101 of this report.

4. **Government-wide Financial Analysis**. The Government-Wide Statement of Net Position and the Statement of Activities report a $276.4 million increase in net position. The Business-Type activities were the major source of the growth as the Government-type activities' net position expanded by a mere $438 thousand. The rise in the business-type net position was due primarily to sales tax receipts, TDA, STA and operating grants, as well as capital grants related to VTA's BART Silicon Valley Extension Project as the locally funded capital expenditures were lower than the revenue receipts. The BART Operating sales tax total collection for the fiscal year was $44.8 million. During FY 2014, VTA enterprise funds acquired or built total capital assets of approximately $394.2 million (see Note 6). These capital assets were funded by a variety of sources such as federal and state grants, bond proceeds as well as local Measure A sales tax revenues.

Santa Clara Valley Transportation Authority
Condensed Statement of Net Position
FY 2014 and FY 2013
(In thousands)

	Business -Type Activities		Government Activities		Total	
	2014	2013	2014	2013	2014	2013
Asset:						
Current and other Assets	$1,600,886	$1,640,243	$ 19,141	$ 22,239	$1,620,027	$1,662,482
Capital assets, net	3,605,213	3,270,463	-	-	3,605,213	$3,270,463
Total assets	5,206,099	4,910,706	19,141	22,239	5,225,240	4,932,945
Deferred outflow of resources	87,918	74,794	-	-	87,918	74,794
Liabilities:						
Current Liabilities	276,696	222,602	17,121	20,657	293,817	243,259
Long-term liabilities outstanding	1,279,813	1,309,421	-	-	1,279,813	1,309,421
Total liabilities	1,556,509	1,532,023	17,121	20,657	1,573,630	1,552,680
Deferred inflow of resources	8,051	-	-	-	8,051	-
Net Position:						
Net Investment In Capital Assets	2,613,290	2,481,805	-	-	2,613,290	2,481,805
Restricted	759,608	649,724	2,020	1,582	761,628	651,306
Unrestricted	356,559	321,948	-	-	356,559	321,948
Total Net Position	$3,729,457	$3,453,477	$ 2,020	$ 1,582	$3,731,477	$3,455,059

The largest portion of VTA's net position (approximately 70%) reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment), less any related outstanding debt used to acquire those assets. VTA uses these capital assets to provide services to its customers. Consequently, these assets are not available for future spending. Although VTA's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot reasonably be used to liquidate these liabilities. The restricted net position represents mainly the funds set aside for the Measure A and B Transit Improvement Programs, BART operating, debt service collateral with the bond trustees, and SWAP/Lease collateral. The unrestricted categories include funds set aside by Board policies and for funding of local share of capital projects; inventory and prepaid expenses; VTA transit operating, debt reduction, express lanes and joint development program funds, sales tax stabilization, irrevocable transfer made to the OPEB Trust, and a deficit in compensated absences. The irrevocable transfer made to OPEB Trust, although unrestricted, is earmarked for OPEB Trust Fund's future operating needs. The unrestricted net position is generally available for appropriation with Board approval. The details of net position categories are shown on pages 2-39 to 2-40, Note 2(j).

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Condensed Statement of Activities
FY2014 and FY 2013
(In thousands)

	Business-Type Activities		Governmental Activities		Total	
	2014	2013	2014	2013	2014	2013
Expenses:						
Operations, support services, and CMP program	$ 392,042	$ 375,086	$ 7,544	$ 7,622	$ 399,586	$ 382,708
Caltrain subsidy & capital expenses, on behalf of, and contribution to other agencies	101,243	152,494	-	-	101,243	152,494
Altamont Commuter Express subsidy	3,019	2,939	-	-	3,019	2,939
Interest expense	27,088	31,655	-	-	27,088	31,655
Other non-operating expenses	11,096	5,865	-	-	11,096	5,865
Claims and change in future claim estimates	17,947	10,689	-	-	17,947	10,689
Contribution to agencies	-	-	68	25	68	25
Capital outlay on behalf of other agencies	-	-	36,184	34,245	36,184	34,245
Total expenses	552,435	578,728	43,796	41,892	596,231	620,620
Program revenues:						
Charges for services	42,420	41,821	2,519	2,520	44,939	44,341
Operating grants	148,669	142,577	2,424	1,775	151,093	144,352
Capital grants	193,899	272,950	38,989	37,612	232,888	310,562
Total program revenues	384,988	457,348	43,932	41,907	428,920	499,255
Net program revenues (expenses)	(167,447)	(121,380)	136	15	(167,311)	(121,365)
General revenues:						
Sales tax revenue	417,486	395,163	-	-	417,486	395,163
Investment income	9,861	316	23	8	9,884	324
Federal subsidy for Build America Bonds	8,755	9,126	-	-	8,755	9,126
Other Income	7,325	7,306	279	115	7,604	7,421
Total general revenues	443,427	411,911	302	123	443,729	412,034
Change in net position	275,980	290,531	438	138	276,418	290,669
Net position, beginning of year	3,453,477	3,162,946	1,582	1,444	3,455,059	3,164,390
Net position, end of year	$ 3,729,457	$3,453,477	$ 2,020	$ 1,582	$ 3,731,477	$3,455,059

Business-Type Activities - Total net position was $3.7 billion in FY 2014, up by $276 million from FY 2013 net position. Net program expenses (total expenses minus program revenues) were $167.4 million in FY 2014 compared to $121.4 million in FY 2013. Total expenses decreased $26.3 million despite the increase of $17 million in operation and support services which include labor, materials and supplies, utilities, and other operating expenses. There was a $51.3 million decrease in capital expenses on behalf of, and contributions to other agencies. The decrease is primarily due to $50.4 million project costs incurred for the BART Hayward Maintenance Center in FY 2013 that did not occur again in FY 2014. Interest expense decreased by $4.6 million primarily due to more capitalized interest in FY 2014 in the 2000 Measure A Fund. Other non-operating expenses increased by $5.2 million as a result of project studies conducted by consultants relating to light rail efficiency and new rail corridor. Claims and change in future claims estimates increased by $7.3 million. The increase is primarily due to general liability reserve adjustment based on actuarial disclosure of class action lawsuit affecting Employment Practices Liability.

In the program revenue categories, charges for services were up $599 thousand due mainly to the increases in express lanes revenues ($173 thousand), fare revenue ($41 thousand), advertising revenue ($220 thousand), and ACE shuttle revenue ($165 thousand). Operating assistance grants increased $6.1 million primarily due to the increase in the Transportation Development Act (TDA), State Transit Assistance (STA), and Federal Preventive Maintenance Assistance Grant of $3.2 million, $0.4 million, and $2.6 million, respectively. This was partly offset by the decline in State Operating Assistance Grant. Capital grants decreased by $79 million. Previous year reported a $50.4 million STIP grant receipt relating to the Hayward Maintenance Center which did not occur again in FY 2014. There was also a reduction in federal funded activities relating to Silicon Valley Berryessa Extension project and state-funded activities relating to pedestrian improvement at Capitol Avenue to Eastridge Transit Center as this project approached its completion. The increase in sales taxes of $22.3 million and investment income of $9.5 million, reduced slightly by the $0.4 million cut in federal subsidy for Build America Bonds (BABs) resulted to a $31.5 million improvement in total general revenues.

Governmental Activities - Total net position for the governmental activities increased $438 thousand in FY 2014, with an ending balance of $2 million, all in the Special Revenue Fund. Major elements of changes in fund balance were as follows:

- In the Congestion Management and Highway Program (CMHP) Capital Projects Funds, total federal, state, and local grant revenues were $38.7 million and capital expenditure and labor/overhead costs were also $38.7 million. In FY 2014, CMHP reported an increase in state and local grants in the form of Corridor Mobility Improvement Account (CMIA) and Measure A Swap. Measure B Highway Program showed capital grant revenue of $249 thousand with the same amount of capital expenditure. The decrease in Measure B Highway Program activities is due to the program's winding down to completion.

- In the Congestion Management Program (CMP) Special Revenue Fund, total revenue sources were $5.2 million, a growth of $0.8 million from the $4.4 million in FY 2013. The increase was mainly due to greater Surface Transportation Program (STP) revenue in FY 2014. Total expense was $4.8 million, an increase of $527 thousand from FY 2013 and the change in net position was $438 thousand. CMP projects were funded from member assessments and various federal, state, and local grants.

Financial Analysis of VTA's Funds - As noted earlier, VTA uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

Comparison of
Enterprise Funds Revenue
FY 2014 and FY 2013
(In thousands)

			Change	
			Favorable/(Unfavorable)	
Enterprise Funds Revenue	**2014**	**2013**	**Amount**	**Percent**
Charges for services	$ 42,420	$ 41,821	$ 599	1.43%
Operating grants	148,669	142,577	6,092	4.27%
Capital grants	193,899	272,950	(79,051)	(28.96%)
1976 half-cent sales tax	186,431	176,716	9,715	5.50%
2000 Measure A half-cent sales tax	186,302	176,533	9,769	5.53%
BART Operating Sales Tax	44,753	41,914	2,839	6.77%
Investment earnings	9,555	292	9,263	3172.26%
Federal subsidy for Build America Bonds	8,755	9,126	(371)	(4.07%)
Other income	6,835	6,616	219	3.31%
Total	$ 827,619	$ 868,545	$ (40,926)	(4.71%)

Charges for Services – In the VTA Transit and Express Lanes funds, charges for services, derived from bus farebox receipts, light rail ticket sales, toll fees, the sale of monthly passes (including Eco Pass and tokens), and advertising income, were $42.4 million in FY 2014, which represents a $599 thousand or 1.4% increase from FY 2013. Such increase was primarily due to the growth in toll fee collections from express lanes and direct service shuttle revenues. During FY 2014 toll revenues collected from the express lane were approximately $1.2 million. Passenger fares and advertising revenues also improved in FY 2014 primarily due to an increase in system ridership and higher negotiated advertising contract amounts, respectively.

Operating Grants - VTA Transit Operating grants include Transportation Development Act (TDA), State Transit Assistance (STA) grant, Federal Section 5307 Urbanized Formula Program Grants, state vehicle license fees (AB 434), and security planning grants. In FY 2014, total operating grants increased $6.1 million or 4.3% compared with FY 2013 primarily due to the increase in Transportation Development Act (TDA) revenue, State Transit Assistance (STA) revenue and Federal Maintenance Assistance Grant revenue, which was partly offset by the decline in State Operating Assistance Grant.

TDA funds are derived from a quarter-cent sales tax levied by the state on taxable transactions occurring in the Santa Clara County. The Metropolitan Transportation Commission (MTC) retains a portion of these funds for administration and approximately 94.5% is returned to the source county (i.e., Santa Clara). After sales tax derived from local measures, TDA revenue is VTA's second largest source of revenue for operations. For FY 2014, the actual TDA receipts were $89.5 million, reflecting $3.2 million or 3.7% rise over the prior fiscal year as the taxable sales activity in the county expanded during FY 2014.

STA funds are derived from state sales tax on diesel fuel. STA apportionments are made to regional transportation planning agencies (MTC in the San Francisco Bay Area Region) based on a formula that allocates 50% of the funds according to population and 50% according to the transit operator's qualified revenues in the region from the prior fiscal year. In FY 2014, VTA received $15.3 million compared to $14.9 million in FY 2013.

Federal Section 5307 allows eligible recipients to claim capital grant funds for maintenance costs and other projects such as routine bus replacements. Grant applicants may apply for FTA grants in an amount up to 80% of annual vehicle maintenance costs. The funds are reflected in the financial statements as Federal Operating Assistance. Currently, VTA considers a large portion of its bus maintenance costs for revenue and non-revenue vehicles as eligible expenses. For FY 2014, total grant revenues under this program were $41.6 million, a $2.6 million increase from FY 2013.

Capital Grants - Capital grants include Federal Section 5309 capital grants, various State transit-related capital grants, capital contribution from local agencies, and reimbursements received by VTA for capital expenses undertaken on behalf of other agencies. These were reported under the VTA Transit, Measure B Transit, and 2000 Measure A Transit funds. Total capital grants decreased $79 million or 29% to $194 million primarily due to the $50.4 million STIP grant received and spent on the Hayward Maintenance Center in FY 2013 that did not happen again in FY 2014. There were also reductions in federal-funded activities relating to Silicon Valley Berryessa Extension and state-funded activities relating to the pedestrian and bus-stop improvements along Capitol Avenue to Eastridge Transit Center as this project approached completion.

The 1976 Half-Cent Sales Tax Revenues - The 1976 Sales Tax is VTA’s single largest source of revenue for operations under the VTA Transit Fund. The State Board of Equalization (SBOE) collects the 1976 Sales Tax for VTA. The 1976 Sales Tax Revenues pay the operating and capital expenses, where state or federal capital assistance programs require that the recipient of assistance contribute locally derived revenues. For FY 2014, total sales tax revenues were $186.4 million, a $9.7 million or 5.5% growth compared to the prior fiscal year’s sales tax revenue.

2000 Measure A Half-Cent Sales Tax Revenues - The 2000 Measure A Half-Cent Sales Tax is collected by the SBOE for VTA in the same manner as the 1976 Measure B Sales Tax. The 2000 Measure A Sales Tax revenues are reported in the 2000 Measure A Transit fund and restricted for projects and operational activities included in the 2000 Measure A ballot. The collection of this tax occurred after the expiration of the 1996 Half-Cent Measure B Sales Tax on March 31, 2006. From the FY 2013 level, revenue soared by $9.8 million or 5.5% to $186.3 million in FY 2014.

BART Operating – In November 2008, county residents passed a 1/8-cent sales tax to fund the operating and maintenance costs of the VTA’s BART Silicon Valley Extension. Collection of the tax which will be for a period not to exceed 30 years, took effect on July 1, 2012. In FY 2014, total sales tax revenue under the BART Operating Fund was $44.8 million.

Investment Earnings - The investment earnings are derived from three primary sources: short, mid, and long-term investment portfolios. Investment earnings were primarily recorded under 2000 Measure A 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 earning increased $9.3 million from prior year. Improved investment results were largely the outcome of declining interest rates and mark-to-market gains.

Federal Subsidy for Build America Bonds (BABs) - In FY 2011, VTA issued 2010 Measure A Sales Tax Bonds which are taxable to the bond holders and recorded under 2000 Measure A Transit 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. In FY 2014, 2000 Measure A Transit Fund reported BABs subsidy of $8.8 million. The federal sequestration order reduced the BABs subsidy by $0.4 million in FY 2014 from previous year.

Other Income - In FY 2014, total other income was $6.8 million. The $0.2 million or 3% growth was mainly due to the increase in permit fees for utility relocation from third party contractors.

Total expenses for Enterprise Funds dropped $22.9 million or 4% in FY 2014. A detailed analysis of major expense categories is discussed below.

Comparison of
Enterprise Funds Expenses
FY 2014 and FY 2013
(In thousands)

			Change Favorable/(Unfavorable)	
Enterprise Funds Expenses	**2014**	**2013**	**Amount**	**Percent**
Operations and support services	$ 409,406	$ 381,823	$ (27,583)	(7.22%)
Caltrain and ACE subsidy	10,310	16,639	6,329	38.04%
Capital contributions to/or expenses on-behalf of other agencies	93,952	138,794	44,842	32.31%
Interest expense and other bond charges	27,088	31,655	4,567	14.43%
Other non-operating expenses	11,096	5,865	(5,231)	(89.19%)
Total	$ 551,852	$ 574,776	$ 22,924	3.99%

Operations and Support Services - Operations and support services expenses are incurred for bus and light rail operations, services, and support programs in VTA Transit Fund.

These expenses include labor, support services, contracted services, insurance, purchased transportation and other overhead costs related to bus and light rail operations. For FY 2014, operations and support services expense was $27.6 million or 7.2% compared to that of FY 2013. Labor and benefit costs increased $8 million or 3% in FY 2014 as a result of an increase in labor rates and service hours. Materials and supplies, services, casualty/liability insurance, and leases and rents also grew in FY 2014. The rise in material and supplies was the effect of intensified revenue vehicle maintenance in preparation for Levi's stadium transportation requirements. The increase in services expense was due to switch replacements and overhead contact system maintenance at light rail substations along the Guadalupe Corridor. Casualty/liabilities increased primarily due to general liability reserve adjustment based on actuarial estimate. Leases and rents increased as a result of more cost incurred during the relocation of the Downtown Customer Service Center. Cost of repairs on the old location was expensed as part of leases and rents.

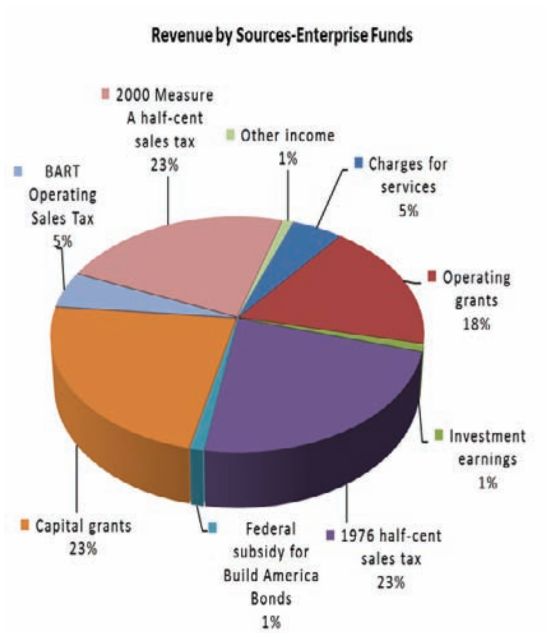
Caltrain and Altamont Commuter Express (ACE) Subsidy - Caltrain is a commuter rail service, provided by the Peninsula Corridor Joint Powers Board (PCJPB), which is composed of 3 member agencies: VTA, San Mateo County Transit District (SamTrans) and City and County of San Francisco. VTA contributes a 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 $7.3 million in FY 2014; $6.4 million lower than the $13.7 million contributed in FY 2013.

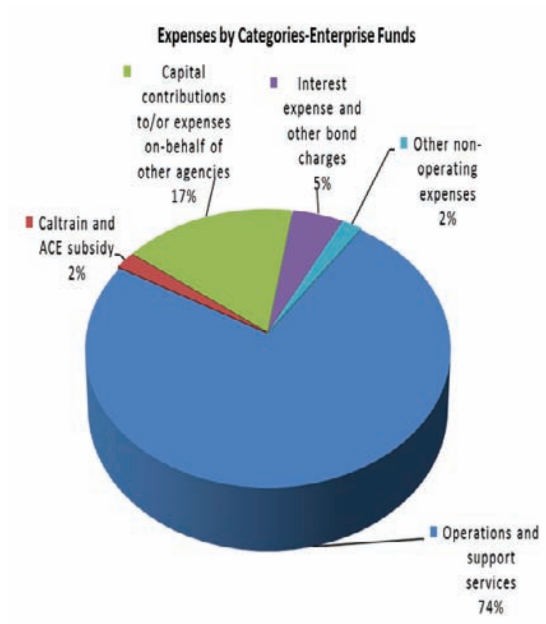
The ACE is administered by and funded under a cooperative agreement among VTA, the Alameda County Transportation Commission (Alameda CTC), and the San Joaquin Regional Rail Commission (SJRRC). VTA's subsidy to ACE commuter rail service under the VTA Transit Fund totaled $3.0 million in FY 2014; $0.1 million more than the contribution in FY 2013. The annual subsidy was based on the joint powers agreements with these agencies.

Capital Contributions to/or Expenses On Behalf of Other Agencies - As part of its capital program, VTA makes capital contribution to or undertakes capital projects jointly with other agencies. As the ownership of these capital projects does not rest with VTA, these capital expenses are reported as non-operating expenses on its financial statements. In FY 2014, total capital contributions to/or on behalf of other agencies were $93.9 million ($5.4 million in the VTA Transit Fund, and $88.5 million in the 2000 Measure A Transit Fund), or $45 million less compared to the preceding year's level. The decline is largely the result of waning activities in the following projects: Capitol Expressway Light Rail Pedestrian Improvements, Kato Road Grade Separation, and Lower Berryessa Creek. In addition, there was a contribution to BART associated with the Hayward Maintenance Center in FY 2013 that did not occur again in FY 2014.

Interest Expense and other Bond Charges -Interest expense and other bond charges were $27.1 million, $4.6 million less compared to prior year primarily because more interest expense was capitalized in FY 2014 than in FY 2013 in the 2000 Measure A Fund. As the 2010 taxable bonds were drawn down, the percentage of capitalized interest proportionately increased.

Other Non-Operating Expenses – Other non-operating expenses were $11 million, $5.2 million higher than prior year. Certain project studies relating to light rail efficiencies and new rail corridor projects were expensed.





Internal Service Funds - VTA maintains Internal Service Funds to account for the activities related to Workers' Compensation, General Liability, and Compensated Absences programs. The costs of these activities are accounted for in these funds and then charged to other VTA funds. As of June 30, 2014, the total deficit for this fund category, entirely from the Compensated Absences program, was $8.1 million and is funded by VTA Transit's FY 2015 operating budget.

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

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

Comparison of
Special Revenue Fund
FY 2014 and FY 2013
(In thousands)

Special Revenue Fund	2014	2013	Change Favorable/(Unfavorable) Amount	Change Favorable/(Unfavorable) Percent
Member agency assessment revenue	$ 2,407	$ 2,407	$ -	0.00%
Federal technical studies operating assistance grants	1,728	1,014	714	70.41%
State and local assistance grants	696	761	(65)	(8.54%)
Other revenues	279	115	164	142.61%
Administrative fees	112	113	(1)	(0.88%)
Investment earnings	23	8	15	187.50%
Total Revenues	5,245	4,418	827	18.72%
Salaries and benefits	(4,355)	(3,677)	(678)	(18.44%)
Professional services	(359)	(563)	204	36.23%
Contribution to agencies	(68)	(25)	(43)	(172.00%)
Material and Services	(25)	(13)	(12)	(92.31%)
Miscellaneous	-	(2)	2	100.00%
Total Expenses	(4,807)	(4,280)	(527)	(12.31%)
Change in fund balances	438	138	300	217.39%
Fund balances, beginning of year	1,582	1,444	138	9.56%
Fund balances, end of year	$ 2,020	$ 1,582	$ 438	27.69%

Total fund revenues under Congestion Management Program, which primarily include member assessments and grants, were $5.2 million in FY 2014, an improvement of $0.8 million from the preceding year. Total expenses of $4.8 million were up by $0.5 million compared to FY 2013 because there was an increase in federal technical studies operating assistance grant and other revenues associated with transportation modeling and ridership forecast services charged to other governmental agencies.

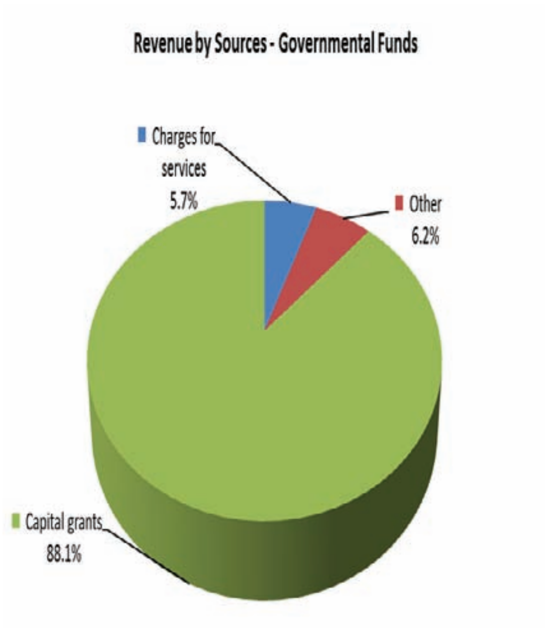
Capital Projects Fund - This fund accounts for VTA's two major capital programs – Congestion Management Highway Program and Measure B Highway Program. The table below shows the details of changes in fund balance between the current and prior fiscal year:

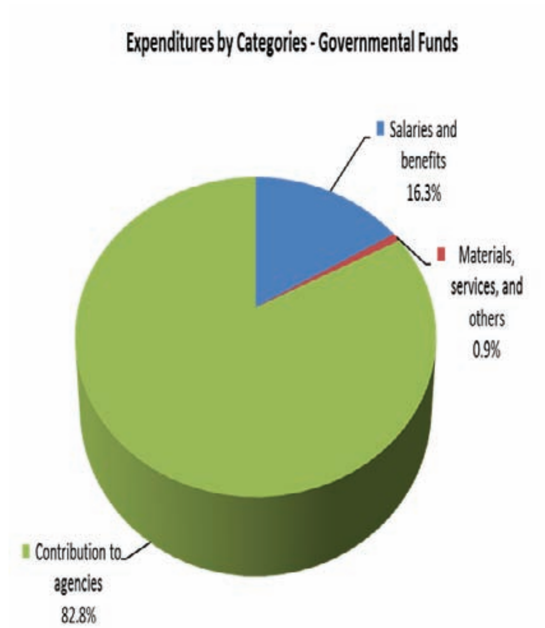
Comparison of
Capital Project Funds
FY 2014 and FY 2013
(In thousands)

			Change Favorable/(Unfavorable)	
Capital Projects Funds	**2014**	**2013**	**Amount**	**Percent**
Federal, State, and local capital grant revenues	$ 38,989	$ 37,612	$ 1,377	3.66%
VTA labor and overhead costs	(2,805)	(3,367)	562	16.69%
Capital expenditures on behalf of other agencies	(36,184)	(34,245)	(1,939)	(5.66%)
Change in fund balances	$ -	$ -	$ -	

As of June 30, 2014, total revenues were $38.9 million which represent the total amount expended on the projects and billed to other governmental agencies during the fiscal year. This consists of $38.7 million in Congestion Management and Highway Program, and $249 thousand in Measure B Highway Fund.

The VTA labor and overhead costs primarily from Congestion Management and Highway Program were $562 thousand lower in FY 2014. Capital expenditures on behalf of other agencies were $36.1 million in FY 2014, a $1.9 million increment caused by more project activities, primarily related to I-880/I-280 Improvements (Stevens Creek), US 101/Capitol Expressway/Yerba Buena Interchange, and Silicon Valley Express Lanes.





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, 2014, investment in capital assets net of accumulated depreciation amounts to $3.6 billion. This investment in capital assets includes Land and Right-of-Way, Buildings, Improvements, Equipment & Furniture, Vehicles, the Caltrain-Gilroy Extension, Light Rail Tracks/Electrification, Leasehold Improvements, and Other Operating Equipment. During FY 2014, VTA expended $394.2 million on the acquisition and construction of capital assets.

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

	2014	2013
Land and Right-of-way	$ 1,126,373	$ 1,122,368
Construction in Progress	1,728,066	1,347,410
Buildings & Improvements Equipment & Fixtures	257,841	270,026
Vehicles	273,708	293,344
Caltrain-Gilroy Extension	30,390	31,700
Light Rail Tracks/Electrification	171,373	186,347
Other Operating Equipment	10,689	12,053
Leasehold Improvements	6,773	7,215
Total	**$ 3,605,213**	**$ 3,270,463**

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

Long-term debt - At year-end, VTA had $1.2 billion bonds outstanding. For FY 2014, the total debt payment made was approximately $35 million while the total amortization of the bond premium was $5.8 million. VTA did not issue any debt in FY 2014.

Outstanding Debt
Proprietary Funds
(In thousands)

	2014	2013*
Sr. Lien Sales Tax Revenue Bonds (1976 Tax)	$ 210,535	$ 221,893
Sr. Lien Sales Tax Revenue Bonds (2000 Tax)	983,255	1,012,706
Total	$ 1,193,790	$ 1,234,599

*Restated for comparative purposes. Deferred amount in bond refunding is now shown as deferred outflow/inflow in accordance with GASB 65.

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

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

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

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

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

Requests for Information

Please address all questions or requests for additional information to the Fiscal Resources 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, 2014
(In thousands)

	Business-Type Activities	Governmental Activities	Total
ASSETS			
Cash and investments	$ 314,196	$ -	$ 314,196
Receivables, net	2,676	-	2,676
Internal balances	292	(292)	-
Due from other agencies	85,524	-	85,524
Inventories	20,195	-	20,195
Other current assets	1,094	-	1,094
Net OPEB asset	20,650	-	20,650
Restricted assets:			
Cash and investments	918,791	9,909	928,700
Receivables, net	333	-	333
Due from other agencies	232,009	9,524	241,533
Other current assets	279	-	279
Long-term assets:			
Intangible Assets	4,847	-	4,847
Capital assets - nondepreciable	2,854,439	-	2,854,439
Capital assets - depreciable, net of accumulated depreciation	750,774	-	750,774
Total assets	5,206,099	19,141	5,225,240
DEFERRED OUTFLOW OF RESOURCES			
Accumulated decrease in fair value of hedging derivative and deferred amount on refunding	87,918	-	87,918
LIABILITIES			
Accounts payable and accrued expenses	19,695	-	19,695
Deposits	951	-	951
Accrued payroll and related liabilities	7,557	-	7,557
Bond interest and other fee payable	590	-	590
Unearned revenues	1,971	-	1,971
Other accrued expenses	102	-	102
Liabilities payable from restricted assets:			
Accounts payable and accrued expenses	81,639	4,898	86,537
Bond interest and other fee payable	12,123	-	12,123
Unearned revenues	39	-	39
Due to other agencies	104,521	12,223	116,744
Long-term liabilities:			
Derivative instruments	76,104	-	76,104
Due within one year	47,508	-	47,508
Due in more than one year	1,203,709	-	1,203,709
Total liabilities	1,556,509	17,121	1,573,630
DEFERRED INFLOW OF RESOURCES			
Deferred amount on refunding	8,051	-	8,051
NET POSITION			
Net investment in capital assets	2,613,290	-	2,613,290
Restricted:			
SWAP/lease collateral	76,349	-	76,349
Debt Service	51,724	-	51,724
Retention	4,724	-	4,724
2000 Measure A projects	538,095	-	538,095
1996 Measure B projects	1,646	-	1,646
BART Operating	87,070	-	87,070
Congestion management program	-	2,020	2,020
Unrestricted (Note 2j)	356,559	-	356,559
Total Net Position	$ 3,729,457	$ 2,020	$ 3,731,477

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Statement of Activities
For the Year ended June 30, 2014
(In thousands)

	Business-Type Activities	Governmental Activities	Total
Expenses:			
Operations, support services, and CMP program	$ 392,042	$ 7,544	$ 399,586
Caltrain subsidy & capital expenses on behalf of, and contribution to other agencies	101,243	-	101,243
Altamont Commuter Express subsidy	3,019	-	3,019
Interest expense	27,088	-	27,088
Other non-operating expenses	11,096	-	11,096
Claims and change in future claim estimates	17,947	-	17,947
Contribution to agencies	-	68	68
Capital outlay on behalf of other agencies	-	36,184	36,184
Total expenses	552,435	43,796	596,231
Program revenues:			
Charges for services	42,420	2,519	44,939
Operating grants	148,669	2,424	151,093
Capital grants	193,899	38,989	232,888
Total program revenues	384,988	43,932	428,920
Net program revenues (expenses)	(167,447)	136	(167,311)
General revenues:			
Sales tax revenue	417,486	-	417,486
Investment income	9,861	23	9,884
Federal subsidy for Build America Bonds	8,755	-	8,755
Other income	7,325	279	7,604
Total general revenues	443,427	302	443,729
Change in Net Position	275,980	438	276,418
Net Position, beginning of year	3,453,477	1,582	3,455,059
Net Position, end of year	$ 3,729,457	$ 2,020	$ 3,731,477

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Statement of Fund Net Position
Proprietary Funds
June 30, 2014
(In thousands)

	Enterprise Funds							
	VTA Transit	Measure B Transit	Express Lanes	Measure A Transit	BART Operating	Joint Development	Total	Internal Service Fund
ASSETS								
Current assets:								
Cash and cash equivalents	$ 15,664	$ -	$ 58	$ -	$ -	$ 19	$ 15,741	$ 9,644
Investments	234,275	-	1,680	-	-	12,761	248,716	40,095
Receivables, net	2,640	-	29	-	-	7	2,676	-
Due from other funds	292	-	-	-	-	-	292	-
Due from other agencies	85,524	-	-	-	-	-	85,524	-
Inventories	20,195	-	-	-	-	-	20,195	-
Other current assets	1,094	-	-	-	-	-	1,094	-
Restricted assets:								
Cash and cash equivalents	-	4,033	-	4,817	5,413	-	14,263	-
Cash and cash equivalents with fiscal agent	1,560	-	-	250,417	-	-	251,977	-
Investments	61,900	-	-	517,363	73,288	-	652,551	-
Receivables, net	-	-	-	333	-	-	333	-
Due from other agencies	-	-	-	223,622	8,387	-	232,009	-
Other current assets	-	-	-	279	-	-	279	-
TOTAL CURRENT ASSETS	423,144	4,033	1,767	996,831	87,088	12,787	1,525,650	49,739
Noncurrent assets:								
Net OPEB Asset	20,650	-	-	-	-	-	20,650	-
Intangible Assets	-	-	-	4,847	-	-	4,847	-
Capital assets - Non-depreciable:								
Land and right of way	1,126,373	-	-	-	-	-	1,126,373	-
Construction in progress	93,807	763	-	1,633,272	-	224	1,728,066	-
Capital assets - Depreciable:								
Caltrain - Gilroy extension	43,072	-	-	-	-	-	43,072	-
Buildings, improvements, furniture, and fixtures	516,184	-	-	-	-	-	516,184	-
Vehicles	488,229	-	-	-	-	-	488,229	-
Light-rail tracks and electrification	415,905	-	-	-	-	-	415,905	-
Leasehold Improvements	9,686	-	-	-	-	-	9,686	-
Others	46,062	-	-	-	-	-	46,062	-
Less accumulated depreciation	(768,364)	-	-	-	-	-	(768,364)	-
Net capital assets	1,970,954	763	-	1,633,272	-	224	3,605,213	-
TOTAL NONCURRENT ASSETS	1,991,604	763	-	1,638,119	-	224	3,630,710	-
TOTAL ASSETS	2,414,748	4,796	1,767	2,634,950	87,088	13,011	5,156,360	49,739
DEFERRED OUTFLOW OF RESOURCES								
Accumulated decrease in fair value of hedging derivative	15,818	-	-	60,286	-	-	76,104	-
Deferred Amount on Refunding	11,814	-	-	-	-	-	11,814	-
TOTAL DEFERRED OUTFLOW OF RESOURCES	27,632	-	-	60,286	-	-	87,918	-
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	2,442,380	4,796	1,767	2,695,236	87,088	13,011	5,244,278	49,739

(*continued on next page)*

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Statement of Fund Net Position (*continued*)
Proprietary Funds
June 30, 2014
(In thousands)

	Enterprise Funds							
	VTA Transit	Measure B Transit	Express Lanes	Measure A Transit	BART Operating	Joint Development	Total	Internal Service Fund
LIABILITIES								
Current liabilities:								
Current portion of long-term debt	10,705	-	-	-	-	-	10,705	-
Accounts payable and accrued expenses	19,224	-	77	-	-	24	19,325	370
Deposits	386	-	-	-	-	565	951	-
Accrued payroll and related liabilities	7,557	-	-	-	-	-	7,557	-
Bond interest and other fee payable	590	-	-	-	-	-	590	-
Unearned revenues	1,931	-	-	-	-	40	1,971	-
Other accrued expenses	102	-	-	-	-	-	102	-
Claims liability	-	-	-	-	-	-	-	3,372
Compensated absences	-	-	-	-	-	-	-	7,656
Liabilities payable from restricted assets:								
Current portion of long-term debt	-	-	-	25,775	-	-	25,775	-
Accounts payable and accrued expenses	-	-	-	81,621	18	-	81,639	-
Bond interest and other fee payable	-	-	-	12,123	-	-	12,123	-
Unearned revenues	-	-	-	39	-	-	39	-
Due to other agencies	43,037	2,387	-	59,097	-	-	104,521	-
TOTAL CURRENT LIABILITIES	83,532	2,387	77	178,655	18	629	265,298	11,398
Non-current liabilities:								
Long-term debt, excluding current portion	199,831	-	-	957,480	-	-	1,157,311	-
Derivative instruments	15,818	-	-	60,286	-	-	76,104	-
Claims liability	-	-	-	-	-	-	-	26,595
Compensated absences	-	-	-	-	-	-	-	19,803
TOTAL NON-CURRENT LIABILITIES	215,649	-	-	1,017,766	-	-	1,233,415	46,398
TOTAL LIABILITIES	299,181	2,387	77	1,196,421	18	629	1,498,713	57,796
DEFERRED INFLOW OF RESOURCES								
Deferred Amount on Refunding	-	-	-	8,051	-	-	8,051	-
TOTAL LIABILITIES AND DEFERRED INFLOW OF RESOURCES	299,181	2,387	77	1,204,472	18	629	1,506,764	57,796
NET POSITION								
Net Investment in Capital Assets	1,772,232	763	-	840,295	-	-	2,613,290	-
Restricted:								
BART Operating	-	-	-	-	87,070	-	87,070	-
SWAP/lease collateral	18,863	-	-	57,486	-	-	76,349	-
Debt service	1,560	-	-	50,164	-	-	51,724	-
Retention	-	-	-	4,724	-	-	4,724	-
2000 Measure A projects	-	-	-	538,095	-	-	538,095	-
1996 Measure B projects	-	1,646	-	-	-	-	1,646	-
Unrestricted (Note 2j)	350,544	-	1,690	-	-	12,382	364,616	(8,057)
TOTAL NET POSITION	$ 2,143,199	$ 2,409	$ 1,690	$ 1,490,764	$ 87,070	$ 12,382	$ 3,737,514	$ (8,057)

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

Net Position of Enterprise Funds	$ 3,737,514
Net Position of Internal Service Funds, which benefits Business-type Activities	(8,057)
Net Position (Page 2-22)	$ 3,729,457

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year ended June 30, 2014
(In thousands)

	Enterprise Funds							
	VTA Transit	Measure B Transit	Express Lanes	Measure A Transit	BART Operating	Joint Development	Total Enterprise Funds	Internal Service Fund
OPERATING REVENUES:								
Passenger fares	$ 38,372	$ -	$ -	$ -	$ -	$ -	$ 38,372	$ -
Toll revenues collected	-	-	1,222	-	-	-	1,222	-
Advertising and other	2,826	-	-	-	-	-	2,826	-
Charges for services	-	-	-	-	-	-	-	21,882
Total Operating Revenues	41,198	-	1,222	-	-	-	42,420	21,882
OPERATING EXPENSES:								
Labor cost	280,690	-	-	-	-	-	280,690	-
Materials and supplies	32,806	-	-	-	-	-	32,806	-
Services	27,637	-	733	-	59	59	28,488	-
Utilities	7,582	-	3	-	-	-	7,585	-
Casualty and liability	13,813	-	-	-	-	-	13,813	-
Purchased transportation	18,493	-	-	-	-	-	18,493	-
Leases and rentals	1,334	-	-	-	-	-	1,334	-
Miscellaneous	1,616	-	-	-	-	-	1,616	4,518
Depreciation expense	59,445	-	-	-	-	-	59,445	-
Costs allocated to capital and other programs	(34,864)	-	-	-	-	-	(34,864)	-
Claims and change in future claims estimates	-	-	-	-	-	-	-	17,947
Total Operating Expense	408,552	-	736	-	59	59	409,406	22,465
Operating Income/(Loss)	(367,354)	-	486	-	(59)	(59)	(366,986)	(583)
NON-OPERATING REVENUES (EXPENSES):								
Sales tax revenue	186,431	-	-	186,302	44,753	-	417,486	-
Measure A operating assistance	34,386	-	-	(34,386)	-	-	-	-
Federal operating assistance and other grants	42,230	-	-	-	-	-	42,230	-
Federal subsidy for Build America Bonds	-	-	-	8,755		-	8,755	-
State and local operating assistance grants	106,439	-	-	-	-	-	106,439	-
Caltrain subsidy	(7,291)	-	-	-	-	-	(7,291)	-
Capital expense on behalf of, and contribution to other agencies	(5,391)	-	-	(88,561)	-	-	(93,952)	-
Altamont Commuter Express subsidy	(3,019)	-	-	-	-	-	(3,019)	-
Investment earnings	2,985	-	19	5,663	732	156	9,555	306
Interest expense	(9,766)	-	-	(17,322)	-	-	(27,088)	-
Measure A repayment obligations	10,290	-	-	(10,290)	-	-	-	-
Other income	6,135	-	-	365	-	335	6,835	490
Other expense	(392)	-	-	(10,704)	-	-	(11,096)	-
Total Non-operating Revenues (Expenses)	363,037	-	19	39,822	45,485	491	448,854	796
Income (loss) before capital contributions and transfers	(4,317)	-	505	39,822	45,426	432	81,868	213
Capital grants and contributions	18,249	4	-	175,646	-	-	193,899	-
Change in net position	13,932	4	505	215,468	45,426	432	275,767	213
Net Position, beginning of year	2,129,267	2,405	1,185	1,275,296	41,644	11,950	3,461,747	(8,270)
Net Position, end of year	$ 2,143,199	$ 2,409	$ 1,690	$ 1,490,764	$ 87,070	$ 12,382	$ 3,737,514	$ (8,057)

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	$ 275,767
Change in net position of the Internal Service Fund, which benefits Business-type Activities	213
Change in net position of Business-type Activities (Page 2-23)	$ 275,980

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2014

(In thousands)

	VTA Transit	Measure B Transit	Express Lanes	Measure A Transit	BART Operating	Joint Development	Total Enterprise Funds	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES								
Cash received from passenger fares	$ 38,415	$ -	$ -	$ -	$ -	$ -	$ 38,415	$ -
Cash received from Tolls	-	-	1,224	-	-	-	1,224	-
Cash received from advertising	2,847	-	-	-	-	-	2,847	-
Cash paid to employees	(244,859)	-	(733)	-	-	-	(245,592)	-
Cash paid to suppliers	(81,599)	-	(3)	-	(59)	(59)	(81,720)	-
Cash paid for purchased transportation	(18,493)	-	-	-	-	-	(18,493)	-
Cash received from contributions	-	-	-	-	-	-	-	21,882
Payments made to beneficiaries	-	-	-	-	-	-	-	(11,707)
Payments made to third party contractors	-	-	-	-	-	-	-	(3,029)
Other non-operating receipts/(payments)	1,809	-	39	97	13	325	2,283	552
Net cash provided by/(used in) operating activities	(301,880)	-	527	97	(46)	266	(301,036)	7,698
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES								
Operating grants received	153,889	-	-	-	44,122	-	198,011	-
Sales tax received	184,672	-	-	184,597	-	-	369,269	-
Measure A operating assistance	34,386	-	-	(34,386)	-	-	-	-
Measure A repayment obligations	10,290	-	-	(10,290)	-	-	-	-
Caltrain subsidy	(7,291)	-	-	-	-	-	(7,291)	-
Altamont Commuter Express subsidy	(3,019)	-	-	-	-	-	(3,019)	-
Capital contributions to other agencies	(5,391)	-	-	(88,929)	-	-	(94,320)	-
Net cash provided by/(used in) non-capital financing activities	367,536	-	-	50,992	44,122	-	462,650	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES								
Payment of long-term debt	(10,435)	-	-	(24,595)	-	-	(35,030)	-
Issuance and other cost	93	-	-	-	-	-	93	-
Advance (to)/from other governments	280	(23)	-	19,140	-	-	19,397	-
Interest and other fees paid on long-term debt	(8,592)	-	-	(22,674)	-	-	(31,266)	-
Acquisition and construction of capital assets	(23,691)	(11)	-	(318,912)	-	(159)	(342,773)	-
Capital contribution from other governments	17,136	4	-	53,159	-	-	70,299	-
Net cash provided by/(used in) capital and related financing activities	(25,209)	(30)	-	(293,882)	-	(159)	(319,280)	-
CASH FLOWS FROM INVESTING ACTIVITIES								
Proceeds from sale of investments	762,287	-	3,789	1,121,324	140,960	30,755	2,059,115	108,371
Purchase of investments	(791,649)	-	(4,676)	(1,119,470)	(183,671)	(31,600)	(2,131,066)	(107,315)
Interest income received	2,336	-	9	3,247	312	81	5,985	160
Net cash provided by/(used in) investment activities	(27,026)	-	(878)	5,101	(42,399)	(764)	(65,966)	1,216
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	13,421	(30)	(351)	(237,692)	1,677	(657)	(223,632)	8,914
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,803	4,063	409	492,927	3,736	676	505,614	730
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 17,224	$ 4,033	$ 58	$ 255,235	$ 5,413	$ 19	$ 281,982	$ 9,644

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Statement of Cash Flows *(Continued)*

Proprietary Funds

For the Year Ended June 30, 2014

(In thousands)

	VTA Transit	Measure B Transit	Express Lanes	Measure A Transit	BART Operating	Joint Development	Total Enterprise Funds	Internal Service Fund
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY/(USED IN) OPERATING ACTIVITIES:								
Operating income/(loss)	$ (367,354)	$ -	$ 486	$ -	$ (59)	$ (59)	$ (366,986)	$ (584)
Adjustments to reconcile operating income (loss) to net cash used in operating activities:								
Depreciation	59,444	-	-	-	-	-	59,444	-
Changes in operating assets and liabilities:								
Other current assets	(30)	-	-	-	-	-	(30)	-
Receivables	44	-	-	-	-	-	44	-
Due from other agencies	-	-	2	-	-	-	2	-
Inventories	(986)	-	-	-	-	-	(986)	-
Accounts payable	4,652	-	-	-	-	-	4,652	-
Other accrued liabilities	934	-	-	-	-	-	934	7,730
Deposits from others	(413)	-	-	-	-	-	(413)	-
Unearned revenue	20	-	-	-	-	-	20	-
Other non operating receipts/(payments)	1,809	-	39	97	13	325	2,283	552
Net cash provided by/(used in) operating activities	$ (301,880)	$ -	$ 527	$ 97	$ (46)	$ 266	$ (301,036)	$ 7,698
Reconciliation of cash and cash equivalents to the Statement of Fund Net Position:								
Unrestricted:								
Cash and cash equivalents	$ 15,664	$ -	$ 58	$ -	$ -	$ 19	$ 15,741	$ 9,644
Restricted:								
Cash and cash equivalents	-	4,033	-	4,818	5,413	-	14,264	-
Cash and cash equivalents with fiscal agent	1,560	-	-	250,417	-	-	251,977	-
	$ 17,224	$ 4,033	$ 58	$ 255,235	$ 5,413	$ 19	$ 281,982	$ 9,644
NONCASH ACTIVITIES:								
Increase/(Decrease) in fair value of investments	$ 1,772	$ -	$ 10	$ 2,416	$ 420	$ 75	$ 4,693	$ 146
Noncash capital contributions	(1,114)	-	-	(122,487)	-	-	(123,601)	-
Amortization expense of Caltrain Access Fee	-	-	-	(882)	-	-	(882)	-
Total non-cash activities	$ 658	$ -	$ 10	$ (120,953)	$ 420	$ 75	$ (119,790)	$ 146

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Balance Sheet

Governmental Funds

June 30, 2014

(In thousands)

	Special Revenue Fund	Capital Projects Funds		
	Congestion Management Program	Congestion Management & Highway Program	Measure B Highway Program	Total Governmental Funds
ASSETS				
Restricted assets:				
Cash and cash equivalents	$ 100	$ 4,959	$ 3,264	$ 8,323
Investments	1,586	-	-	1,586
Due from other agencies	770	8,754	-	9,524
TOTAL ASSETS	$ 2,456	$ 13,713	$ 3,264	$ 19,433
LIABILITIES				
Liabilities payable from restricted assets:				
Accounts payable	$ 72	$ 4,807	$ 19	$ 4,898
Due to other funds	-	281	11	292
Due to other agencies	364	8,625	3,234	12,223
TOTAL LIABILITIES	436	13,713	3,264	17,413
FUND BALANCES				
Restricted for congestion management program	2,020	-	-	2,020
TOTAL LIABILITIES AND FUND BALANCES	$ 2,456	$ 13,713	$ 3,264	$ 19,433

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year ended June 30, 2014
(In thousands)

	Special Revenue Fund	Capital Projects Funds		
	Congestion Management Program	Congestion Management & Highway Program	Measure B Highway Program	Total Governmental Funds
REVENUES:				
Assessment to member agencies	$ 2,407	$ -	$ -	$ 2,407
Federal grant revenues	1,728	-	-	1,728
Administrative fees	112	-	-	112
State and local operating assistance grants	696	-	-	696
Federal capital grant revenues	-	4,282	-	4,282
State and local capital grant revenues	-	34,458	249	34,707
Other revenues	279	-	-	279
Investment earnings	23	-	-	23
TOTAL REVENUES	5,245	38,740	249	44,234
EXPENDITURES:				
VTA labor and overhead costs	4,355	2,805	-	7,160
Professional services	359	-	-	359
Material and services	25	-	-	25
Contribution to agencies	68	-	-	68
Capital expenditures on behalf of other agencies	-	35,935	249	36,184
TOTAL EXPENDITURES	4,807	38,740	249	43,796
NET CHANGE IN FUND BALANCES	438	-	-	438
FUND BALANCES, BEGINNING OF YEAR	1,582	-	-	1,582
FUND BALANCES, END OF YEAR	$ 2,020	$ -	$ -	$ 2,020

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2014
(In thousands)

	ATU Pension, ATU Medical & OPEB Trust Funds	Agency Funds
ASSETS		
Restricted assets:		
Cash and Cash Equivalents	$ 286	$ 2,157
Corporate Bond	124,105	-
U.S. Government Securities	36,397	-
U.S. Agency notes	91,215	-
Equity Based	113,599	-
Mutual Funds	387,349	-
Money Market Funds	8,394	-
Investment Pool	342	23,640
Receivables	2,161	-
Deposit with others	10	-
TOTAL ASSETS	$ 763,858	$ 25,797
LIABILITIES		
Liabilities payable from restricted assets:		
Accounts payable	$ 872	$ 41
Program payable	-	25,756
TOTAL LIABILITIES	872	$ 25,797
NET POSITION		
Held in trust for:		
ATU Pension benefits	481,225	
Retiree medical benefits	260,309	
ATU Retiree spousal medical benefits	12,737	
ATU Retiree dental and vision benefits	8,715	
TOTAL NET POSITION	$ 762,986	

SANTA CLARA VALLEY TRANSPORTATION AGENCY

Statement of Changes in Fiduciary Net Position

For the Year ended June 30, 2014

(In thousands)

	ATU Pension, ATU Medical & OPEB Trust Funds
ADDITIONS	
Employer contributions	$ 41,636
Investment earnings:	
Investment income	40,241
Net appreciation in the fair value of investments	68,403
Investment expense	(2,502)
Net investment income	106,142
TOTAL ADDITIONS	147,778
DEDUCTIONS	
Benefit payments	42,793
Administrative expenses	341
TOTAL DEDUCTIONS	43,134
CHANGE IN NET POSITION	104,644
Net Position, Beginning of year	658,342
Net Position, End of year	$ 762,986

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NOTES TO THE BASIC FINANCIAL STATEMENTS

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NOTE 1 – THE FINANCIAL REPORTING ENTITY

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

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

The Santa Clara Valley Transportation Authority Congestion Management Program (CMP) was created in 1990 in response to Proposition 111. The CMP is not legally separate from VTA. The CMP is responsible for the development and implementation of the Valley Transportation Plan (VTP), the long-range transportation and land use plan for the County, and for preparing and implementing the state-mandated CMP. It is also responsible for the programming and oversight of discretionary federal, state, and local funds, and for serving as the program manager for certain countywide grant funds, including the Transportation Fund for Clean Air (TFCA) and 1996 Measure B Transportation Improvement Program's (MBTIP) Ancillary Program. Annual contributions from 17 member agencies are based on a formula adopted by the VTA Board of Directors. The contribution formula considers each member agency's share of Proposition 111, state gas tax monies, as well as employment within the County. The CMP is included as a major governmental fund in the accompanying basic financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation

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

The statement of activities presents a comparison between direct expenses and program revenues for the business-type and governmental activities. Direct expenses are those that are specifically associated with a program or function and; therefore, are 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.

<u>*Fund Financial Statements*</u> - 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 <u>*Proprietary Funds*</u> are used to account for activities for which a fee is charged to external or internal users for good or services. VTA reports the following <u>*Enterprise Funds:*</u>

- The <u>*VTA Transit Fund*</u> is used accounts for the transit operations of VTA. The primary sources of funding for transit operations are the TDA one-half cent sales tax, farebox collections, and federal/state grants.
- The <u>*Measure B Transit Fund*</u> is used to account for the 1996 Measure B Transit Improvement Program.
- The <u>*Measure A Transit Fund*</u> is used to account for the 2000 Measure A Transit Improvement Program funded through one-half cent sales tax as approved in an election by voters of County of Santa Clara requiring that sales tax revenues be expended on projects included in the scope of 2000 Measure A.
- The <u>*BART Operating Fund*</u> is used to account for the one-quarter of half-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 <u>*Express Lanes Fund*</u> 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 account for activities affecting the plan and development of housing office use and retail uses around station sites and along transit corridors.

Additionally, VTA reports the following *Internal Service Funds:*

- The *Internal Service Funds* are used account for compensated absences and risk management activities of VTA, which are managed through a combination of purchased insurance and self-insurance.

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

- The *Congestion Management Program Special Revenue Fund* is used to account for the congestion management planning, programming, and development services for Santa Clara County. Major sources of revenue for this fund are member agency assessments, and federal and state grants.
- The *Congestion Management and Highway Program Capital Projects Fund* is used to account for the acquisition of capital assets and construction of highway projects administered on behalf of State and other local governments (other than those accounted for in the Measure B Highway Program Capital Projects Fund).
- The *Measure B Highway Program Capital Projects Fund* is used to account for acquisition of capital assets or construction of Measure B Highway projects.

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

- VTA *Trust Funds* include retiree funds namely VTA/ATU Pension Plan, Other Post-Employment Benefits Trust (OPEB), and ATU Spousal Medical and Retiree Dental/Vision Plan.
- VTA *Agency Funds* include:
    - *Bay Area Air Quality Management District* (BAAQMD) which accounts for the activities that relate to the Transportation Fund for Clean Air (TFCA) program.

- *Senate Bill (SB) 83 Vehicle Registration Fund* (VRF) was established to administer the vehicle registration fee collected under SB 83 and approved by voters in 2010.
- *Measure B Ancillary Program* was established to administer the 1996 Measure B funds.

(b) Basis of Accounting

The government-wide, business-type funds, and fiduciary funds including agency funds financial statements are reported using the accrual basis of accounting and the economic resources exchange measurement focus. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions in which VTA gives (or receives) value without directly receiving (or giving) equal value in exchange, include sales tax and grants. Revenues from sales tax are recognized when the underlying transactions take place. Therefore, recorded sales taxes include an accrual for amounts collected by the State Board of Equalization but not remitted to VTA at the end of the fiscal year. Revenues from grants are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements for the purchase of right-of-way are considered met once the acquisition has settled. Fiduciary funds, including all agency funds, are also reported using accrual basis of accounting and the economic resources exchange measurement focus.

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

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

(c) Cash and Investments

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

The remaining cash balances in certain VTA funds are invested in the Local Agency Investment Fund (LAIF). Unless there are specific legal or contractual requirements for specific allocations, income earned or losses arising from investments are allocated on a monthly basis to the appropriate fund(s) based on their average daily balances. The balance available for withdrawal is based on the accounting records maintained by LAIF using an amortized cost basis. The fair value of VTA's investment in the pool is reported in the accompanying financial statements at amounts based on 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).

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

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

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

(d) Inventories

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

(e) Restricted Assets

Restricted assets consist of monies and other resources, the use of which are legally restricted for capital and operating, as well as debt service and funds swap/lease collateral.

(f) Bond Discounts, Premiums, and Bond Refunding Gain/Loss

Bond refunding gain/loss for the government-wide statement of net position and the enterprise funds are reported as deferred inflow/outflow of resources and amortized on a straight line basis over a period equal to the term of the related bond. The discounts and premiums are amortized using the effective interest rate method. Government-wide and enterprise fund bond discounts and premiums are presented as a reduction and addition, respectively, of the face amount of bonds payable.

(g) Capital Assets

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

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

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

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

Interest is capitalized on construction in progress. Accordingly, interest 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 $28.3 million relating to the Measure A Transit Improvement Projects.

(h) Vacation and Sick Leave Benefits

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

(i) Self-Insurance

VTA is self-insured for general liability and workers' compensation claims. Estimated losses on claims other than workers' compensation claims are charged to expense in the period the loss is determinable. Estimated losses for workers' compensation claims are charged to expense as a percentage of labor in each accounting period. The costs incurred for workers' compensation and general liability (including estimates for claims incurred but not yet reported) are 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, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.

  The Statement of Fund Net Position as of June 30, 2014, on pages 2-24 and 2-25 reports that enterprise fund net position invested in capital assets (net of related debt) is $2.6 billion.

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

  The Statement of Fund Net Position on pages 2-24 & 2-25 reports that enterprise fund restricted net position amount to $759.6 million as of June 30, 2014, of which $538.1 million and $87.0 million are restricted by enabling legislation for the 2000 Measure A Sales Tax and BART Operating Sales Tax programs, respectively. The 2000 Measure A half-cent sales tax was approved by Santa Clara County voters to fund certain transportation-related projects. The BART Operating 1/8-cent sales tax is dedicated to the operation, maintenance, improvement, and future capital needs of the BART Silicon Valley Extension. When both restricted and unrestricted net positions are available, unrestricted resources are used only after the restricted resources are depleted.

- <u>Unrestricted Net Position</u> 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:

	Proprietary Funds				
	VTA Transit Fund	Express Lanes Fund	Joint Development Fund	Total Enterprise Funds	Internal Service Fund
Local share of capital projects	$ 111,831	$ -	$ 1,776	$ 113,607	$ -
Debt reduction	101,948	-	-	101,948	-
Express Lane	-	1,690	-	1,690	-
Joint Development	-	-	10,606	10,606	-
Irrevocable transfer made to OPEB trust fund	20,650	-	-	20,650	-
Sales Tax stabilization	35,000	-	-	35,000	-
Operating reserve	59,827		-	59,827	-
Inventory and prepaid expenses	21,288	-	-	21,288	-
Workers' Compensation, General Liability & Compensated Absences	-	-	-	-	(8,057)
Total	$ 350,544	$ 1,690	$ 12,382	$364,616	$(8,057)

(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 $34.9 million as costs allocated to capital and other programs. This amount represents a credit for direct and indirect labor and associated fringe benefits, reproduction and mileage costs, and other costs that were capitalized as construction in progress.

(l) Estimates

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

(m) Fund Balance - Governmental Funds

The Congestion Management Program Fund balance is classified as restricted. These are amounts that can be spent only for specific purposes because of enabling legislation or constraints that are externally imposed by creditors, grantors, contributions, or the laws or regulations of other governments.

(n) Spending Order Policy

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

(o) Intangible Assets

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

NOTE 3 - CASH AND INVESTMENTS

Total cash and investments as of June 30, 2014, are reported in the accompanying basic financial statements as follows (in thousands):

	Enterprise Funds	Internal Service Funds	Governmental Funds	Retiree Trust Funds	Agency Funds	Total
Unrestricted:						
Cash and Cash Equivalents	$ 15,741	$ 9,644	$ -	$ -	$ -	$ 25,385
Investment	248,716	40,095	-	-	-	288,811
Total unrestricted	264,457	49,739	-	-	-	314,196
Restricted:						
Cash and Cash Equivalents	14,263	-	8,323	286	2,157	25,029
Cash and Cash Equivalents with Fiscal Agents	251,977	-	-	-	-	251,977
Investments	652,551	-	1,586	761,401	23,640	1,439,178
Total restricted	918,791	-	9,909	761,687	25,797	1,716,184
Total Cash and Investments	$1,183,248	$ 49,739	$ 9,909	$761,687	$ 25,797	$2,030,380

As of June 30, 2014 total cash and investments among all funds consisted of the following (in thousands):

Cash & Cash Equivalents	$ 50,414
Cash & Cash Equivalents with Fiscal Agents	251,977
Investments	1,727,989
Total	$2,030,380

Cash and Cash Equivalents

VTA maintains checking accounts for its operations (including Joint Development, Express Lanes, and Internal Service Fund), the Congestion Management and Highway Programs (CM&HP), and the Measure B Transportation Improvement Program (Measure B account).

These checking accounts earn interest based on the bank's monthly sweep average repurchase agreement rate. At June 30, 2014, the carrying amounts of these cash balances are shown below (in thousands):

Operation Account	$ 41,422
CM&HP Account	4,959
Measure B Account	4,033
Total Deposits	$ 50,414

Investments

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

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

Specific restrictions of investment are noted below:

VTA's investment policies (VTA Investment of Unrestricted and Restricted Funds, ATU, and Retirees' Other Post-Employment Benefits Trust Fund) conform to state statutes, and provide written investment guidance regarding the types of investments that may be made and amounts, which may be invested in any one financial institution or amounts which may be invested in any one long-term instrument. VTA's permissible investments include U.S. treasury obligations, obligations of federal agencies and U.S. government sponsored enterprises, state of California obligations, local agency obligations, bonds issued by VTA except BABs, bankers' acceptances, commercial paper, repurchase and reverse repurchase agreements, medium-term corporate notes, insured savings/money market accounts, negotiable certificates of deposit, mortgage and asset-back obligations, mutual funds, State of California's local agency agreements, and qualified structured investment. Asset allocations for ATU Pension Plan, ATU Spousal Medical Plan, and Retirees' OPEB are all included investments in bonds, equity securities, and cash.

The Local Investment Advisory Board has oversight responsibility for Local Agency Investment Fund (LAIF). The Board consists of five members as designated by the state statute.

VTA's portfolio includes asset-backed securities, which are invested and managed by money managers and structured notes which are invested indirectly through LAIF. At June 30, 2014, investment in LAIF is $50 million. LAIF is voluntarily commingled within the state of California Pooled Money Investment Account (PMIA), whose balance at June 30, 2014, was approximately $64.8 billion. If cash reserves of the state of California are exhausted, then the participation by the State's General Fund in the PMIA is zero. There is no correlation between the state's general fund cash reserves and VTA's funds on deposit in the LAIF. None of this amount was invested in derivative instruments. PMIA is not a Securities and Exchange Commission (SEC) registered pool, but it is required to invest in accordance with the guidelines established by the California Government Code. The average life of the investments in PMIA on June 30, 2014, was 232 days. The value of the pool shares in investment earnings are paid quarterly based on the average daily balance. Withdrawals from LAIF are completed on a dollar for dollar basis.

<u>Interest Rate Risk</u> – Interest rate risk is the risk that changes in market interest rates may adversely affect the fair value of an investment. Normally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. Of VTA's (Operation Funds and Plan Trust Funds) $1.73 billion in investments, 15.6% of the investments have a maturity of less than 1 year. Only 8.3% of the remainder has a maturity of more than 10 years. Per VTA's investment policy, long-term securities of more than five years are limited to 40% of the portfolio.

<u>Credit Risk</u> – Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Per its investment policy, VTA is permitted to hold investments in commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record. Negotiable certificate of deposit must have long-term ratings of Aa/AA or better by two national rating agencies. Purchases of mortgage and asset-back obligations do not exceed 20% of VTA's portfolio. In addition, VTA is permitted to invest in the state's Local Agency Investment Fund, money market, and mutual funds that are non-rated. The table on page 2-46 shows the credit quality of VTA's investments as of June 30, 2014.

<u>Custodial Credit Risk – Deposits</u> - For deposits, custodial credit risk is the risk that in the event of a bank failure, VTA's deposits may not be returned to it. In accordance with VTA's requirements, all of its deposits are 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. California Law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of VTA's cash on deposit or first trust deed mortgage notes with a value of 150% of the deposit as collateral for these deposits. At June 30, 2014, VTA deposits were collateralized by securities held by the financial institutions, which was not in VTA's name.

<u>Custodial Credit Risk – Investments</u> – The custodial credit risk for investments is the risk that, in the event of a failure of the counterparty (e.g. broker-dealer) to a transaction, 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 its exposure to custodial credit risk by requiring that all securities owned by VTA are kept in safekeeping with "perfected interest" in the name of VTA by a third-party bank trust department, acting as agent for VTA under the terms of a custody agreement executed between the bank and VTA. As of June 30, 2014, VTA did not participate in reverse securities lending that would result in any possible risk in this area.

<u>Concentration of Credit Risk</u> – Concentration of credit risk is the risk that the failure of any one issuer would place an undue financial burden on VTA. Investments issued by or explicitly guaranteed by the U.S. Government and investments in mutual funds, external investment pools, and other pooled investments are exempt from this requirement, as they are normally diversified themselves. VTA's investments in U.S. Government or Agency investments at year end are 45.1%. There is no limitation on amounts invested in these types of issues per VTA's policy. At June 30, 2014, VTA had $314.8 million representing 18.2% of VTA's portfolio invested in debt securities issued by the US Government Agencies. At June 30, 2014, VTA had $161.0 million, $122.6 million, and $20.5 million representing 9.3%, 7.1% and 1.2% of VTA's portfolio invested in debt securities issued by the Federal National Mortgage Association (FNMA), Federal Home Loan Mortgage Corporation (FHLM), and Federal Farms Credits (FHR), respectively. Of the 29.0% of the portfolio invested in equities, no investment in a single issuer exceeds 5%.

Certain investments, such as obligations that are backed by the full faith and credit of the United States Treasury are not subject to credit ratings.

The following schedule indicates the maturity of investments at June 30, 2014 (in thousands):

Investment Type	Maturity: Less than 1 Year	2-5 Years	6-10 Years	Over 10 Years	Market Value
Corporate Bonds - Commingled[1]	$ 30,030	$ 235,250	$ -	$ 510	$ 265,790
Corporate Bonds - Pension Plan	-	28,629	25,737	23,027	77,393
Corporate Bonds - OPEB Trust	128	16,628	16,415	13,541	46,712
US Government Agency Bonds					
Commingled	108,549	107,497	7,580	-	223,626
Pension Plan	-	1,917	1,390	52,987	56,294
OPEB Trust	-	285	2,966	31,670	34,921
US Treasury					
Commingled	61,949	340,547	25,016	-	427,512
Pension Plan	9,357	12,642	-	-	21,999
OPEB Trust	1,001	13,397	-	-	14,398
SUB TOTAL	**211,014**	**756,792**	**79,104**	**121,735**	**1,168,645**
Money Market Funds - Pension	5,559	-	-	-	5,559
Money Market Funds - OPEB Trust	2,835	-	-	-	2,835
Cash with Fiscal Agents - Commercial Paper/CD	169,139	-	-	-	169,139
Cash with Fiscal Agents - LAIF	80,914	-	-	-	80,914
TOTAL INVESTMENTS with Money Managers	**469,461**	**756,792**	**79,104**	**121,735**	**1,427,092**
LAIF	50,000	-	-	-	50,000
SUB TOTAL	**$ 519,461**	**$ 756,792**	**$ 79,104**	**$ 121,735**	**1,477,092**
Equity-Based Investments					500,949
Retention Fund at Escrow Agents (Deposits)					1,925
Cash Deposits [1]					50,414
TOTAL					**$ 2,030,380**

[1] $627 thousand in Retirees, ATU, ATU Spousal Medical Plan are included in these line items.

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

	Fair Value (In Thousands)	Percentages of Portfolios
Unrated	$ 692,509	34.11%
Not Applicable	778,750	38.35%
BB+	2,933	0.14%
BBB	28,720	1.41%
BBB-	11,380	0.56%
BBB+	43,518	2.14%
A-1	94,595	4.66%
A-1+	75,294	3.71%
A	87,534	4.31%
A-	95,538	4.71%
A+	37,579	1.84%
AA	18,187	0.90%
AA-	15,730	0.78%
AA+	22,227	1.10%
AAA	25,886	1.28%
TOTAL	**$ 2,030,380**	**100.00%**

As of June 30, 2014, the Retiree Trust Funds restricted investments consisted of the following (in thousands):

ATU Pension Plan Investments	$ 480,100
ATU Spousal Medical Investments	21,433
Retirees Medical Trust	259,868
Total	$ 761,401

NOTE 4 – INTERFUND TRANSACTIONS

The composition of interfund balances as of June 30, 2014 is as follows (in thousands):

Due from other funds	Due to other funds	Amount
VTA Transit Fund	Congestion Management & Highway Program Fund	$ 281 [1]
VTA Transit Fund	Measure B Highway Program Fund	11 [1]
		$ 292

[1] represents mainly labor cost transfer

NOTE 5 – DUE FROM AND DUE TO OTHER AGENCIES

Due from other agencies as of June 30, 2014 consisted of the following (in thousands):

	Business-Type Activities	Governmental Activities		
DUE FROM OTHER AGENCIES	Enterprise Funds	Congestion Management Program	Congestion Management & Highway Program	Total
Federal Government	$ 204,755	$ 150	$ 1,818	$ 206,723
State Government	103,073	477	4,974	108,524
Cities and other local agencies	9,705	143	1,962	11,810
	$ 317,533	$ 770	$ 8,754	$ 327,057

Due from other agencies as of June 30, 2014, is reported in the accompanying general-purpose financial statements as follows (in thousands):

	Business-Type Activities	Governmental Activities		
ASSETS	Enterprise Funds	Congestion Management Program	Congestion Management & Highway Program	Total
Current Assets (Unrestricted)	$ 85,524	$ -	$ -	$ 85,524
Current Assets (Restricted)	232,009	770	8,754	241,533
	$ 317,533	$ 770	$ 8,754	$ 327,057

Due to other agencies as of June 30, 2014, consisted of the following (in thousands):

	Business-Type Activities	Governmental Activities			
DUE TO OTHER AGENCIES	Enterprise Funds	Congestion Management Program	Congestion Management & Highway Program	Measure B Highway Program	Total
State Government	$ 94,671	$ -	$ -	$ -	$ 94,671
County of Santa Clara	2,387	364	7,967	3,234	13,952
City of Milpitas	-	-	406	-	406
City of San Jose	28	-	122	-	150
City of Fremont	90	-	-	-	90
Misc. - Outreach	7,345	-	-	-	7,345
Misc.- Others	-	-	130	-	130
Total	$ 104,521	$ 364	$ 8,625	$ 3,234	$ 116,744

Due to other agencies as of June 30, 2014, is reported in the accompanying basic financial statements as follows (in thousands):

	Business-Type Activities	Governmental Activities			
LIABILITIES	Enterprise Funds	Congestion Management Program	Congestion Management & Highway Program	Measure B Highway Program	Total
Liabilities payable from restricted assets	$ 104,521	$ 364	$ 8,625	$ 3,234	$ 116,744

NOTE 6 – CAPITAL ASSETS

Capital asset changes for VTA's business-type activities for the year ended June 30, 2014 were as follows (in thousands):

	July 1, 2013	Additions	Retirements	Transfers	June 30, 2014
Capital assets, not being depreciated					
Land and right-of-way	$ 1,122,368	$ 4,005	$ -	$ -	$ 1,126,373
Construction in progress	1,347,410	389,875	-	(9,219)	1,728,066
Total capital assets, not being depreciated	2,469,778	393,880	-	(9,219)	2,854,439
Capital assets, being depreciated					
Caltrain - Gilroy extension	43,072	-	-	-	43,072
Buildings improvements, furniture and fixtures	508,345	141	(431)	8,129	516,184
Vehicles	486,460	41	-	1,728	488,229
Light-rail tracks and electrification	413,674	-	(31)	2,262	415,905
Leasehold improvement	9,686	-	-	-	9,686
Other operating equipment	45,876	186	-	-	46,062
Total capital assets, being depreciated	1,507,113	368	(462)	12,119	1,519,138
Accumulated Depreciation					
Caltrain - Gilroy extension	(11,372)	(1,310)	-	-	(12,682)
Buildings, improvements, furniture and fixtures	(238,319)	(17,523)	399	(2,900)	(258,343)
Vehicles	(193,116)	(21,405)	-	-	(214,521)
Light-rail tracks and electrification	(227,327)	(17,215)	10	-	(244,532)
Leasehold improvement	(2,471)	(442)	-	-	(2,913)
Other operating equipment	(33,823)	(1,550)	-	-	(35,373)
Total accumulated depreciation	(706,428)	(59,445)	409	(2,900)	(768,364)
Total capital assets, being depreciated, net	800,685	(59,077)	(53)	9,219	750,774
Total capital assets, net	$ 3,270,463	$ 334,803	$ (53)	$ -	$ 3,605,213

Construction in Progress (CIP) includes capitalized costs and right-of-way acquisitions associated with the following projects as of June 30, 2014 (in thousands):

Bus Program	$ 43,581
Commuter Rail Program	1,973
Information Systems Technology	22,495
Light Rail - Way, Power & Signal	38,690
Light Rail Program	116,048
Operating Facilities & Equipment	13,281
Passenger Facilities	161
Revenue Vehicles & Equipment	16,088
Silicon Valley Rapid Transit	1,471,572
Vasona Corridor Projects	3,844
Others	333
Total	$ 1,728,066

Additional information regarding projects in progress as of June 30, 2014 is as follows (in thousands):

Information Regarding Capital Projects:	Costs
Total Board approved capital budget	$ 4,851,984
Capital expenses settling to CIP	(1,728,066)
Capital expenses settling to capital assets	(379,704)
Capital expenses settling to expense	(718,476)
Remaining capital budget available	$ 2,025,738
Anticipated funding sources are as follows:	
Federal, state, and other local assistance	$ 887,211
Local contributions	1,138,527
Total funding sources	$ 2,025,738

VTA has outstanding commitments of about $958.9 million as of June 30, 2014, related to the above capital projects.

NOTE 7 - LONG-TERM DEBT & LIABILITIES

Long-term debt as of June 30, 2014, consisted of the following (in thousands):

Secured by VTA's 1976 Measure A 1/2 Cent Sales Tax:	
2007 Series A Refunding ($16,420 plus unamortized premium of $263)	$ 16,683
2008 Series A-C Refunding	150,895
2011 Series A ($39,575 plus unamortized premium of $3,383)	42,958
Sales tax revenue bonds secured by VTA'S 2000 Measure A 1/2-cent sales tax:	
2007 Series A ($109,755 plus unamortized premium of $1,720)	111,475
2008 Series A-D Measure A Refunding	235,875
2010 Series A-B Refunding ($624,055 plus unamortized premium of $11,850)	635,905
Total Long Term Debt	1,193,791
Less: Current portion of long-term debt	(36,480)
Long term debt, excluding current portion	$ 1,157,311

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

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

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

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

- $47.5 million of 2011 Series A Sales Tax Revenue Refunding Bonds (2011 Bonds) were issued, at a true interest cost of 2.73%, to refund the 1998 Series A Sales Tax Revenue Bonds and the 2000 Series A Sales Tax Revenue Bonds (collectively, the

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

"Refunded Bonds"), maturing in series on each June 1st from 2012 – 2028. The Refunded Bonds were variable rate bonds, which were issued through the California Transit Finance Authority. The bonds were refunded in order to reduce bank and interest rate risk associated with variable rate demand bonds. Proceeds of the 2011 Bonds were deposited into an escrow account held by a Trustee, and were used to pay the principal and accrued interest on the refunded bonds on the redemption date of October 5, 2011. There are no 1998 Series A Sales Tax Revenue Bonds or 2000 Series A Sales Tax Revenue Bonds outstanding, and no funds remaining in escrow. The economic gain, which is calculated by comparing the present value of the original issue debt service to the present value of the refunded issue debt service is, $0.15 million. This assumes that the variable rates on the refunded bonds would have remained constant through maturity at a rate equivalent to their historic average weekly rate of 2.52% and liquidity costs equivalent to similar rates paid on the 2008 VTA Bonds. 2011 Series A Bonds maturing on or before June 1, 2021 are not subject to redemption prior to their respective stated maturities. The 2011 Bonds maturing on or after June 1, 2022 are subject to redemption prior to their stated maturities any time on or after June 1, 2021.

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

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

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

- Concurrent with the issuance and sale of the 2008 Measure A Bonds, four interest rate swap agreements (originally entered into concurrent with the issuance of the Series A-D of the 2006 Measure A Sales Tax Revenue Bonds, none of which remain outstanding) were reassigned to the 2008 Measure A Bonds. Pursuant to the terms of the swap agreements, VTA pays interest at a fixed rate of 3.765% to the counterparties to the swaps. In return, the counterparties pay VTA a variable rate of interest equal to 65% of three-month LIBOR. The outstanding principal is used as the basis on which the interest payments are calculated. Under certain circumstances, the agreements are subject to termination before maturity of the 2008 Measure A Bonds.

(c) Interest Rate Swaps

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

(d) Summary:

The terms, fair values, and credit ratings of the outstanding swaps as of June 30, 2014 were as follows (dollars in thousands):

Associated Bonds	Current Notional	Effective Date	Fixed Rate Paid	Variable Received	Fair Value	Termination Date	Counterparty Credit Rating[CR]
2008A	$ 60,435	7/7/2005[ED]	3.145%	Cal-E[VR]	$ (6,334)	6/1/2026	Aa2/AAA/NR[†]
2008B	45,230	7/7/2005[ED]	3.145%	Cal-E[VR]	(4,742)	6/1/2026	A2/A/A
2008C	45,230	7/7/2005[ED]	3.145%	Cal-E[VR]	(4,742)	6/1/2026	Baa2/A-/A
MA 2008A	85,875	8/10/2006	3.765%	65% 3Mo LIBOR	(21,949)	4/1/2036	A2/A/A
MA 2008B	50,000	8/10/2006	3.765%	65% 3Mo LIBOR	(12,779)	4/1/2036	Baa2/A-/A
MA 2008C	50,000	8/10/2006	3.765%	65% 3Mo LIBOR	(12,779)	4/1/2036	Aa2/AAA/NR[†]
MA 2008D	50,000	8/10/2006	3.765%	65% 3Mo LIBOR	(12,779)	4/1/2036	Baa2/A-/A
Total	$ 386,770				$(76,104)		

[CR] Moody's, Standard and Poor's and Fitch, respectively.
[ED] Amended June 26, 2008 to reflect on-market fixed rate to be paid of 3.145%.
[VR] Lower of 1 month LIBOR or a rate equal to the greatest of 63.5% of 1 month LIBOR or 55% of 1 month LIBOR plus 0.44%.
[†] NR - No rating for Fitch

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

Fair Values: At June 30, 2014, the swaps had a negative fair value of $76.1 million. This is because interest rates have declined since the execution of the swaps. Because the coupons on VTA's variable rate bonds adjust to changing interest rates, the bonds do not have corresponding fair value increases or decreases. The fair values of the interest rate swaps were estimated using the zero-coupon method. The swaps were deemed to be effective derivative instruments using regression analysis and therefore were recorded as deferred outflow of resources in the assets section and as a derivative instrument liability in the liability section of the statement of net assets.

Credit Risks: It is VTA's policy to enter into derivative agreements with highly rated counterparties. 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, 2014. 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 certain events. VTA is entitled to collateral in an amount up to 100% of the swap's fair value as identified in the following table:

Swap	Amount of Collateral Required	Rating Threshold for Collateral Requirement[CR]	Rating Threshold for 100% Collateral
2008A	$ 5,000,000	A3/A-	Baa1/BBB+
2008B	7,000,000	A2/A	A3/A-
2008C	5,000,000	A3/A-	Baa3/BBB-
MA2008A	7,000,000	A2/A	A3/A-
MA2008B	7,000,000	A2/A	A3/A-
MA2008C	5,000,000	A3/A-	Baa1/BBB+
MA2008D	5,000,000	A3/A-	Baa3/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 enters into derivative agreements with multiple counterparties to limit concentration of credit risk. Currently, VTA has interest rate swaps with four different counterparties and no counterparty accounts for more than 35% of outstanding notional. VTA monitors counterparty credit risk on an ongoing basis.

Basis Risk: 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 swap 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 payments on the hedged item are not offset by the variable receipts from the swap. On June 30, 2014, the weighted average interest rates of the variable rate debt associated with the 2008 VTA VRDO Bonds was 0.035%. The interest rate for variable rate payments received from the counterparties pursuant to the swaps was 0.15%. The weighted average interest rates of the variable rate debt associated with the 2008 Measure A VRDO Bonds was 0.0425%, and the interest rate for variable rate payments received from the counterparties pursuant to the swaps was 0.152%.

*Interest Rate Risk**:*** Interest payments on VTA's variable rate debt will typically increase as interest rates increase. VTA believes it has significantly reduced interest rate risk by entering into pay-fixed, receive floating interest rate swaps. As interest rates increase, variable rate debt interest payments increase and net swap payments decrease. As interest rates decrease, variable rate debt interest payments decrease and net swap payments increase.

Rollover Risk: Rollover risk is the risk that a hedging derivative instrument associated with a hedgeable items does not extend to the maturity of that hedgeable item. All of VTA's swap agreements have maturities equal to the term of the bonds.

*Termination Risk**:*** VTA has the right to terminate any swap at its option at any time. In addition, each counterparty may terminate a swap if VTA fails to perform under the terms of the contract. Furthermore, the terms of the agreements provide for Additional Termination Events in the event that the ratings of either the counterparty or the unenhanced long-term revenue bonds ratings of VTA are downgraded below Baa3 by Moody's or BBB- by S & P. An additional termination event, if it occurs, could cause a substantial termination payment to be owed by VTA. As of the end of the period, VTA's unenhanced long-term revenue bond rating is Aa2 by Moody's and AAA by S&P (AA+ for Measure A secured bonds).

Tax Risk: As with other forms of variable rate exposure and the relationship between the taxable and tax-exempt markets, VTA is exposed to tax risk should tax-exempt interest rates on variable rate debt issued in conjunction with the swaps rise faster than taxable interest rates received by the swap counterparties, due particularly to reduced federal or state income tax rates, over the term of the swaps.

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

Commitments: All of the swap agreements contain provisions that require collateral posting by VTA at specific fair value amounts based on VTA's unenhanced long term credit ratings during times when the swaps are in liability positions (negative fair value). For swaps associated with long-term variable rate bonds secured by VTA's 1976 Sales Tax Revenues, VTA is required to post the full collateralization of the fair value of the transactions should VTA's credit rating fall below A or A2 for one of the swaps and below A- or A3 for two of the swaps. For the swaps associated with long-term variable rate bond secured by 2000 Measure A Sales Tax Revenues, VTA is required to post the full collateralization of the fair value of the transaction should the long-term unenhanced rating fall below A or A2 for two swaps, and below A- or A3 for the other two swaps. In addition, each credit support annex requires collateral posting at various rating levels and threshold amounts. Collateral generally consists of cash, U.S. Government securities and U.S. Agency securities. As of June 30, 2014, VTA had $2.8 million of cash collateral posted with one counterparty, related to a swap associated with the long-term variable rate bonds secured by 2000 Measure A Sales Tax Revenues.

(e) *Swap Payments and Associated Debt*

Using rates as of June 30, 2014, debt service requirements on VTA's swap-related variable rate debt and net swap payments are as follows. As rates vary, variable rate bond interest payments and net swap payments will vary (dollars in thousands).

Year Ending June 30	Principal Total	Remarketing Interest Total	Interest Rate Swap-Net Total	Debt Service Total
2015	$ 4,570	$ 153	$ 13,028	$ 17,751
2016	10,165	151	12,878	23,194
2017	10,465	147	12,573	23,185
2018	10,775	144	12,258	23,177
2019	11,095	140	11,935	23,170
2020 - 2024	70,015	636	54,481	125,132
2025 - 2029	33,810	518	44,053	78,381
2030 - 2034	113,575	466	39,571	153,612
2035 - 2036	122,300	65	5,564	127,929
	$ 386,770	$ 2,420	$ 206,341	$ 595,531

Long-Term Debt Obligation Summary

Interest Rates on all outstanding fixed-rate obligations range from 3.00% - 5.00%. Interest on the variable rate debt is reset weekly based upon market conditions. Projected principal and interest obligations as of June 30, 2014 are as follows:

(Dollars in thousands)	Principal	Interest	Total
Year ending June 30:			
2015	$ 36,480	$ 55,479	$ 91,959
2016	41,275	53,855	95,130
2017	42,980	52,119	95,099
2018	44,830	50,228	95,058
2019	46,865	48,177	95,042
2020-2024	266,110	207,399	473,509
2025-2029	270,755	138,166	408,921
2030-2034	289,495	64,755	354,250
2035-2036	137,785	6,874	144,659
	1,176,575	$ 677,052	$1,853,627
Unamortized bond premium	17,216		
Total debt	1,193,791		
Less current portion	(36,480)		
Long-term portion of debt	$1,157,311		

(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

(Dollars in thousands)	July 1, 2013	Additions	Reductions	June 30, 2014	Amounts Due Within One Year
Sales Tax Revenue Bonds Secured by 1976 ½ Cent Sales Tax					
2007 Series A	$ 18,640	$ -	$ 2,220	$ 16,420	$ 2,360
2008 Series A-C	155,450	-	4,555	150,895	4,570
2011 Series A	43,235	-	3,660	39,575	3,775
Sales Tax Revenue Bonds Secured by 2000 Measure A ½ Cent Sales Tax					
2007 Series A	112,515	-	2,760	109,755	2,895
2008 Series A-D	235,875	-	-	235,875	-
2010 Series A-B	645,890	-	21,835	624,055	22,880
Total Outstanding Debt	1,211,605	-	35,030	1,176,575	36,480
Plus (less) premiums/discounts	18,529	4,835	6,148	17,216	-
Outstanding Debt, Net	1,230,134	4,835	41,178	1,193,791	36,480
Derivative Instruments Liability	74,794	2,414	1,104	76,104	-
Claims Liability:					
General Liability	5,016	11,348	4,903	11,461	1,560
Worker's Compensation	18,231	6,695	6,420	18,506	1,812
Compensated Absences	26,451	4,421	3,413	27,459	7,656
Total Long-Term Liabilities	$1,354,626	$ 29,713	$ 57,018	$ 1,327,321	$ 47,508

VTA's Transit Fund reflects a deferred amount on refunding in the amount of $11.8 million related to the 2007 and 2008 bonds as a deferred outflow of resources. Additionally, the Measure A Transit Fund reflects a deferred amount on refunding in the amount of $8.1 million presented as a deferred inflow of resources on the financial statements.

NOTE 8 – SALES TAX REVENUES

Sales tax revenue represents sales tax receipts from the California State Board of Equalization, which, under voter-approved 1976 and 2000 Sales Tax Measures, collects a half-cent for each taxable sales dollar spent in the County. These amounts are available to fund both operations and capital expenses except that portion which is to be used to repay long-term debt as described in Note 7. In November 2008, county residents passed a 1/8-cent sales tax to fund the operating and maintenance costs of the BART Extension. The amount of the 1976 Sales Tax, 2000 Measure A Sales Tax, and BART Operating Sales Tax recognized during FY 2014 was $186.4 million, $186.3 million, $44.8 million, respectively, totaling $417.5 million.

NOTE 9 – VTA PROGRAMS FUNDED THROUGH LOCAL SALES TAX MEASURES

Measure B Transportation Improvement Program (MBTIP)

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

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

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

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

During the current fiscal year, VTA paid approximately $821 thousand for current year costs for the program. This amount was contributed by the Santa Clara County as follows: $4 thousand of Measure B fund for transit projects in the Enterprise Fund; $249 thousand of Measure B fund for highway projects in the Measure B Highway Capital Projects Fund; and $568 thousand for the Ancillary Program (Measure B & Fund Swap Projects, Pavement and Bikeways).

2000 Measure A Program

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

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

- Extend San Francisco Bay Area Rapid Transit District service (“BART”) from Fremont through Milpitas to Downtown San Jose and the Santa Clara Caltrain Station (the “Silicon Valley Rapid Transit Project” or “SVRT”);
- Provide connections from the San Jose International Airport to BART, Caltrain commuter rail service (“Caltrain”) and VTA’s light rail system;
- Extend VTA’s light rail system from Downtown San Jose to the East Valley portion of Santa Clara County (“DTEV Extension”);
- Purchase low floor light rail vehicles to better serve the disabled, senior and other segments of the ridership;
- Improve Caltrain by extending the system’s double track to Gilroy and providing funds to electrify the system;
- Increase Caltrain service;
- Construct a new Palo Alto Intermodal Transit Center;
- Improve bus service in major bus corridors;
- Upgrade the Altamont Commuter Express (“ACE”) services;

- Improve the Highway 17 express bus service;
- Connect Caltrain with the Dumbarton Rail Corridor (serving Alameda and San Mateo County);
- Purchase zero emission buses and construct service facilities;
- Provide funds to develop new light rail corridors;
- Fund operating and maintenance costs associated with increased bus, rail, and paratransit service.

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

- Completed the purchase of low floor light rail vehicles;
- Completed the Zero Emission Bus demonstration project;
- Reached a Project Agreement between the City of San Jose and VTA establishing a project description and vision statement for Bus Rapid Transit (BRT) in the Santa Clara/Alum Rock corridor. An environmental document was completed and approved in 2008. Utility relocation is expected to be completed by fall of 2014. Construction is expected to be completed by late 2015. A contract to procure buses has been awarded in February 2013 and buses are expected to arrive by end of 2014. Service is scheduled to begin in late 2015. On the El Camino Real Transit Improvement Project, environmental scoping process took place in February and March 2013. A Project Study Report has been sent to Caltrans for review. Federal Transit Administration (FTA) has approved the project for Small Starts review to compete for a discretionary grant. Different cross sections have been analyzed and preliminary and traffic projections have been developed. Revenue service is estimated to start in mid-2018. On the Stevens Creek/West San Carlos Corridor, conceptual engineering has begun. Revenue service date is estimated to start in late 2017;
- Received $900 million grant commitment from the FTA for the Silicon Valley Berryessa Extension (SVBX) Project in March 2012. All major municipal and utility master agreements required for SVBX have been executed. Remaining third-party agreements are forecast to be in place to support SVBX implementation. Full Notice to Proceed was granted to Design-Build contractor in April 2012. Contractor commenced work on the Berryessa Aerial Structure, completed the line relocation cutover at the Berryessa Station area, and completed the Hostetter intersection pile installation. 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. In August 2014 design-build contractor was awarded for the parking garages in Milpitas and Berryessa stations;

- Received Traffic Congestion Relief Program (TCRP) funds as reimbursements for the preliminary engineering and construction phase on the VTA's BART Silicon Valley Extension. In August 2014, BART Silicon Valley Project received another $39 million in TCRP funds from the state. This fund is designated for construction of a 10-mile segment of the project;
- Relocated and constructed utilities in the freight rail corridor in Fremont and Milpitas. The Berryessa Creek crossing, Abel Street Seismic Retrofit, and Railroad Relocation contracts are complete. On the Mission Boulevard/Warren Avenue Pacific Railroad Relocation Construction contract, construction of the Union Pacific Rail Road (UPRR) Bridge on Mission Blvd. is complete. The Agua Fria, Toroges and Agua Caliente Creek Improvement contract is complete. The Kato Road Grade Separation contractor fully re-opened Kato Road in April 2013. Following the completion of the Joint Powers Agreement between Santa Clara County, Santa Clara Valley Water District (SCVWD), and VTA, the Montague Expressway Reconstruction Project is underway. Review of the final design was completed. Work is proceeding on the right-of-way acquisition. Construction is anticipated to be completed in fall 2014;
- Started preparation of Environmental Impact Statement for the Capitol Expressway Light Rail Extension to Eastridge. The construction of the pedestrian improvements (sidewalk and landscaping) was completed in the spring 2013. Construction of the transit center, the bus operator facility, and park-and-ride lot is expected to be completed by mid-2015;
- 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. Near-term recommended projects from the Light Rail System Analysis are Northern Express, Southern Express, and Santa Clara Pocket Track. The recommended projects for the Systems Analysis began planning, design and construction in fall 2011. Major track work was for the Tasman Pocket Track was completed early August 2014;
- Final design on Santa Clara Caltrain Station Pedestrian Underpass Extension is in progress and will be completed in fall 2014. This project will provide an extended pedestrian tunnel under the UPRR tracks to Brokaw Road at the Santa Clara Station;
- Completed safety improvements to eight Joint Powers Board (JPB) crossings from Sunnyvale to Palo Alto for the Caltrain Safety Improvements – JPB Crossings project. Design for approximately 15 crossings along the UPRR segment started in January 2012. Advertisement for bids will be issued in mid-2015. Construction is anticipated to start by late 2015;
- Completed construction for the Blossom Hill Pedestrian Grade Separation in September 2012;

- Completed Caltrain Service upgrades project for improvements to the Santa Clara Station in 2013. This allowed ACE trains to stop at the station.

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

NOTE 10 – FEDERAL, STATE, AND LOCAL ASSISTANCE

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

(a) Federal Grants
Federal grants are approved principally by the Federal Transportation Administration (FTA) and the Federal Highway Administration (FHWA). Federal grants for the year ended June 30, 2014, are summarized as follows (in thousands):

	Enterprise Funds	Special Revenue Fund	Capital Projects Funds
Operating Assistance Grants:			
FTA Section 9	$ 41,634	$ -	$ -
Section 5311	180	-	-
Security Plan Revision	416		-
Federal Technical Studies	-	1,728	-
Total Operating Assistance Grants	42,230	1,728	-
Capital Grants:			
FTA Section 3	124,652	-	-
FTA Section 9	7,818	-	-
Pass-through Capital Grants	1,290	-	4,282
Total Capital Grants	133,760	-	4,282
Total operating assistance & capital grants	$ 175,990	$ 1,728	$ 4,282

FTA and FHWA reserve the right to audit activities financed by their grants to determine if such activities comply with the conditions of the grant agreements.

VTA's management believes the results of such audits would not have a material adverse effect on VTA's financial position. FTA and FHWA retain their interest in assets acquired under federal grants should the assets be disposed of prior to the end of their economic lives, or not be used for mass transit purposes.

FTA Section 9 operating assistance represents Bus and Rail preventive maintenance. Bus maintenance consists of North Maintenance, Chaboya Maintenance, and Cerone Maintenance, and Overhaul and Repair. These maintenance facilities are responsible for the timely and reliable preventive maintenance, running repair, heavy repair, engine rebuilding, other maintenance services, inspections, and servicing of various VTA's bus fleets. Rail maintenance consists of Light Rail Vehicle (LRV) maintenance and Way, Power, and Signal (WPS) maintenance. LRV maintenance is responsible for the timely and reliable preventive maintenance, inspections, repair, and servicing of VTA's LRV fleet. WPS maintenance is responsible for timely and reliable preventive maintenance of right of way, rail system power, track, signals, wayside communications, stations, transit center and bus stop facilities, related equipment park and ride lot maintenance, and evaluation of rail maintenance efficiency.

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

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

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

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

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

FTA Section 9 grants represent the federal program (49 U.S.C. 5307), which makes federal resources available to urbanized areas and to Governors for transit capital and operating assistance in urbanized areas and for transportation-related planning.
The grants from the following pass-through fund agreements are presented as part of the Capital Grants - FTA Section 9.

- The Transit Security Grant Program (TSGP) award comes from the Federal Emergency Management Agency for costs related to addressing security and preparedness enhancements for transit systems. The program includes a requirement that transit systems selected for funding participate in a Regional Transit Security Working Group for the purpose of developing the Regional

Transit Security Strategy as well as a regional consensus on the expenditure of TSGP funds.

- The purpose of the Congestion Mitigation and Air Quality (CMAQ) Program is to fund 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 pass-through federal grants under the Enterprise Funds include Demonstration Projects; CMAQ; and Safe, Accountable, Flexible, Efficient Transportation Equity Account: A Legacy for Users (SAFETEA-LU).

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

(b) State and Local Grants and Assistance

State and local grants for the year ended June 30, 2014, are summarized as follows (in thousands):

	Business-type Activities	Governmental Activities	
	Enterprise Funds	Congestion Management Program	Capital Projects Funds
Operating assistance grants:			
Transportation Development Act	$ 89,518	$ -	$ -
State Transit Assistance	15,338	-	-
State Operating Assistance Grants	-	696	-
AB 434	1,583	-	-
Total operating assistance grants	106,439	696	-
Capital grants:			
Traffic Congestion Relief Program	28,969	-	-
PTA/STIP	589	-	-
PTMISEA	12,660	-	-
Highway-Railroad Crossing Safety Account	3,565	-	-
Proposition 1B Fund	8,793	-	-
Regional Measure 2	1,139	-	-
Congestion Management & Highway Program-State Grants	-	-	26,150
Congestion Management & Highway Program-Measure A Swap Program	-	-	7,512
Other Local Grants:			
Measure B Highway	-	-	249
Santa Clara County (Measure B Program) (Note 9)	4	-	-
Santa Clara County (Fund Swap Program) (Note 9)	-	-	568
Various cities, counties and others	4,420	-	228
Total Capital Grants	60,139	-	34,707
Total State and Local Grants	$ 166,578	$ 696	$ 34,707

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

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

State Operating Assistance Grants represent (a) reimbursement receipts for operating bus lines in the City of Gilroy under the Enterprise Fund; (b) Employment Training Panel (ETP) program funds available through AB 118 that are specifically geared to California businesses whose products or services include development of high performance/low emission vehicle technologies; mass transit fleet and clean vehicle conversion; or other sectors related to green technologies; and (c) grant receipts from the California Department of Transportation for project planning, programming and monitoring activities related to development of the Regional Transportation Improvement Program under the Congestion Management 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.

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.

The purpose of the Public Transportation Account (PTA) is to provide a source of funds for transportation planning, mass transportation, Intercity Rail programs, and State Transportation Improvement Program (STIP) Transit projects, as provided by Section 99310.5 of the Public Utilities Code.

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:

	June 30, 2014	From Inception To 6/30/2014 Cumulative Balance
Proceeds received	$ 26,046	$ 148,188
Total expenditures paid and accrued	(12,660)	(61,848)
Current year unused proceeds	13,386	86,340
Prior year unused proceeds	75,980	-
Total proceeds available	89,366	86,340
Interest earned	856	3,882
Total proceeds available plus interest earned	$ 90,222	$ 90,222

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

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

Regional Measure 2 (RM2) was passed in March 2004 to raise toll fee on the seven-State-owned bridges in the San Francisco Bay Area. The measure specifically establishes the Regional Traffic Relief Plan and identifies specific traffic operating assistance and capital projects and programs eligible to receive RM2 funding. The measure is being administered by MTC.

Capital Projects revenues consist of state and local grant revenues pertaining to Congestion Management and Highway Program (CMHP) of $34.5 million and Measure B Highway Program of $0.2 million. Of the $26.1 million CMHP state grants, $25.5 million represents 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.

Santa Clara County Measure B Program includes both transit and highway projects.

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

Various cities, counties and other agencies contribute revenue to light rail projects and Silicon Valley Rapid Transit Corridor for project enhancements.

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

(a) Plan Description

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

Employees with 10 or more years of service are entitled to full annual pension benefits beginning at normal retirement age of 65. Employees with less than 10 years of service are entitled to a reduced annual benefit at age 65 provided the Pension Board approves of such benefit. Employees with 15 or more years of service are entitled to full annual pension benefits beginning at age 55. The Plan permits early retirement if an employee becomes disabled after 10 or more years of service, and deferred vested retirement upon employee termination after 10 or more years of service, with benefits payable permitted at age 65. Employees may elect to receive their benefits in the form of a joint or survivor annuity. These benefit provisions and all other requirements are established by California statute and the labor agreement with the ATU.

Separately issued audited 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, 2014 is as follows:

Membership Status	No. of Members
Retirees and beneficiaries currently receiving benefits	1,216
Terminated vested members not yet receiving benefits	138
Active Members	1,474
Total	2,828

(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) Concentration

Investments in the commingled State Street Global Advisors, S&P 500 Conservative Index Fund, MFS Investment Management and UBS represented 13.56%, 14.38% and 10% respectively, of the Plan's investments as of June 30, 2014.

(d) Funding Policy

VTA contributes to the Plan at an actuarially determined amount or rate applied to eligible payroll sufficient to maintain funding of vested benefits. VTA's contribution of $25.7 million for the year ended June 30, 2014, was made in accordance with actuarially determined requirements computed as of January 1, 2013. VTA's contribution as a percentage of payroll was 24.63% for FY 2014. The contribution requirements are established and may be amended pursuant to the labor agreement between ATU and VTA.

(e) Net Pension Obligation

VTA's net pension obligation to the Plan was zero as of June 30, 2014. The three-year trend information is shown as follows (in thousands):

Net Pension Obligation			
Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2014	$ 25,787	100%	$ -
6/30/2013	24,413	100%	-
6/30/2012	19,148	100%	-

(f) Funding Status & Progress

As of January 1, 2014, the most recent actuarial valuation date, the plan was 74.6% funded. The actuarial liability was $572.2 million and the actuarial value of assets was $426.7 million resulting in an Unfunded Actuarial Liability (UAL) of $145.5 million. The total covered payroll was $111 million which resulted in a UAL percentage of 131.5% of total covered payroll. The schedule of funding progress is presented on page 2-86, in the required supplementary information following the notes to the financial statements. The contribution requirements were established and may be amended pursuant to the labor agreement between ATU and VTA.

(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	January 1, 2014
Actuarial cost method	Individual Entry Age to Final Decrement
Amortization method	Level dollar open
Remaining amortization period	20 Years
Asset valuation method	Market value adjusted to reflect investment earnings greater than (or less than) the assumed rate over a five-year period.
Actuarial Assumptions:	
Investment rate of return*	7.50%
Projected salary increases*	3.51% to 15.64%
Cost of living adjustments	None

*Includes inflation rate 3.25%

NOTE 12 – PUBLIC EMPLOYEES' RETIREMENT PLAN

(a) Plan Description

All eligible non-ATU employees of VTA participate in the California Public Employees' Retirement System (CalPERS). Prior to separation from the County on

January 1, 1995, all eligible VTA employees participated in CalPERS through the County. As a result of the separation from the County, certain administrative employees were transferred from the County to VTA. All of those administrative employees' service credits earned during the period they worked for the County's transportation agency were transferred to VTA's CalPERS account. The transfer of related assets at a market value totaling approximately $52.3 million was completed by CalPERS in FY 1999.

CalPERS is an agent multiple-employer defined benefit retirement plan that acts as a common investment and administrative agent for various local and state governmental agencies within California. CalPERS provides retirement, disability, and death benefits based on the employees' years of service, age, and final compensation. Employees vest after five years of service and may receive retirement benefits at age 50. These benefit provisions and all other requirements are established by state statute and VTA resolutions. VTA contracts with CalPERS to administer these benefits.

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

(b) Funding Policy

Active members in VTA's CalPERS Plan pay a portion or all (depending on hire date) of the employee contribution to the CalPERS Plan. In FY2014, employees hired prior to January 2012 paid 4% toward the required employee share and VTA paid the remaining portion of the employee contribution. Employees hired in or after the first full pay period in January 2012 paid the entire employee contribution to CalPERS (7%). The contribution rate from July 1, 2013, through June 30, 2014, was 14.025% for the employer and 7% for employees. The required contribution for FY 2014 was determined as part of the June 30, 2011, actuarial valuation using the entry age normal cost method with the contributions determined as a percent of pay. The 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. The amortization period used is closed which means that amortization periods for initial unfunded liability, benefit change, and assumption change decline every year.

(c) Net Pension Obligation

VTA's net pension obligation to the CalPERS Plan was zero as of June 30, 2014. For FY 2014, VTA's annual pension cost was approximately $8.2 million, which was fully contributed. The three-year trend information of the actuarially required employer contribution is as follows (in thousands):

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2014	$ 8,173	100%	$ -
6/30/2013	7,497	100%	-
6/30/2012	7,159	100%	-

(d) Funding Status and Progress

As of June 30, 2012, the most recent actuarial valuation date, the plan was 84.4% funded. The actuarial accrued liability was $295.1 million and the actuarial value of assets was $249 million resulting in an Unfunded Actuarial Accrued Liability (UAAL) of $46.1 million. The total covered payroll was $53.9 million which resulted in a 85.5% UAAL as a percent of covered payroll. The schedule of funding progress is presented on page 2-87, in the required supplementary information following the notes to the financial statements.

(e) Actuarial Methods and Assumptions

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

Valuation date	June 30, 2012
Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level Percent of Payroll
Average remaining period	23 years as of the Valuation Date
Asset valuation method	15 Year Smoothed Market
Actuarial Assumptions:	
Discount rate	7.50% (net of administrative expenses)
Projected salary increases	3.30% to 14.20% depending on Age, Service, and Type of employment
Inflation	2.75%
Payroll growth	3.00%
Individual salary growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of 0.25%

NOTE 13 – ATU SPOUSAL MEDICAL AND VISION/DENTAL FUND

VTA administers the ATU Spousal Medical and Retiree Vision and Dental Fund. Both are considered to be defined contribution plans. As of June 30, 2014, VTA had net position of approximately $12.7 million for the ATU Spousal Medical Fund and $8.7 million for the Retiree Vision and Dental Fund.

The Spousal Medical Fund is a medical insurance benefit for eligible pensioners' spouses. Pursuant to a collective bargaining agreement with ATU-represented employees, contribution to the Spousal Medical Fund is $0.40 per hour. As of June 30, 2014, there were 311 participating spouses who were eligible for benefits from the Spousal Medical Fund. FY 2014 contributions were approximately $1.4 million while benefit payments made by the Fund were approximately $1.5 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, 2014, there were 957 eligible participants. Contributions for the fiscal year were approximately $349 thousand and $1.05 million in net investment income were reported for the Retiree Vision and Dental Fund.

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

NOTE 14 – INTERNAL SERVICE FUND

As of June 30, 2014, the assets and liabilities by individual components of the Internal Service Fund are as follows (in thousands):

	Workers' Compensation	General Liability	Compensated Absence	Total
Assets	$ 18,779	$ 11,558	$ 19,402	$ 49,739
Liabilities	18,779	11,558	27,459	57,796
Net Position	$ -	$ -	$ (8,057)	$ (8,057)

Workers' Compensation and General Liability

VTA contracts with third-party administrators to process claims for both programs. VTA's annual contribution to General Liability is based on an actuarially determined amount while contributions to Workers' Compensation fund occur every pay period. Actuarial valuations for both activities are obtained on an annual basis.

Actuarial Information

An actuarial analysis as of June 30, 2014 disclosed that the present values of estimated outstanding losses, at 4% average discount rate using a 60% confidence level, are $18.5 million and $11.5 million for Workers' Compensation and General Liability, respectively. The accrued liabilities for both Workers' Compensation and General Liability claims were based on the actuarial estimates.

Changes in the balance of Workers' Compensation and General Liability claims for the two years ended June 30, 2013, and June 30, 2014, are as follows (in thousands):

	Workers' Compensation	General Liability
Unpaid claims at June 30, 2012	$ 17,524	$ 3,510
Provision for claims and claims adjustment expense	6,217	2,208
Changes in estimates for provision for future claims	(285)	956
Payment for claims and other adjustments	(5,225)	(1,658)
Unpaid claims at June 30, 2013	18,231	5,016
Provision for claims and claims adjustment expense	6,442	2,244
Changes in estimates for provision for future claims	(1,796)	9,104
Payment for claims and other adjustments	(4,371)	(4,903)
Unpaid claims at June 30, 2014	$ 18,506	$ 11,461

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, 2014, the outstanding balance of compensated absences liability was $27.5 million.

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

(a) OPEB Trust Description

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

Employees who retire directly from VTA are eligible for retiree health benefits if they met certain requirements relating to age and service, and did not opt to enroll in the Defined Contribution Retirement Health Savings Plan. For ATU retirees, VTA provides an ATU Retiree Health Care Program (the ATU Program), a post-employment benefit, in accordance with the agreement between VTA and the ATU, to all ATU represented employees who retire from VTA on or after attaining the age of 55 with at least 15 years of service, or age 65 with 10 years of service, or upon Board approval age 65 with 5 years of service, or if an employee becomes disabled and has completed at least 10 years of service. ATU retirees can select the Kaiser, United Health Care, or Valley Health Plan retiree health plans. VTA pays the full cost of the employee-only premium, and ATU retirees who are eligible for Medicare are reimbursed for the Medicare Part B premium. ATU employees who retire on or after September 1, 2004, must contribute $25 toward the employee only monthly premium. Employees who retiree on or after January 1, 2011 pay $35 or the excess above the Kaiser Medicare out of area (OOA) rate.

Non-ATU employees who retire directly from VTA with age at least 50 years are also covered under a Retiree Health Care Program (the administrative retiree program) if they retire with at least 5 years of service, if hired before the following dates, or with at least 8 years of service (2,088 days) or with at least 15 years of service (3,915 days) if hired on or after the following dates:

- Service Employees International Union (SEIU) represented employees on or after May 15, 2006 (8 years);
- Transportation Authority Engineers and Architects Association (TAEA) represented employees on or after December 5, 2006 (8 years);
- American Federation of State, County and Municipal Employees (AFSCME) represented employees hired between August 10, 2007 and December 31, 2009 (8 years), and on or after January 1, 2010 (15 years);
- Non-represented employees hired before February 11, 2008 (5 years); hired between February 11, 2008, and October 31, 2009, (8 years); and on or after November 1, 2009 (15 years).

Non-ATU employees who retired before January 2, 2006, pay any premium in excess of the Kaiser single active rate while those who retired on or after January 2, 2006, pay $25 toward their monthly premium, plus any premium in excess of the Kaiser single active rate. Medicare part B premium is reimbursed for administrative retirees eligible for Medicare.

As of June 30, 2014, 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	966	432	1,398
Active	1,474	631	2,105

VTA also provides life insurance benefits for all ATU retirees and Executive Management retirees. ATU retirees receive $5,000 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.

(b) Basis of Accounting

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

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

(c) Funding Policy

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

As of June 30, 2014, VTA had assets of $260.7 million to cover costs of the ATU and Non-ATU Programs. The Plan is presented in these financial statements as the OPEB Trust Fund. Separate financial statements are also prepared for the Trust and can be obtained from Santa Clara Valley Transportation Authority, Finance and Budget, 3331 North First Street, Building C-2, San Jose, California 95134-1927.

(d) Annual OPEB Cost and Net OPEB Obligations

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

OPEB activities during FY 2014 are as follows (in thousands):

Annual Required Contributions	$	14,100
Interest on Net Plan Asset[1]		-
Annual Plan Cost (Expense)		14,100
Contributions Made		(14,100)
Net Plan Assets, Beginning of Year		20,650
Net Plan Assets, End of Year	$	20,650

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

In FY 2013, VTA Transit Fund made a one-time irrevocable transfer of $20.65 million to OPEB Trust Fund. This was included in VTA Transit unrestricted net position earmarked for future operational needs of OPEB Trust Fund. OPEB Trust Fund reflected this as a contribution during FY 2013. Plan cost, contribution made, the percentage of annual cost contributed to the Plan, and the net Plan assets for the years ended June 30, 2012 through 2014 are presented as follows (in thousands):

Net OPEB Obligation/Asset

Fiscal Year Ended	Annual OPEB Cost	VTA Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Asset
6/30/14	$ 14,100	$ 14,100	100%	$ 20,650
6/30/13	17,315	37,965	219%	20,650
6/30/12	17,321	17,321	100%	-

(e) Funding Status and Funding Progress

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

As of July 1, 2013, the most recent actuarial valuation date, the plan was 77.7% funded. The actuarial accrued liability was $280.2 million and the actuarial value of assets was $217.7 million, resulting in an Unfunded Actuarial Liability (UAL) of

$62.5 million. The covered payroll was $152.2 million which resulted in a 41.1% UAL as a percent of covered payroll. The schedule of funding progress is presented on page 2-88, in the required supplementary information following the notes to the financial statements.

(f) Actuarial Methods and Assumptions

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

Description	Methods/Assumptions
Valuation date	July 1, 2013
Actuarial Cost Method	Individual Entry Age
Amortization Method	Level dollar closed
Asset valuation method	Market value
Single Equivalent Amortization Period	15 years
Actuarial assumptions:	
Discount rate	7.00%
Payroll growth rate	3.25%
Ultimate rate of medical inflation	4.50%

NOTE 16 –INSURANCE

VTA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; injuries to the public; and natural disasters. Actual claims and settlements did not exceed the insurance coverage in the past three years. For additional information on workers' compensation and general liability, see Note 14. Coverage provided by self-insurance/insurance and excess coverage as of June 30, 2014, is shown as follows:

Type of Coverage	Self-Insurance/ Deductible	Excess Coverage (in aggregate)
Workers' compensation	Self-Insured	None
Employer's liability	$3,000,000	$97,000,000 per incident
Excess public liability/property damage	$3,000,000	$97,000,000
Property, boiler, and machinery	$100,000	$70,000,000 combined blanket limit
National Flood Insurance (eligible locations)	$5,000	$500,000
Light rail vehicles (includes spare parts coverage, no earthquake coverage)	$250,000	$50,000,000
Buses	$100,000	$50,000,000
Hybrid Buses	$150,000	Included in $50,000,000 with buses
Community Buses	$75,000	Included in $50,000,000 with buses
Vans and mobile equipment	$25,000	Included in $50,000,000 with buses
Express Lane Equipment	$25,000	Included in $50,000,000 with buses
Maintenance Trucks	$25,000	Included in $50,000,000 with buses
Public officials liability	$3,000,000	$97,000,000

NOTE 17 – LEASES

VTA leases various properties for use as transfer facilities, parking lots, information centers, office buildings, and warehouses under lease agreements that expire at various dates through 2023. VTA may renew the leases after their expiration. Some of these agreements were accounted for as operating leases in VTA Transit Fund for approximately $332 thousand in FY 2014. Other leases were charged to capital projects and were capitalized in FY 2014. The future lease payments under non-cancellable lease agreements are as follows (in thousands):

Years ending June 30,	Future Lease Payments
2015	$ 1,005
2016	997
2017	1,051
2018	1,062
2019	369
2020-2023	410
Total	$ 4,894

NOTE 18 – LITIGATION

As of October31, 2014, VTA has no open claims which will have any adverse financial impact. VTA's management believes its actuarially determined reserves and excess insurance coverage will adequately cover estimated potential material adverse losses as of June 30, 2014.

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

The County provides support services to VTA for protection (Office of the Sheriff), vehicle maintenance and fuel, and contributions for retiree medical for County public safety staff assigned to VTA. As of June 30, 2014, the support services totaled $5.4 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 2014, VTA, SamTrans, and CCSF were responsible for 40.3%, 41.9%, and 17.8%, respectively, of the member agencies' total reimbursement for such expenses. During the year ended June 30, 2014, VTA paid $7.3 million to the PCJPB for operating costs.

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

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

Summary financial information (not included in VTA's financial statements) for the PCJPB for the years ended June 30, 2013 and 2012 (in thousands), are as follows[1]:

PCJPB Financial Information	2013	2012
Total assets	$1,347,889	$1,297,985
Total liabilities	(109,551)	(97,649)
	$1,238,338	$1,200,336
Operating revenues	$ 75,546	$ 64,684
Operating expenses	(167,020)	(163,898)
Non-operating revenues, net	42,091	38,666
Capital contributions	87,385	81,376
Prior Period adjustment per GASB 65	-	(676)
	$ 38,002	$ 20,152

[1] Most recent audited financial information available.

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

(b) Altamont Commuter Express

The Altamont Commuter Express (ACE) is a commuter rail service covering over 85 miles between Stockton and San Jose with stops in Manteca, Tracy, Livermore, Pleasanton, Fremont, Santa Clara, and San Jose. ACE is funded by 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 Altamont Commuter Express (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, 2014, VTA contributed approximately $3.0 million for operating costs.

Summary financial information (not included in VTA's financial statements) for the Altamont Commuter Express for the years ended June 30, 2013 and 2012 (in thousands), are as follows[1]:

ACE Financial Information	2013	2012
Total assets	$ 164,107	$ 152,480
Total liabilities	(60,657)	(53,166)
Total net position	$ 103,450	$ 99,314
Operating revenues	$ 5,754	$ 4,648
Operating expenses	(25,411)	(25,207)
Non-operating revenues, net	12,841	7,983
Capital contributions	10,989	31,335
Transfer in/(out)	(37)	71
Change in net position	$ 4,136	$ 18,830

[1] Most recent audited financial information available

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

(c) Capitol Corridor Intercity Rail Service

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

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

NOTE 21 – OTHER FINANCING TRANSACTIONS

(a) Lease/Leaseback

In September 1998, VTA simultaneously entered into two transactions to lease 50 UTDC light rail vehicles (the “UTDC LRVs”) to statutory trusts formed on behalf of equity investors (the “Trusts”) under separate lease agreements (the “Lease Agreements”) and simultaneously leased the UTDC LRVs back from the Trusts under separate sublease agreements (the “Subleases”)(each, a “Lease/Leaseback Transaction”). In September 2011, VTA terminated one of the Lease/Leaseback transactions relating to 21 UTDC LRVs. The remaining Sublease, relating to 29 UTDC LRVs, terminates in 2026, subject to VTA’s option to buy-out the remaining

Sublease term in 2017 (the “Early Buy-out”). During the term of the Sublease, VTA retains ownership of and is obligated to insure and maintain the UTDC LRVs.

VTA received approximately $54.2 million, which represented the prepayment of the rental obligations owed by the Trust as Lessee under the Lease Agreement. The equity investor made an equity contribution of approximately $14.4 million of the prepaid Lease Agreement amount and AIG-FP Funding (Cayman) Limited made loans for the balance of prepayment amount. VTA is required to make annual rental payments as Sublessee pursuant to the Sublease.

To provide for the funding of the debt portion of its rental payments under the Sublease and the debt portion of the Early Buy-out, VTA entered into a debt payment agreement with AIG-FP Special Finance (Cayman) Limited (“AIG Special Finance”), whose obligations are guaranteed by American International Group, Inc (“AIG”). Under the terms of the debt payment agreement, VTA made an aggregate payment of $39.8 million in consideration of AIG Special Finance’s agreement to make payments equal to the debt portion of VTA’s rental payment under the Sublease and the debt portion of VTA Early Buy-out. VTA is obligated to replace AIG if the credit rating assigned to it by Moody’s or Standard & Poor’s falls below Baa1/BBB+, respectively. As of June 30, 2014, AIG is rated Baa1/A-.

VTA also used $9.7 million of the amounts received from the Trust to purchase US Treasury securities that mature on the dates and in the amounts equal to the equity portion of its rental payments under the Sublease and the equity portion of the Early Buy-out. These US Treasury securities are held by a third party custodian. Additionally, VTA purchased a financial guaranty insurance policy from Financial Security Assurance (now Assured Guaranty Municipal Corp. or “AGM”) to guarantee its obligations to pay liquidated damages in the event one or more UTDC LRVs are destroyed or there is an early termination of the Subleases. Within thirty (30) days after demand by the equity investor, VTA is obligated to replace AGM if its credit rating by Moody’s or Standard & Poor’s falls below Aa3/AA-. Failure to replace AGM after such demand could cause a termination of the Lease/Leaseback transaction, resulting in the requirement that VTA make an early termination payment. In January 2013, Moody’s downgraded AGM to “A2.” The equity investor has agreed to forbear from requiring VTA to replace AGM through December 31, 2014. VTA does not believe that a qualifying replacement surety is available. As of June 30, 2014, the market value of the US Treasury securities held by the custodian was $24.85 million, compared to the scheduled termination value of $24.4 million.

VTA reported revenue of $3.2 million from its Lease/Leaseback transaction in FY 1999.

(b) Sublease Agreement with Utah Transit Authority (UTA) and Sacramento Regional Transit District (RT)

In May 2003, the VTA Board approved the execution of sub-lease agreements with the Utah Transit Authority (UTA) and Sacramento Regional Transit District with the Utah Transit Authority (UTA) and Sacramento Regional Transit District (RT) for the sub-lease of 50 UTDC LRVs for terms of 13 years, with sublease renewal terms of 9 years thereafter.

The sublease transactions to UTA and RT were recorded as capital leases in FY 2014. VTA subtracted $23 million and $10 million in net book value assets from its balance sheet and recognized a loss of $16 million and $7.8 million as special items in FY 2004 and FY 2005, respectively.

In September 2013, RT exercised the purchase option of the leased 21 LRVs at $1,000 each in accordance with the sublease agreement entered into by VTA and RT.

NOTE 22 – SUBSEQUENT EVENTS

(a) Traffic Congestion Relief Program (TCRP)

In August 2014, VTA BART Silicon Valley project received another $39 million in Traffic Congestion Relief Program (TCRP) funding from the State. Awarded by the California Transportation Commission (CTC) for FY 2015, the funds constitute the sixth and the final installments which the State of California's TCRP Allocation Plan adopted by the CTC in 2008.

The $39 million is designated for the construction of the Milpitas and Berryesa stations, and the design of parking structures.

(b) Federal Funding Grant Agreement

The 2014 Federal Section 5309 New Starts funding for the VTA's Silicon Valley Berryessa Extension Project of $150 million was awarded in August 2014. Of the $900 million grant commitment from the FTA for the project, $402.6 million has been awarded to date.

(c) GASB Statement No. 68

In June 2012, GASB Issued Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB No. 27. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. This statement is effective for fiscal year ending June 30, 2015. VTA's financial statements will reflect a liability for its ATU and CalPERS pension obligation. The Schedule of Funding Progress presented on page 2-86 reflects an estimate of the liability using guidelines per GASB Statement No. 27. Under GASB Statement No. 27, the unfunded actuarial liability is amortized and recognized as a component of VTA's pension expense. However, under GASB Statement No. 68, the full pension liability will be recorded on VTA's financial statements.

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REQUIRED SUPPLEMENTARY INFORMATION
(Other than MD&A)

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SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Required Supplementary Information

Schedule of Funding Progress [1]

As of June 30, 2014

Amalgamated Transit Union Pension Plan

(Unaudited)

(In thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
1/1/2014	$ 426,675	$ 572,245	$ 145,570	74.6%	$ 110,683	131.5%
1/1/2013	386,347	543,943	157,596	71.0%	102,041	154.4%
1/1/2012	373,170	517,200	144,030	72.2%	100,376	143.5%

[1] The schedule of funding progress presents the most recent actuarial information regarding the funding progress of the Santa Clara Valley Transportation Authority Amalgamated Transit Union Pension Plan.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Required Supplementary Information

Schedule of Funding Progress [1]

As of June 30, 2014

California Public Employees' Retirement System (CalPERS)

(Unaudited)

(In thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
6/30/2012	$ 248,963	$ 295,110	$ 46,147	84.4%	$ 53,950	85.5%
6/30/2011	233,516	274,924	41,408	84.9%	51,626	80.2%
6/30/2010	217,335	252,655	35,320	86.0%	53,231	66.4%

(1) The schedule of funding progress presents the most recent actuarial information regarding the CalPERS funding progress of the Santa Clara Valley Transportation Authority.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Required Supplementary Information

Schedule of Funding Progress [1]

As of June 30, 2014

Retirees' Other Post Employment Benefits (OPEB) Trust

(Unaudited)

(In thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
6/30/2013	$217,659	$ 280,233	$ 62,574	77.7%	$ 152,218	41.1%
6/30/2012	168,415	259,560	91,145	64.9%	142,651	63.9%
6/30/2011	150,716	254,187	103,471	59.3%	137,050	75.5%

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

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Required Supplementary Information
Budgetary Comparison Schedule
Congestion Management Program Special Revenue Fund
For the Year ended June 30, 2014
(In thousands)

	Original Budget	Final Budget	Actual	Variance Final to Actual Positive/ (Negative)
Revenue:				
Assessments to member agencies	$ 2,407	$ 2,407	$ 2,407	$ -
Federal grant revenues	1,371	1,371	1,728	357
Administrative fees	110	110	112	2
State and local operating assistance grants	696	696	696	-
Other revenues	357	357	279	(78)
Investment earnings	38	38	8	(30)
TOTAL REVENUE	4,979	4,979	5,230	251
Expenditures:				
VTA labor and overhead costs	4,084	4,384	4,355	29
Services and other:				
Professional services	936	636	359	277
Other services	20	20	12	8
Data processing	21	21	13	8
Miscellaneous	25	25	-	25
Contribution to Other Agencies	170	170	68	102
TOTAL EXPENDITURES	5,256	5,256	4,807	449
Change in fund balance, on a budgetary basis	$ (277)	$ (277)	$ 423	$ 700
Revenues and Expenditures not budgeted:				
Unrealized gain/loss on investments			15	
Change in fund balance, on a GAAP basis			438	
Fund Balance, Beginning of Year			1,582	
Fund Balance, End of Year			$ 2,020	

Budgetary Basis of Accounting

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

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

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SUPPLEMENTARY INFORMATION
(Combining and Individual Fund Statements)

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

	2014	2013
ASSETS		
Current assets:		
Cash and cash equivalents	$ 15,741	$ 3,322
Investments	248,716	217,687
Receivables, net	2,676	3,849
Due from other funds	292	374
Due from other agencies	85,524	87,767
Inventories	20,195	19,208
Other current assets	1,094	1,165
Total current assets	**374,238**	**333,372**
Restricted assets:		
Cash and cash equivalents	14,263	22,436
Cash and investments with fiscal agent	251,977	479,856
Investments	652,551	606,936
Receivables, net	333	2,247
Due from other agencies	232,009	121,421
Other current assets	279	442
Total restricted current assets	**1,151,412**	**1,233,338**
Non-current assets:		
Net OPEB Asset	20,650	20,650
Intangible Assets	4,847	11,155
Capital Assets		
Nondepreciable:		
Land and right-of-way	1,126,373	1,122,368
Construction in progress	1,728,066	1,347,410
Depreciable:		
Caltrain - Gilroy extension	43,072	43,072
Buildings, improvements, furniture, and fixtures	516,184	508,345
Vehicles	488,229	486,460
Light-rail tracks and electrification	415,905	413,674
Leasehold improvement	9,686	9,686
Other	46,062	45,876
Less: Accumulated depreciation	(768,364)	(706,428)
Net capital assets	**3,605,213**	**3,270,463**
Total Assets	**5,156,360**	**4,868,978**
DEFERRED OUTFLOW OF RESOURCES		
Accumulated decrease in fair value of hedging instruments and deferred amount on refunding	87,918	87,680 *

(Continued)

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Comparative Statement of Fund Net Position *(Continued)*

Enterprise Funds

June 30,

(In thousands)

	2014	2013
LIABILITIES		
Current liabilities:		
Current portion of long-term debt	10,705	10,435
Accounts payable and accrued expenses	19,325	14,645
Deposits	951	1,062
Accrued payroll and related liabilities	7,557	6,590
Bond interest and other fee payable	590	620
Unearned revenues	1,971	1,946
Other accrued liabilities	102	136
Total current liabilities	**41,201**	**35,434**
Liabilities payable from restricted assets:		
Current portion of long-term debt	25,775	24,595
Accounts payable and accrued expenses	81,639	52,925
Bond interest and other fee payable	12,123	12,417
Unearned revenues	39	37
Due to other funds	-	7
Due to other governmental agencies	104,521	86,712
Total current liabilities payable from restricted assets	**224,097**	**176,693**
Non-current liabilities		
Long-term debt, excluding current portion	1,157,311	1,199,569
Derivative instruments	76,104	74,794
Total non-current liabilities	**1,233,415**	**1,274,363**
TOTAL LIABILITIES	**1,498,713**	**1,486,490**
DEFERRED INFLOW OF RESOURCES	**8,051**	**8,421**
NET POSITION	**$ 3,737,514**	**$ 3,461,747**

* Restated for comparative purposes. Deferred amount in bond refunding is now reflected in 2013 column as deferred outflow/inflow of resources.

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

	2014	2013
OPERATING REVENUES:		
Passenger fares	$ 38,372	$ 38,331
Toll revenues collected	1,222	1,049
Advertising and other	2,826	2,441
TOTAL OPERATING REVENUES	42,420	41,821
OPERATING EXPENSES:		
Labor cost	280,690	272,552
Materials and supplies	32,806	30,677
Services	28,488	20,361
Utilities	7,585	7,251
Casualty and Liability	13,813	3,415
Purchased transportation	18,493	18,179
Leases and rentals	1,334	953
Miscellaneous	1,616	1,451
Depreciation expense	59,445	59,863
Costs allocated to capital and other programs	(34,864)	(32,879)
TOTAL OPERATING EXPENSE	409,406	381,823
OPERATING LOSS	(366,986)	(340,002)
NON-OPERATING REVENUES (EXPENSES)		
Sales tax revenue	417,486	395,163
Federal operating assistance and other grants	42,230	39,364
Federal subsidy for Build America Bonds	8,755	9,126
State and local operating assistance grants	106,439	103,213
Caltrain subsidy	(7,291)	(13,700)
Capital expenses on behalf of, and contribution to, other agencies	(93,952)	(138,794)
Altamont Commuter Express subsidy	(3,019)	(2,939)
Investment earnings	9,555	292
Interest expense	(27,088)	(31,655)
Other income	6,835	6,616
Other expense	(11,096)	(5,865)
NON-OPERATING REVENUE, NET	448,854	360,821
INCOME (LOSS) BEFORE CONTRIBUTIONS	81,868	20,819
CAPITAL CONTRIBUTIONS	193,899	272,950
CHANGE IN NET POSITION	275,767	293,769
NET POSITION, BEGINNING OF YEAR	3,461,747	3,167,978
NET POSITION, END OF YEAR	$ 3,737,514	$ 3,461,747

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Comparative Statement of Cash Flows

Enterprise Funds

For the Years Ended June 30,

(In thousands)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from passenger fares	$ 38,415	$ 38,157
Cash received from toll revenues collected	1,224	1,036
Cash received from advertising	2,847	2,340
Cash paid to employees	(245,592)	(237,878)
Cash paid to suppliers	(81,720)	(86,766)
Cash paid for purchased transportation	(18,493)	(18,179)
Other non-operating receipts/(payments)	2,283	4,719
Net cash provided by/(used in) operating activities	(301,036)	(296,571)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating grants received	198,011	176,350
Sales tax received	369,269	349,315
Caltrain subsidy	(7,291)	(13,700)
Altamont Commuter Express subsidy	(3,019)	(2,939)
Capital contribution to other agencies	(94,320)	(138,998)
Transfers in	-	4,321
Transfers out	-	(4,321)
Net cash provided by/(used in) non-capital financing activities	462,650	370,028
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payment of long-term debt	(35,030)	(13,025)
Issuance and other cost	93	94
Advance (to)/from other governments	19,397	27,774
Interest and other fees paid on long-term debt	(31,266)	(36,773)
Acquisition and construction of capital assets	(342,773)	(270,417)
Capital contribution from other governments	70,299	296,214
Net cash provided by/(used in) capital and related financing activities	(319,280)	3,867
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	2,059,115	2,045,598
Purchases of investments	(2,131,066)	(2,249,662)
Interest income received	5,985	62
Net cash provided by/(used in) investing activities	(65,966)	(204,002)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(223,632)	(126,678)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	505,614	632,292
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 281,982	$ 505,614

(continued on next page)

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Comparative Statement of Cash Flows *(Continued)*
Enterprise Funds
For the Years Ended June 30,
(In thousands)

	2014	2013
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY/(USED IN) OPERATING ACTIVITIES:		
Operating income/(loss)	$ (366,986)	$ (340,002)
Adjustments to reconcile operating income (loss) to net cash used in operating activities:		
Depreciation	59,444	59,863
Changes in operating assets and liabilities:		
Other current assets	(30)	(21,051)
Receivables	44	56
Due from other governmental agencies	2	(13)
Inventories	(986)	181
Accounts payable	4,652	(1,506)
Other accrued liabilities	934	1,877
Deposits from others	(413)	(363)
Unearned revenue	20	(332)
Other non operating receipts/(payments)	2,283	4,719
Net cash provided by/(used in) operating activities	$ (301,036)	$ (296,571)
Reconciliation of cash and cash equivalents to the Statement of Fund Net Position:		
Cash and cash equivalents, end of year:		
Unrestricted	$ 15,741	$ 3,322
Restricted	266,241	502,292
	$ 281,982	$ 505,614
NONCASH ACTIVITIES:		
Increase/(Decrease) in fair value of investments	$ 4,693	$ (9,486)
Noncash capital contributions	(123,601)	24,562
Amortization expense of Caltrain Access Fee	(882)	(881)
Total non-cash activities	$ (119,790)	$ 14,195

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Budgetary Comparison Schedule - Enterprise Fund
VTA Transit Fund
For the year ended June 30, 2014
(In thousands)

	FY14 Adopted Budget	Final Budget	Actual	Positive (Negative)
REVENUES				
Fares	$ 38,834	$ 38,834	$ 38,372	$ (462)
1976 1/2 Cent Sales Tax	182,435	182,435	186,431	3,996
Transportation Development Act funds	85,744	85,744	89,518	3,774
Measure A Sales Tax Operating Assistance	33,621	33,621	34,386	764
STA	13,600	13,600	15,338	1,738
Federal Operating Grants	37,787	37,787	42,230	4,443
Less: Transfer for Capital	(17,760)	(17,760)	(19,568)	(1,808)
State Operating Grants	2,635	2,635	1,583	(1,052)
Investment Earnings	1,227	1,227	841	(386)
Advertising Income	1,810	1,810	2,093	283
Other Income	12,708	12,708	13,153	445
Total revenues	**392,642**	**392,642**	**404,377**	**11,735**
OPERATING EXPENSES				
Labor Costs	286,534	286,603	280,690	5,913
Materials & Supplies	16,407	16,407	17,267	(860)
Security	8,886	8,886	8,383	504
Professional & Special Services	4,637	4,609	3,923	686
Other Services	7,305	7,305	7,484	(179)
Fuel	17,173	15,458	14,311	1,147
Traction Power	3,389	3,389	3,437	(48)
Tires	1,764	1,764	1,812	(47)
Utilities	2,727	2,727	2,895	(168)
Insurance	5,519	13,327	13,813	(486)
Data Processing	3,545	3,545	2,787	758
Office Expense	330	330	369	(39)
Communications	1,250	1,250	1,250	-
Employee Related Expense	698	698	686	12
Leases & Rents	663	663	748	(86)
Miscellaneous	672	672	589	83
Reimbursements	(35,485)	(37,485)	(38,299)	814
Total operating expenses	**326,014**	**330,148**	**322,144**	**8,004**
OTHER EXPENSES				
Paratransit	19,100	16,967	16,931	36
Caltrain	7,291	7,291	7,291	-
Light Rail Shuttles	25	25	-	25
Altamont Commuter Express	4,609	4,609	4,581	28
Highway 17 Express	251	251	339	(88)
Monterey-San Jose Express Service	35	35	35	-
Contribution to Other Agencies	740	740	883	(143)
Debt Service	20,097	20,097	18,920	1,177
Contingencies	2,000	-	-	-
Total other expenses	**54,148**	**50,015**	**48,980**	**1,035**
Total operating and other expenses	**380,162**	**380,162**	**371,124**	**9,038**
Change in net position, on a budgetary basis	**$ 12,480**	**$ 12,480**	**$ 33,253**	**$ 20,773**

(continued on next page)

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

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Budgetary Comparison Schedule - Enterprise Fund (continued)

VTA Transit Fund

For the year ended June 30, 2014

(In thousands)

	Adopted Budget	Final Budget	Actual	Positive (Negative)
Change in net position, on a budgetary basis	**$ 12,480**	**$ 12,480**	**$ 33,253**	**$ 20,773**
Reconciliation of net income on a budgetary basis to net income on a GAAP Basis:				
Capital Contributions			18,249	
Project Expenditure			(3,435)	
Capital Contributions to Other Agencies			(4,508)	
Bond Principal Payment			10,435	
Amortization of Bond Issuance Costs			(1,280)	
Unrealized Gain on investment			1,772	
Debt Reduction Fund Net Investment Earnings			372	
Other non-operating revenue			4,006	
Other non-budgetary revenues/(expenses)			(5,055)	
Transfers for Capital			19,568	
Depreciation			(59,445)	
Net change in net position, on a GAAP Basis			**$ 13,932**	

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Combining Statement of Fiduciary Net Position

Retiree Trust Funds

June 30, 2014

(In thousands)

	ATU Pension Trust	OPEB Trust	ATU Medical Trusts: Spousal Medical	ATU Medical Trusts: Vision/ Medical	ATU Medical Trusts: Total Medical Trusts	Total
ASSETS						
Restricted assets:						
Cash and cash equivalents	$ 214	$ 52	$ 12	$ 8	$ 20	$ 286
Investments	480,100	259,868	12,726	8,707	21,433	761,401
Receivables	1,346	815	-	-	-	2,161
Deposit with others	-	10	-	-	-	10
Total assets	481,660	260,745	12,738	8,715	21,453	763,858
LIABILITIES						
Restricted liabilities:						
Accounts payable	435	436	1	-	1	872
NET POSITION						
Net assets held in trust for:						
Pension benefits	481,225	-	-	-	-	481,225
Other post-employment benefits	-	260,309	-	-	-	260,309
Spousal medical benefits	-	-	12,737	-	12,737	12,737
Retiree dental and vision benefits	-	-	-	8,715	8,715	8,715
TOTAL NET POSITION	$481,225	$260,309	$ 12,737	$ 8,715	$ 21,452	$762,986

SANTA CLARA VALLEY TRANSPORTATION AGENCY
Combining Statement of Changes in Fiduciary Net Position
Retiree Trust Funds
For the Year ended June 30, 2014
(In thousands)

	ATU Pension Trust	OPEB Trust	ATU Medical Trusts: Spousal Medical	ATU Medical Trusts: Vision/ Dental	ATU Medical Trusts: Total Medical Trusts	Total
ADDITIONS						
Contributions	$ 25,787	$ 14,100	$ 1,400	$ 349	$ 1,749	$ 41,636
Investment earnings:						
Investment income	28,384	11,344	512	1	513	40,241
Net appreciation/(depreciation) in the fair value of investments	37,961	27,815	1,576	1,051	2,627	68,403
Investment expense	(2,206)	(292)	(3)	(1)	(4)	(2,502)
Net investment income	64,139	38,867	2,085	1,051	3,136	106,142
TOTAL ADDITIONS	89,926	52,967	3,485	1,400	4,885	147,778
DEDUCTIONS						
Benefit payments	30,967	10,291	1,535	-	1,535	42,793
Administrative expenses	314	27	-	-	-	341
TOTAL DEDUCTIONS	31,281	10,318	1,535	-	1,535	43,134
CHANGE IN NET POSITION	58,645	42,649	1,950	1,400	3,350	104,644
NET POSITION HELD IN TRUST						
BEGINNING OF YEAR	422,580	217,660	10,787	7,315	18,102	658,342
END OF YEAR	$ 481,225	$ 260,309	$12,737	$ 8,715	$ 21,452	$ 762,986

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Combining Statement of Fiduciary Assets and Liabilities

Agency Funds

June 30, 2014

(In thousands)

	BAAQMD Program	SB83 VRF Agency	Measure B Ancillary Program	Total
Assets				
Restricted assets:				
Cash and cash equivalents	$ 55	$ 1,959	$ 143	$ 2,157
Investments	4,867	18,773	-	23,640
Total Assets	4,922	20,732	143	25,797
Liabilities				
Liabilities payable from restricted assets:				
Accounts Payable	4	37	-	41
Program payable	4,918	20,695	143	25,756
Total Liabilities Payable from Restricted Assets	$ 4,922	$ 20,732	$ 143	$ 25,797

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Combining Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds
June 30, 2014
(In thousands)

BAAQMD Program	Balance July 1, 2013	Increase	Decrease	Balance June 30, 2014
Restricted assets:				
Cash and cash equivalents	$ 789	$ -	$ 734	$ 55
Investments	3,687	1,180	-	4,867
Total restricted assets	$ 4,476	$ 1,180	$ 734	$ 4,922
Liabilities payable from restricted assets:				
Accounts Payable	$ -	$ 4	$ -	$ 4
Program payable	4,476	442	-	4,918
Total liabilities payable from restricted assets	$ 4,476	$ 446	$ -	$ 4,922
SB83 VRF Program				
Restricted assets:				
Cash and cash equivalents	$ 995	$ 964	$ -	$ 1,959
Investments	16,532	2,241	-	18,773
Total restricted assets	$ 17,527	$ 3,205	$ -	$ 20,732
Liabilities payable from restricted assets:				
Accounts Payable	$ -	$ 37	$ -	$ 37
Program payable	$ 17,527	$ 3,168	$ -	$ 20,695
Total liabilities payable from restricted assets	$ 17,527	$ 3,205	$ -	$ 20,732
Measure B Ancillary Program				
Restricted assets:				
Cash and cash equivalents	$ 150	$ -	$ 7	$ 143
Total restricted assets	$ 150	$ -	$ 7	$ 143
Liabilities payable from restricted assets:				
Program payable	$ 150	$ -	$ 7	$ 143
Total liabilities payable from restricted assets	$ 150	$ -	$ 7	$ 143
Total - All Agency Funds				
Restricted assets:				
Cash and cash equivalents	$ 1,934	$ 964	$ 741	$ 2,157
Investments	20,219	3,421	-	23,640
Total restricted assets	$ 22,153	$ 4,385	$ 741	$ 25,797
Liabilities payable from restricted assets:				
Account Payable	$ -	$ 41	$ -	$ 41
Program payable	22,153	3,610	7	25,756
Total liabilities payable from restricted assets	$ 22,153	$ 3,651	$ 7	$ 25,797

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SECTION 3 – **STATISTICAL SECTION**

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

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

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

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

DEBT CAPACITY:
These schedules present information to help the reader assess the affordability of VTA's current levels of outstanding debt and VTA's ability to issue additional debt in the future:

- Table 11 – Total Outstanding Debt by Type
- Table 12 – Ratios of Outstanding Debt
- Table 13 – Direct and Overlapping Debt and Debt Limitation
- Table 14 – Pledged Revenue Coverage - 1976 Half-Cent Sales Tax Revenue Bonds
- Table 15 – Pledged Revenue Coverage – 2000 Measure A Half-Cent Sales Tax Revenue Bonds
- Table 16 – Projected Pledged Revenue Coverage

DEMOGRAPHIC AND ECONOMIC INFORMATION:
These schedules offer demographic and economic indicators to help the reader understand the environment within which VTA's financial activities take place:

- Table 17 – Population Trends
- Table 18 – Income and Unemployment Rates
- Table 19 – Wage and Salary Employment by Industry (Annual Average)
- Table 20 – Silicon Valley Major Employers

OPERATING INFORMATION:

- Table 21 – Operating Indicators
- Table 22 – Farebox Recovery Ratio
- Table 23 – Revenue Miles
- Table 24 – Passenger Miles
- Table 25 – Selected Statistical Data
- Table 26 – System Data
- Table 27 – Employees
- Table 28 – Capital Assets

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

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Table 1-1

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Financial Trends - Changes in Net Position

Ten Years Ended June 30, 2014

(In thousands)

	Fiscal Years									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
EXPENSES										
Business-type activities:										
Operations and Operating Projects	$ 300,430	$ 339,857	$ 321,059	$ 344,469	$ 343,973	$ 338,771	$ 343,302	$ 364,723	$375,086	$ 392,042
Caltrain Subsidy	14,112	14,801	15,237	15,416	15,878	15,878	14,135	10,207	13,700	7,291
Capital Expenses on behalf of, and contribution to other agencies	-	27,399	7,272	19,331	42,626	81,714	66,782	80,083	138,794	93,952
Altamont Commuter Express Subsidy	2,470	2,470	2,542	2,621	2,707	2,707	2,706	2,707	2,939	3,019
Interest Expense	13,761	11,562	13,672	12,214	11,651	20,583	23,536	31,307	31,655	27,088
Other Expenses	3,316	6,972	4,636	3,280	5,446	7,268	15,434	8,059	5,865	11,096
Benefit Payments	21,370	11,538	14,285	10,513	9,826	7,693	8,410	11,419	10,689	17,947
Total Business-Type Activities Expenses	355,459	414,599	378,703	407,844	432,107	474,614	474,305	508,505	578,728	552,435
Governmental activities:										
Operations and operating projects	4,735	5,982	6,528	6,450	8,840	7,164	7,196	6,692	7,622	7,544
Contribution to agencies	-	-	-	-	-	-	867	37	25	68
Capital projects for the benefit of other agencies	94,146	80,763	45,806	43,798	26,398	19,402	21,091	19,052	34,245	36,184
Total governmental activities expenses	98,881	86,745	52,334	50,248	35,238	26,566	29,154	25,781	41,892	43,796
Total primary government expenses	$ 454,340	$ 501,344	$ 431,037	$ 458,092	$ 467,345	$ 501,180	$ 503,459	$ 534,286	$620,620	$ 596,231
PROGRAM REVENUES										
Business-type activities:										
Charges for services	$ 34,692	$ 36,926	$ 37,876	$ 38,053	$ 38,439	$ 38,830	$ 40,014	$ 40,070	$ 41,821	$ 42,420
Operating grants	113,925	114,764	140,431	126,505	114,937	126,934	137,804	140,419	142,577	148,669
Capital grants	96,860	22,522	199,999	153,443	82,175	92,594	148,303	115,584	272,950	193,899
Total business-type activities program revenues	245,477	174,212	378,306	318,001	235,551	258,358	326,121	296,073	457,348	384,988
Governmental activities:										
Charges for services	2,231	2,290	2,397	2,475	2,618	2,606	2,520	2,503	2,520	2,519
Operating grants	1,190	850	1,023	2,193	1,496	1,854	2,127	2,110	1,775	2,424
Capital grants	95,746	83,207	48,180	45,109	29,479	22,314	24,051	21,530	37,612	38,989
Total governmental activities program revenues	99,167	86,347	51,600	49,777	33,593	26,774	28,698	26,143	41,907	43,932
Total primary government revenues	$ 344,644	$ 260,559	$ 429,906	$ 367,778	$ 269,144	$ 285,132	$ 354,819	$ 322,216	$499,255	$ 428,920
NET PROGRAM (EXPENSES)/REVENUES										
Business-type activities	$(109,982)	$(240,387)	$ (397)	$ (89,843)	$(196,556)	$(216,256)	$(148,184)	$(212,432)	($121,380)	$(167,447)
Governmental activities	286	(398)	(734)	(471)	(1,645)	208	(456)	362	15	136
Total primary government net program (expenses)/revenues	$(109,696)	$(240,785)	$ (1,131)	$ (90,314)	$(198,201)	$(216,048)	$(148,640)	$(212,070)	($121,365)	$(167,311)

Table 1-2

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Financial Trends - Changes in Net Position

Ten Years Ended June 30, 2014

(In thousands)

	Fiscal Years									
	2005	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION										
Business-type activities:										
Sales tax revenue	$ 145,008	$ 195,453	$ 325,037	$ 323,575	$ 274,903	$ 279,342	$ 306,456	$ 332,847	$ 395,163	$ 417,486
Investment income	11,206	10,537	27,288	22,511	16,862	7,352	11,039	19,289	316	9,861
Proceed from sale of land	-	-	-	-	-	-	642	6,300	4,052	-
Federal subsidy for Build America Bonds	-	-	-	-	-	-	5,848	9,399	9,126	8,755
Other income	2,628	9,158	1,347	3,523	3,385	3,241	6,865	6,007	3,254	7,325
Special items:										
Loss from sublease of vehicles	(7,773)	-	-	-	-	-	-	-	-	-
Transfer to OPEB Trust	-	-	-	(101,738)	-	-	-	-	-	-
Change in provisions for workers' compensation claims	-	-	23,769	4,662	3,500	-	5,716	-	-	-
Total business-type activities	151,069	215,148	377,441	252,533	298,650	289,935	336,566	373,842	411,911	443,427
Governmental activities:										
Investment income	174	207	267	349	41	12	10	31	8	23
Other income	19	28	3	151	161	15	1,106	104	115	279
Total governmental activities	193	235	270	500	202	27	1,116	135	123	302
TOTAL PRIMARY GOVERNMENT	151,262	215,383	377,711	253,033	298,852	289,962	337,682	373,977	$ 412,034	443,729
CHANGE IN NET POSITION										
Business-type activities	41,087	(25,239)	377,044	162,690	102,094	73,679	188,382	161,410	290,531	275,980
Governmental activities	479	(163)	(464)	29	(1,443)	235	660	497	138	438
Total primary government	$ 41,566	$ (25,402)	$ 376,580	$ 162,719	$ 100,651	$ 73,914	$ 189,042	$ 161,907	$ 290,669	$ 276,418

TABLE 2
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Financial Trends - Net Position by Component
Ten Years Ended June 30, 2014
(In thousands)

	Fiscal Years									
	2005	**2006**	**2007**	**2008**	**2009**[1]	**2010**	**2011**	**2012**	**2013**	**2014**
BUSINESS-TYPE ACTIVITIES										
Net Investment in Capital Assets	$ 1,867,513	$ 1,817,396	$ 1,888,879	$ 2,056,769	$ 2,180,768	$ 2,195,790	$ 2,220,118	$ 2,351,676	$ 2,481,805	$ 2,613,290
Restricted	44,400	35,153	353,186	141,764	362,079	449,096	572,054	548,367	649,724	759,608
Unrestricted	210,973	245,098	232,626	438,848	196,628	168,268	209,364	262,903	321,948	356,559
Total Business-Type Activities Net Position	2,122,886	2,097,647	2,474,691	2,637,381	2,739,475	2,813,154	3,001,536	3,162,946	3,453,477	3,729,457
GOVERNMENTAL ACTIVITIES										
Restricted Net Position	2,184	1,930	1,466	1,495	52	287	947	1,444	1,582	2,020
PRIMARY GOVERNMENT										
Net investment in Capital Assets	1,867,513	1,817,396	1,888,879	2,056,769	2,180,768	2,195,790	2,220,118	2,351,676	2,481,805	2,613,290
Restricted	46,584	37,083	354,652	143,259	362,131	449,383	573,001	549,811	651,306	761,628
Unrestricted	210,973	245,098	232,626	438,848	196,628	168,268	209,364	262,903	321,948	356,559
Total Primary Governmental Net Position	$ 2,125,070	$ 2,099,577	$ 2,476,157	$ 2,638,876	$ 2,739,527	$ 2,813,441	$ 3,002,483	$ 3,164,390	$ 3,455,059	$ 3,731,477

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

TABLE 3

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Financial Trends - Fund Balances and Changes in Fund Balances, Governmental Funds

Ten Years Ended June 30, 2014

(Modified Accrual Basis of Accounting)

(In thousands)

	Fiscal Years									
	2005	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**
REVENUES										
Member Agency Assessment Revenue	$2,174	$2,250	$2,329	$2,410	$ 2,495	$2,495	$2,407	$2,407	$2,407	$2,407
Federal Technical Studies Operating Assistance Grants	1,036	621	794	1,102	915	1,235	1,398	1,367	1,014	1,728
Administrative Fees	57	40	68	65	123	111	113	96	113	112
State and Local Assistance Grants	63	229	229	1,091	581	619	729	743	761	696
Federal, State and Local Grant Revenues	95,746	83,207	48,180	45,109	29,479	22,314	24,051	21,530	37,612	38,989
Other Revenues	19	28	3	151	161	15	1,106	104	115	279
Investment Earnings	174	207	267	349	41	12	10	31	8	23
Total Revenues	99,269	86,582	51,870	50,277	33,795	26,801	29,814	26,278	42,030	44,234
EXPENDITURES										
Current:										
Congestion Management:										
VTA Labor and Overhead Costs	4,177	5,179	5,640	5,680	8,006	6,606	6,814	6,245	7,044	7,160
Professional Services	640	803	888	770	793	541	374	436	563	359
Program Expenditures	-	-	-	-	41	17	8	11	15	25
Contribution to agencies	-	-	-	-	-	-	867	37	25	68
Capital Improvement Projects	94,064	80,763	45,806	43,798	26,398	19,402	21,091	19,052	34,245	36,184
Total Expenditures	98,881	86,745	52,334	50,248	35,238	26,566	29,154	25,781	41,892	43,796
Excess (Deficiency) of Revenues Over Expenditures	388	(163)	(464)	29	(1,443)	235	660	497	138	438
OTHER FINANCING SOURCES (USES):										
Transfer In	86	-	-	-	-	-	-	-	-	-
Transfer Out	(86)	-	-	-	-	-	-	-	-	-
Net Change in Fund Balances	$ 388	$ (163)	$ (464)	$ 29	$(1,443)	$ 235	$ 660	$ 497	$138	$ 438
TOTAL GOVERNMENTAL FUNDS										
Restricted – Capital Projects Funds	(258)	-	-	-	-	-	-	-	-	-
Restricted – Special Revenue Funds	2,351	1,930	1,466	1,495	52	287	947	1,444	1582	2,020
Total Governmental Funds	$2,093	$1,930	$1,466	$1,495	$ 52	$ 287	$ 947	$1,444	$1,582	$2,020

TABLE 4

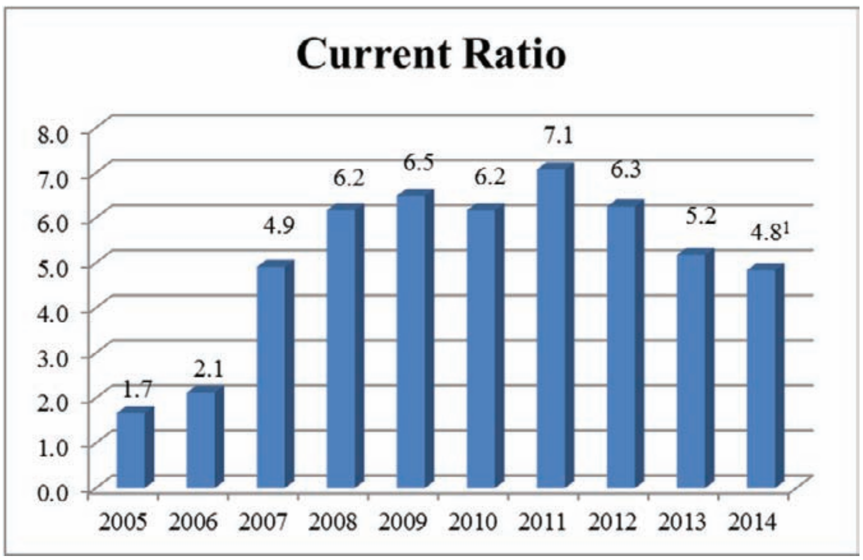
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Financial Trends – Current Ratio

Enterprise Funds

Ten Years Ended June 30, 2014

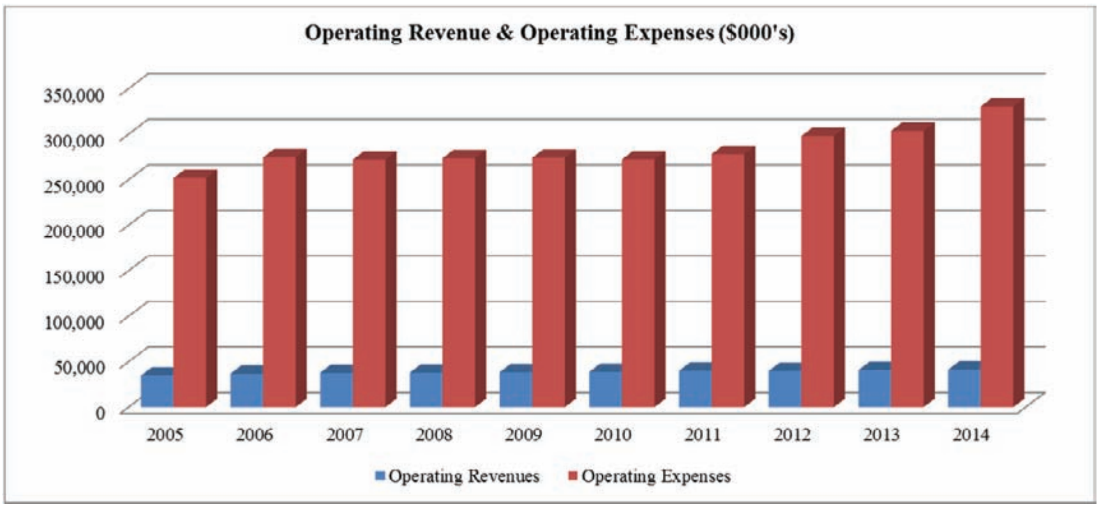
The Current Ratio indicates VTA's ability to meet all of its short-term liabilities with liquid assets and is determined by dividing total current assets and restricted assets by all current liabilities and liabilities payable from restricted assets. A Current Ratio of 1 or higher is an indication of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



[1]Current assets exclude 2010 Measure A bond proceeds of $241 million. Although bond proceeds are with fiscal agent and categorized as current, these are restricted for 2000 Measure A projects.

TABLE 5
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Financial Trends – Operating Revenues & Operating Expenses
VTA Transit
Ten Years Ended June 30, 2014

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

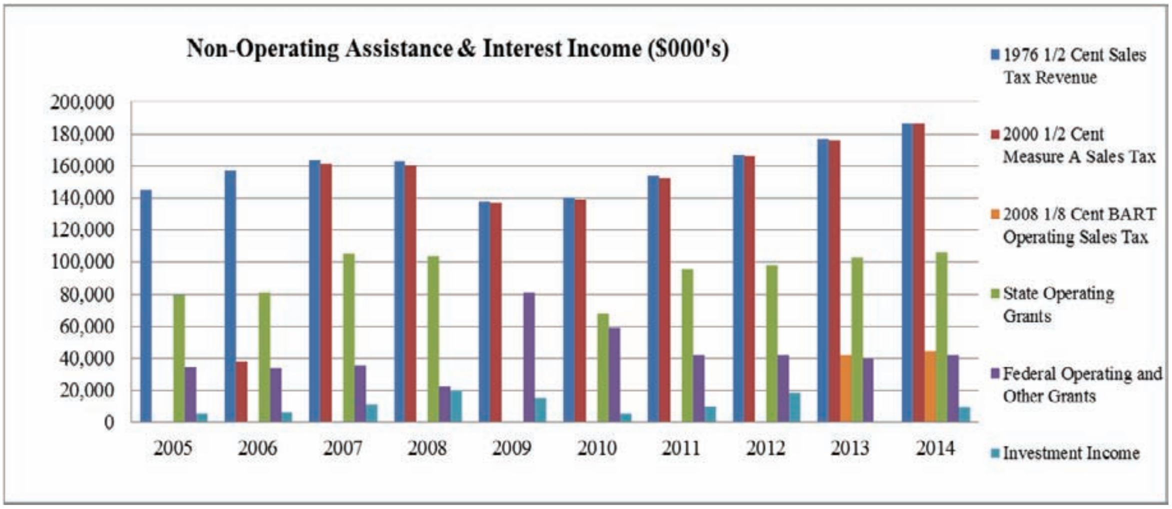


Operating Revenues and Operating Expenses

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Operating Revenues	$ 34,692	$ 36,926	$ 37,876	$ 38,053	$ 38,439	$ 38,830	$ 40,014	$ 39,852	$ 40,772	$ 41,198
Operating Expenses	251,874	274,426	271,975	273,495	273,979	272,196	277,984	297,988	303,622	330,614

TABLE 6
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Financial Trends – Non-Operating Assistance and Interest Income
Enterprise Funds
Ten Years Ended June 30, 2014

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 second year of collection for 2008 Measure B Eighth-Cent BART Operating Sales Tax revenue and the ninth year of collection for 2000 Measure A Half-Cent Sales Tax revenue.



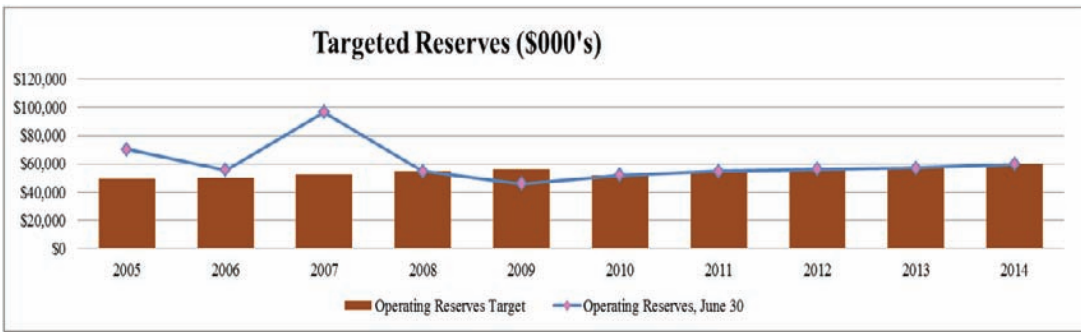
Non-Operating Assistance and Interest Income

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
1976 1/2 Cent Sales Tax Revenue	$ 145,008	$ 157,283	$ 163,676	$ 163,038	$ 137,642	$ 140,037	$ 153,601	$ 166,567	$ 176,716	$ 186,431
2000 1/2 Cent Measure A Sales Tax Revenue [1]	-	38,170	161,361	160,537	137,261	139,305	152,855	166,280	176,533	186,302
2008 1/8 Cent BART Operating Sales Tax Revenue [2]	-	-	-	-	-	-	-	-	41,914	44,753
State Operating Grants	79,509	81,199	104,917	104,080	-	67,834	95,579	98,133	103,213	106,439
Federal Operating and Other Grants	34,416	33,565	35,514	22,425	81,488	59,100	42,225	42,286	39,364	42,230
Investment Income	5,666	6,457	11,304	20,370	15,341	5,764	10,067	18,594	292	9,555

[1] The collection of VTA's 2000 Measure A Sales Tax started on April 1, 2006.
[2] The collection of 1/8 cent sales tax for BART Operating started on July 1, 2012.

TABLE 7
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Financial Trends – Targeted Operating Reserves
VTA Transit Fund
Ten Years Ended June 30, 2014

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) to determine current net position. Current Net Position is then reduced by inventory and other current assets to reach a current operating reserve total.



	2005	2006	2007	2008	2009	2010 [1]	2011 [2]	2012 [3]	2013	2014
Current Assets, excluding restricted asset	$ 126,644	$ 113,717	$ 158,291 [4]	$ 120,374	$ 103,697	$ 104,933	$ 108,396	$ 106,085	$ 101,726	$ 110,906
Total Current Liabilities, excluding restricted liability	(37,762)	(37,945)	(41,602)	(44,953)	(33,716)	(30,950)	(33,484)	(29,547)	(24,329)	(29,790)
Current Net Position	$ 88,882	$ 75,772	$ 116,689	$ 75,421	$ 69,981	$ 73,983	$ 74,912	$ 76,538	$ 77,397	$ 81,116
Less: Inventory & Other Current Assets [5]	(18,713)	(20,361)	(20,234)	(20,791)	(23,936)	(22,126)	(20,317)	(20,270)	(20,373)	(21,289)
Operating Reserves, June 30	$ 70,169	$ 55,411	$ 96,455	$ 54,630	$ 46,045	$ 51,857	$ 54,595	$ 56,268	$ 57,024	$ 59,827
Operating Reserves Target (15% of Budgeted Expenses)	$ 49,112	$ 50,081	$ 52,599	$ 54,630	$ 55,760	$ 51,857	$ 54,595	$ 56,268	$ 57,024	$ 59,827

[1] In FY2010, 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 FY2011, the operating reserve target is based on 15% of subsequent year's operating budget.

[3] Starting FY2012, the current assets balance includes a transfer to the following reserve accounts:
local share of capital projects, debt reduction, and sales tax stabilization.

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

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

TABLE 8

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Revenue Capacity - Revenue Base and Revenue Rates

Ten Years Ended June 30, 2014

	Fiscal Years									
	2005	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**
Passenger Fares [1]	$ 32,061	$ 34,335	$ 35,242	$ 35,830	$ 36,184	$ 36,857	$ 38,106	$ 37,744	$ 38,331	$ 38,372
Percentage Increase/(Decrease) from Prior Year	4.7 %	7.1 %	2.6 %	1.7 %	1.0 %	1.9 %	3.4 %	(0.9)%	1.6%	0.1%
Revenue Base										
Number of Passengers [2]	37,077,149	39,217,851	41,990,098	43,555,049	45,264,434	41,733,376	41,409,630	42,426,797	43,174,646	43,428,492
Percentage Increase/(Decrease) from Prior Year	(3.4)%	5.8 %	7.1 %	3.7 %	3.9 %	(7.8)%	(0.8)%	2.5 %	1.8%	0.6 %
Fare Structure										
Adult Local Fare	$ 1.75	$ 1.75	$ 1.75	$ 1.75	$ 1.75	$ 2.00	$ 2.00	$ 2.00	$ 2.00	$ 2.00
Youth Local Fare	1.50	1.50	1.50	1.50	1.50	1.75	1.75	1.75	1.75	1.75
Senior/Disabled Local Fare	0.75	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00
Sales Tax Revenues (In thousands)										
1976 1/2 Cent Sales Tax [3]	$ 145,008	$ 157,283	$ 163,676	$ 163,038	$ 137,642	$ 140,037	$ 153,601	$ 166,567	$ 176,716	$ 186,431
2000 Measure A 1/2 Cent Sales Tax [4]	-	38,170	161,361	160,537	137,261	139,305	152,855	166,280	176,533	186,302
2008 1/8 Cent BART Operating Sales Tax [5]	-	-	-	-	-	-	-	-	41,914	44,753
Total Sales Tax Revenue Receipts [6]	$ 145,008	$ 195,453	$ 325,037	$ 323,575	$ 274,903	$ 279,342	$ 306,456	$ 332,847	$ 395,163	$ 417,486
Percentage Increase/(Decrease) from Prior Year										
1976 1/2 Cent Sales Tax	4.4 %	8.5 %	4.1 %	(0.4)%	(15.6)%	1.7 %	9.7 %	8.4 %	6.1%	5.5 %
2000 Measure A 1/2 Cent Sales Tax	N/A	N/A	322.7 %	(0.5)%	(14.5)%	1.5 %	9.7 %	8.8 %	6.2%	5.5 %
2008 1/8 Cent BART Operating Sales Tax	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	6.8 %

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

TABLE 9
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Revenue Capacity - Overlapping Revenue
Sales Tax Rates
Ten Years Ended June 30, 2014

Fiscal Year	State	City	County[1]	VTA[2]	Total
2005	6.25%	1.00%	0.50%	0.50%	8.25%
2006[3]	6.25%	1.00%	0.00%	1.00%	8.25%
2007	6.25%	1.00%	0.00%	1.00%	8.25%
2008	6.25%	1.00%	0.00%	1.00%	8.25%
2009[4]	7.25%	1.00%	0.00%	1.00%	9.25%
2010	7.25%	1.00%	0.00%	1.00%	9.25%
2011	7.25%	1.00%	0.00%	1.00%	9.25%
2012[5]	6.25%	1.00%	0.00%	1.00%	8.25%
2013[6]	6.63%	1.00%	0.00%	1.12%	8.75%
2014	6.63%	1.00%	0.00%	1.12%	8.75%

[1] Measure B, approved by Santa Clara County voters in the November 1996 General Election, authorized the Santa Clara County Board of Supervisors to collect a half-cent sales tax for nine years. The 1996 sales tax funded specific countywide transportation projects approved by voters under Measure A during the same election. The 1996 sales tax expired on March 31, 2006.

[2] VTA has three specific sales tax measures approved by the voters. The 1976 half-cent sales tax measure was approved by voters in 1976 and does not have a sunset clause. The 2000 Measure A half-cent sales tax was approved in the 2000 General Election and became effective on April 1, 2006. The 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.

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

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

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

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

Source: California Board of Equalization

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

	Fiscal Year 2013 [1]			Fiscal Year 2004		
Principal Revenue Payers	**Rank**	**Percentage of Taxable Sales**	**Amount**	**Rank**	**Percentage of Taxable Sales**	**Amount**
Total all Other Outlets [2]	1	40.7%	$ 15,050	1	38.6%	$ 10,765
Motor Vehicle & Parts Dealers	2	10.7%	3,948	2	12.0%	3,353
Food Services & Drinking Places	3	9.5%	3,498	5	7.9%	2,214
Gasoline Stations	4	7.1%	2,638	7	5.4%	1,494
General Merchandise Stores	5	6.9%	2,568	4	8.3%	2,320
Clothing & Clothing Accessories	6	6.1%	2,261	8	4.2%	1,175
Bldg. Matrl. & Garden Equip. & Suppl.	7	4.0%	1,477	6	5.8%	1,608
Electronics & Appliance Stores	8	3.8%	1,417	13	1.0%	293
Food & Beverage Stores	9	2.9%	1,089	9	3.4%	952
Sport Goods, Hobby, Book & Music	10	2.0%	731	12	1.2%	321
Miscellaneous Store Retailers	11	1.9%	688	3	9.0%	2,511
Health & Personal Care Stores	12	1.6%	608	11	1.2%	341
Furniture & Home Furnishing Stores	13	1.6%	588	10	2.0%	559
Non-Store Retailers	14	1.2%	452	14	0.0%	-
Total		100.0%	$ 37,013		100.0%	$ 27,906

[1] 2014 data not available at printing
[2] This category is made up of diverse manufacturers and wholesalers, construction contractors, petroleum producer, and a multitude of professional services.

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

TABLE 11
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Debt Capacity – Total Outstanding Debt by Type
Ten Years Ended June 30, 2014
(In thousands)

Fiscal Year	Series 1985 A Equipment Trust Certificates[1]	1976 Sales Tax Revenue Bonds	2000 Sales Tax Revenue Bonds	Total Outstanding Debt
2005	$ 29,660	$ 288,758	$ 390,309	$ 708,727
2006	29,660	280,319	390,036	700,015
2007	29,200	271,277	445,651	746,128
2008	26,500	279,600	356,825	662,925
2009	-	270,710	355,970	626,680
2010	-	246,298	369,775	616,073
2011	-	237,817	1,036,892	1,274,709
2012	-	219,399	1,029,105	1,248,504
2013	-	209,007	1,021,127	1,230,134
2014	-	210,536	983,255	1,193,791

[1]$26.5 million redeemed in FY2009.

TABLE 12
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Debt Capacity - Ratios of Outstanding Debt
Ten Years Ended June 30, 2014

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
2005	$ 708,727	$ 28,878,355	2.45%	$ 87,881,146	0.81%	1,760	$ 403
2006	700,015	31,623,873	2.21%	96,092,804	0.73%	1,773	395
2007	746,128	33,131,466	2.25%	103,501,849	0.72%	1,808	413
2008	662,925	33,476,000	1.98%	104,331,553	0.64%	1,837	361
2009	626,680	29,009,000	2.16%	96,315,176	0.63%	1,858	337
2010	616,073	28,720,000	2.15%	103,636,350	0.59%	1,880	328
2011	1,274,709	32,238,000	3.95%	111,880,131	1.14%	1,782	715
2012	1,248,504	34,698,000	3.60%	122,259,021	1.02%	1,816	688
2013	1,230,134	37,013,000	3.32%	123,481,611	1.08%	1,842	668
2014	1,193,791	37,383,130	3.19%	124,716,427	0.96%	1,869	639

[1] Taxable sales data is available through Fiscal Year 2013. FY 2014 assumes a 1% increase over the previous year's numbers.
[2] Personal income actual is available through Fiscal Year 2012. FYs 2013 and 2014 assume a 1% increase over the previous year's numbers.

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

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

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

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

TABLE 14
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Debt Capacity – Pledged Revenue Coverage – 1976 Half-Cent Sales Tax Revenue Bonds
Ten Years Ended June 30, 2014
(In thousands)

	Available Revenue	Annual Debt Service[1]			
Fiscal Year	**Sales Tax Revenue**	**Principal**	**Interest[2]**	**Total**	**Coverage**
2005	$ 145,008	$ 9,290	$ 13,761	$ 23,051	6.3
2006	157,283	10,955	11,562	22,517	7.0
2007	163,676	10,855	13,672	24,527	6.7
2008	163,038	11,315	12,214	23,529	6.9
2009	137,642	8,890	11,651	20,541	6.7
2010	140,037	9180[3]	7,025	16,205	8.6
2011	152,050	9,370	6,748	16,118	9.4
2012	166,567	10,215	8,153	18,368	9.1
2013	176,716	10,400	9,194	19,594	9.0
2014	186,431	10,435	9,766	20,201	9.2

[1]This schedule includes Junior and Senior Lien debts.
[2] Interest is exclusive of interest earned from bond proceeds.
[3] This does not include regular principal of $2.9 million due for 1985 Equipment Trust Certificates as this debt was redeemed in FY 2009.

TABLE 15
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Debt Capacity - Pledged Revenue Coverage - 2000 Measure A Half-Cent Sales Tax Revenue Bonds
Ten Years Ended June 30, 2014
(In thousands)

	Available Revenue	Annual Debt Service			
Fiscal Year	Sales Tax Revenue	Principal	Interest[1]	Total	Coverage[2]
2005	$ -	$ -	$ 11,996	$ 11,996	-
2006	38,170	-	17,467	17,467	n/a[3]
2007	161,361	-	15,202	15,202	10.6
2008	160,537	-	14,943	14,943	10.7
2009	137,261	855	12,321	13,176	10.4
2010	139,305	-	14,156	14,156	9.8
2011	151,518	2,430	33,490	35,920	4.2
2012	166,280	2,525	44,337	46,862	3.5
2013	176,533	2,625	44,262	46,887	3.8
2014	186,302	24,595	45,577	70,172	2.7

[1] This is exclusive of interest earned from bond proceeds.
[2] Bond indenture requires VTA to maintain coverage ratio of at least 1.3.
[3] Collection of the 2000 Measure A Sales Tax began in April 2006.

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, 2015 through 2019.

1976 Sales Tax Revenues and Senior Lien Debt Service Coverage
Fiscal Years Ending June 30, 2015 – 2019 (Proforma and Unaudited)
(In thousands)

Fiscal Year Ending June 30	Projected Sales Tax Revenue	Percent Increase [1*]	Aggregate Debt Service [2]	Projected Coverage [3]
2015	$ 190,845	4.61%	$ 17,909	10.66
2016	203,549	6.66%	21,080	9.66
2017	214,609	5.43%	21,082	10.18
2018	223,789	4.28%	21,079	10.62
2019	230,910	3.18%	21,075	10.96

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, 2015 through 2019.

2000 Measure A Sales Tax Revenues and Debt Service Coverage
Fiscal Years Ending June 30, 2015 – 2019 (Proforma and Unaudited)
(In thousands)

Fiscal Year Ending June 30	Projected Sales Tax Revenue	Percent Increase [1*]	Aggregate Debt Service [4]	Projected Coverage [3]
2015	$ 190,559	4.61%	$ 74,050	2.57
2016	203,244	6.66%	74,050	2.74
2017	214,287	5.43%	74,017	2.90
2018	223,453	4.28%	73,980	3.02
2019	230,563	3.18%	73,968	3.12

[1] Source: Growth rates provided by outside economists.
[2] Includes actual debt service on the 2007 and 2011 Bonds. Debt Service on the 2008 Bonds is calculated based on the rate established pursuant to the 2008 Swap Agreement, 3.145%.
[3] Does not include any additional parity debt.
[4] Includes actual debt service on the 2007 and 2010 Bonds. Debt Service on the 2008 Bonds is calculated based on the rate established pursuant to the 2008 Swap Agreement, 3.765%.
*No assurance is given that actual results will meet the forecasts of VTA in any way.

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

According to population estimates provided by the State of California, the number of residents in Santa Clara County is increasing gradually on a yearly basis. The County's population increased by approximately 4.88% in 2014 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	2014
Campbell	11,863	24,731	26,843	36,048	38,138	39,349	41,993
Cupertino	3,664	18,216	34,297	40,263	50,546	58,302	59,946
Gilroy	7,348	12,665	21,641	31,487	41,464	48,821	52,413
Los Altos	19,696	24,872	25,769	26,303	27,693	28,976	29,969
Los Altos Hills	3,412	6,862	7,421	7,514	7,902	7,922	8,354
Los Gatos	9,036	23,466	26,906	27,357	28,592	29,413	30,532
Milpitas	6,572	27,149	37,820	50,686	62,698	66,790	70,092
Monte Sereno	1,506	3,074	3,434	3,287	3,483	3,341	3,450
Morgan Hill	3,151	6,485	17,060	23,928	33,556	37,882	41,197
Mountain View	30,889	54,206	58,655	67,460	70,708	74,066	76,781
Palo Alto	52,475	55,999	55,225	55,900	58,598	64,403	66,861
San Jose	204,196	445,779	629,400	782,248	894,943	945,942	1,000,536
Santa Clara	58,880	87,717	87,700	93,613	102,361	116,468	121,229
Saratoga	14,861	27,199	29,261	28,061	29,843	29,926	30,887
Sunnyvale	51,898	95,408	106,618	117,229	131,760	140,081	147,055
Unincorporated	162,056	152,181	127,021	106,193	100,300	89,960	87,263
County Total[1]	641,503	1,066,009	1,295,071	1,497,577	1,682,585	1,781,642	1,868,558
California	15,717,204	18,136,045	23,668,145	29,760,021	33,871,648	37,253,956	38,340,000

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

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

TABLE 18
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Demographic and Economic Data - Income and Unemployment Rates
Ten Years Ended June 30, 2014

Year	Santa Clara County Personal Income (In thousands)[1,2]	Santa Clara County Per Capita Personal Income [1,2]	Unemployment Rate[3]
2005	$ 87,881,146	$ 51,277	5.5%
2006	96,092,804	55,020	5.0%
2007	103,501,849	60,107	4.7%
2008	104,331,553	59,227	5.1%
2009	96,315,176	55,781	11.8%
2010	103,636,350	58,018	11.3%
2011	111,880,131	61,833	10.3%
2012	122,259,021	66,535	8.7%
2013	123,481,611	67,200	6.8%
2014	124,716,427	67,872	5.4%

[1] Bureau of Economic Analysis U.S. Department of Commerce.
[2] Actual data is available through 2012. Years 2013 and 2014 data are preliminary and assume a 1% increase over prior year.
[3] California Employment Development Department. Not seasonally adjusted.

TABLE 19
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Demographic and Economic Data – Wage and Salary Employment by Industry (Annual Average)
Ten Years Ending June 30, 2013
(In thousands)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Civilian Labor Force [1]	828.8	823.7	834.4	855.2	876.8	879.8	871.6	894.8	910.9	924.0
Civilian Employment	774.2	778.7	797.1	814.7	825.2	777.5	774.0	804.6	830.6	857.5
Civilian Unemployment	54.6	45.0	37.3	40.5	51.7	102.2	97.6	90.2	80.3	66.5
Civilian Unemployment Rate										
County	6.6%	5.5%	4.5%	4.7%	5.9%	11.6%	11.2%	10.1%	8.8%	7.2%
State of California	6.5%	5.4%	4.9%	5.4%	7.0%	11.6%	12.2%	12.0%	10.6%	8.5%
Wage and Salary Employment [2]										
Total Farm Agriculture	4.1	3.8	3.8	3.7	4.6	3.6	3.6	3.4	3.5	5.1
Construction and Mining	40.1	42.7	45.5	49.5	50.1	32.9	32.3	30.9	35.6	37.6
Manufacturing	167.9	168.6	167.4	163.7	166.3	153.5	150.7	154.6	155.1	156.3
Transportation & Public Utilities	13.3	13.0	12.6	13.1	13.8	11.7	11.9	11.8	12.7	13.9
Wholesale Trade	34.0	35.1	37.6	39.1	39.9	36.0	34.7	35.0	34.4	36.2
Retail Trade	80.2	81.7	83.1	86.2	88.2	77.4	75.6	77.5	80.3	84.2
Finance, Insurance & Real	34.7	35.9	36.8	38.2	39.5	31.5	30.8	31.2	33.6	33.9
Services	385.0	384.8	401.3	416.7	424.1	404.4	418.5	432.8	455.4	450.0
Government	91.7	93.0	93.5	90.2	92.7	95.0	93.4	88.6	90.2	93.5
Total [3]	851.0	858.6	881.6	900.4	919.2	846.0	851.5	865.8	900.8	910.7

[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 2013. FY 2013 is the most recent available data.
[2] Wage and salary employment is reported by place of work. Data are benchmarked to 2013.
[3] Totals may not be precise due to independent rounding.

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

TABLE 20
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Demographic and Economic Data – Silicon Valley Major Employers
Current Year and Nine Years ago

Company Name	Nature of Operations		FY 2014 Number of Employees	FY 2014 Rank	FY 2005 Number of Employees	FY 2005 Rank
Apple Inc.	Computer electronics	*	16,000	1	NA	
County of Santa Clara	County government		15,800	2	15,316	1
Cisco Systems, Inc.	Design,manufactgure & sell networking equipment		15,633	3	13,000	2
Kaiser Permanente	Integrated healthcare delivery plan		13,500	4	NA	
Stanford University	Research university		11,707	5	12,000	3
Google Inc.	Search, advertising and web software	*	11,000	6	NA	
Oracle Corp.	Hardware and software,cloud		8,000	7	NA	
Stanford Hospital & Clinics	Health System		7,689	8	NA	
Lockheed Martin Space Systems Co.	Aerospace		7,000	9	7,400	4
Santa Clara Valley Health & Hospital System	Public healthcare system		6,462	10	NA	
Intel Corp.	Semiconductor		6,277	11	6,136	7
City of San Jose	Government Agency		4,705	12	7,325	5
County of Monterey	County government		4,647	13	NA	
U.S.Postal Service	Mail service		4,500	14	NA	
IBM Corp.	Multinational consulting and technology company		4,000	15	7,000	6
Juniper Networks Inc.	Computer networks		4,000	15	NA	
Palo Alto Medical Foundation	Not-for-profit healthercare organization and multispecialty group practice		4,000	15	NA	
SAP Labs U.S.	Software & programming		4,000	15	NA	

Source: Silicon Valley/San Jose Business Journal. July 1/, 2014
* Estimate provided by the most recent city and county financial reports because the employer did not provide local employment figure.
Ranking is based on low end of range.

The concentration of Santa Clara County's productivity is derived primarily from numerous high-technology and bioscience companies. Public-sector employers continue to rank high among the largest employers in Silicon Valley. As depicted in the chart above, as an employer, Santa Clara County itself, continues to have the largest public-sector employee base with 15,800 workers. The City of San Jose alone has 4,705 full-time employees.

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, 2014

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
2005	30,296,718	97,117	18,259,119	1,330,707	15,416,363	125,953	344	441	525
2006	30,938,044	99,966	18,499,971	1,346,841	15,678,367	120,583	345	440	524
2007	31,646,555	102,123	18,705,711	1,364,903	15,882,356	128,290	345	453	524
2008	33,103,495	106,673	18,784,524	1,389,344	16,013,930	143,102	343	456	535
2009	34,510,273	111,820	18,500,655	1,379,428	15,800,214	152,856	336	424	448
2010	31,983,494	103,575	17,739,605	1,322,661	15,130,519	142,754	333	412	424
2011	31,395,126	102,187	16,990,315	1,269,071	14,376,811	148,225	333	434	494
2012	32,053,755	104,583	17,099,227	1,191,992	14,374,343	169,321	345	426	445
2013	32,432,354	106,161	17,491,993	1,213,571	14,582,508	166,576	358	426	443
2014	32,475,527	105,969	17,835,921	1,367,433	14,817,700	173,539	371	432	443

LIGHT RAIL

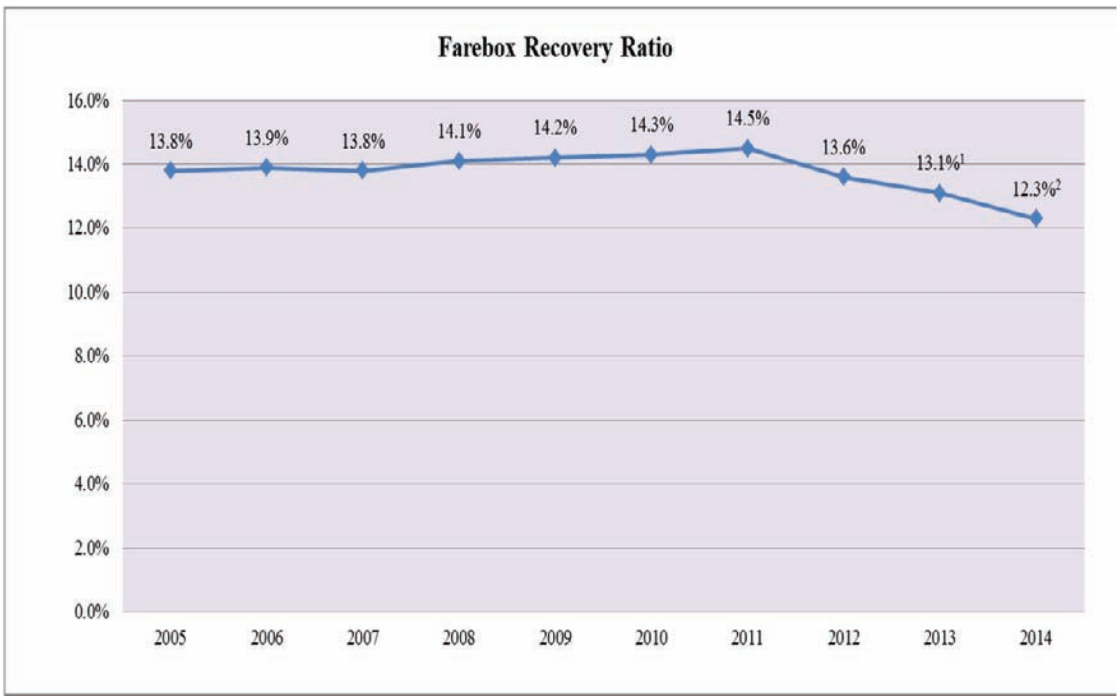
Fiscal Year	Total Ridership	Average Weekday Ridership	Scheduled Miles	Scheduled Hours	Train Revenue Miles	Passenger Miles (000's)	Peak Cars	Light Rail Fleet
2005	6,780,431	21,436	1,774,543	114,663	1,647,376	32,290	34	100
2006	8,279,807 [1]	26,137	2,129,189	138,348	1,993,940	41,913	39	100
2007	10,278,460	32,567	2,220,230	143,816	2,105,819	54,528	53	100
2008	10,451,136	33,043	2,223,823	143,576	2,112,080	54,475	53	100
2009	10,754,161	34,305	2,216,957	143,533	2,105,555	58,709	54	99
2010	9,749,882	31,555	2,182,849	141,095	2,062,832	50,000	46	99
2011	10,014,504	31,871	2,190,140	132,452	2,055,872	54,048	49	99
2012	10,373,042	32,716	2,209,233	137,495	2,065,099	55,337	55	99
2013	10,742,292	34,242	2,199,018	137,134	2,055,418	58,116	57	99
2014	10,952,965	35,102	2,205,492	139,021	2,057,106	61,631	57	99

[1] Light rail ridership increased in FY 2006 with the opening of the Vasona Light Rail Extension.

Source: VTA Operations Division.

TABLE 22
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Operating Information – Farebox Recovery Ratio
Ten Years Ended June 30, 2014

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.



[1] Updated with audited NTD data.
[2] Based on proforma and unaudited NTD data.

TABLE 23
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Operating Information – Revenue Miles
Ten Years Ended June 30, 2014

The following chart shows total vehicle miles in revenue service.

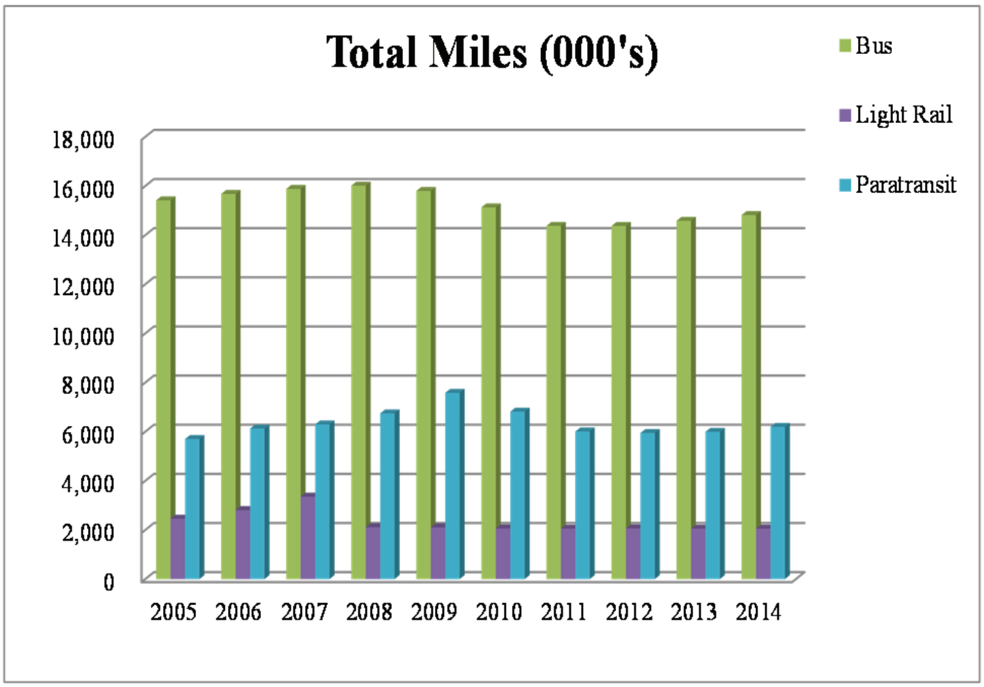


TABLE 24
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Operating Information – Passenger Miles
Ten Years Ended June 30, 2014

Passenger mile statistics are presented in the chart below. In FY 2014 the total passenger miles have increased by 4.45% from FY 2013.

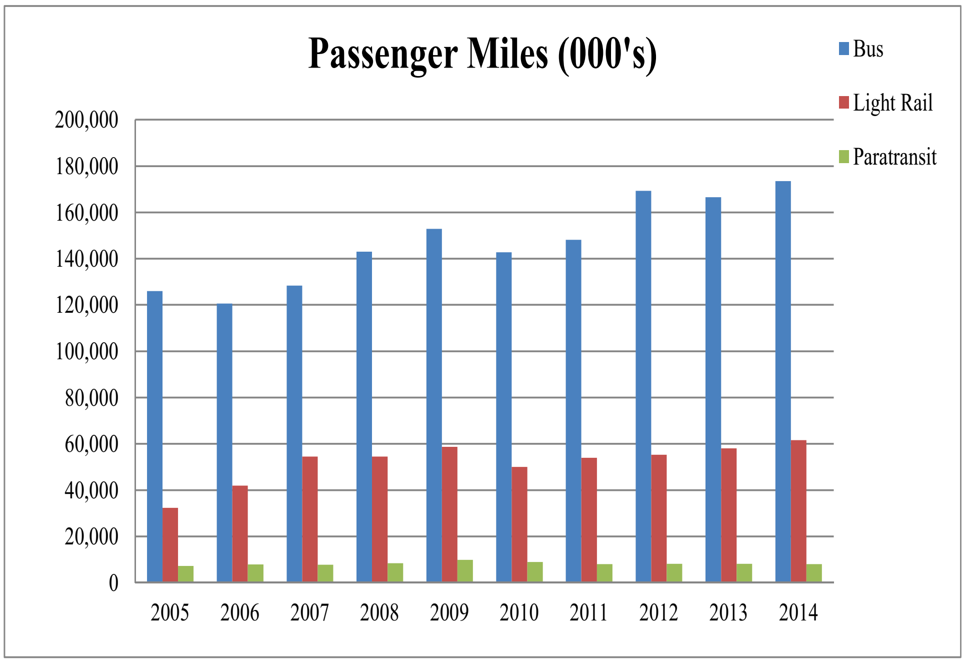


TABLE 25
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Operating Information – Selected Statistical Data
Ten Years Ended June 30, 2014

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
FAREBOX REVENUE ($000's)[1]	$32,061	$34,335	$35,242	$35,830	$36,184	$36,857	$38,106	$37,744	38,331	$ 38,372
VEHICLE REVENUE MILES (000's)										
BUS	15,315	15,573	15,851	15,951	15,800	15,131	14,377	14,374	14,583	14,818
LIGHT RAIL	2,460	2,810	3,354	2,112	2,106	2,063	2,056	2,065	2,056	2,057
PARATRANSIT	5,702	6,126	6,296	6,746	7,582	6,816	6,011	5,948	5,995	6,196
PASSENGER MILES (000's)										
BUS	125,953	120,581	128,290	143,102	152,856	142,754	148,225	169,321	166,576	173,539
LIGHT RAIL	32,290	41,913	54,528	54,475	58,708	50,000	54,048	55,337	58,116	61,632
PARATRANSIT	7,314	7,896	7,835	8,486	9,908	9,005	8,017	8,133	8,205	8,097
FLEET SIZE										
BUS	525	524	539	480	448	424	494	445	443	443
LIGHT RAIL	100	100	100	100	99	99	99	99	99	99
CASH FARE SINGLE RIDE										
ADULT	$1.75	$1.75	$1.75	$1.75	$1.75	$2.00	$2.00	$2.00	$2.00	$2.00
YOUTH	$1.50	$1.50	$1.50	$1.50	$1.50	$1.75	$1.75	$1.75	$1.75	$1.75
SENIOR	$0.75	$0.75	$0.75	$0.75	$0.75	$1.00	$1.00	$1.00	$1.00	$1.00

[1] Includes fare revenue from motor bus, light rail and shuttle services.

TABLE 26
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Operating Information - System Data
As of June 30, 2014

URBANIZED AREA (UZA):
346 Square Miles

ROUTES

Type of Route	Number of Routes
Local	53
Limited Stop	4
Express	13
Rapid	1
Light Rail	3
Total	74

HOURS OF OPERATION

Monday-Sunday	24 hours

PARK AND RIDE LOTS:

	Number of Lots	Number of Parking Spaces
Bus	10	681
Light Rail	21	6,471
Caltrain	16	5,006
Total	47	12,158

FACILITIES

Type of Facility	Number of Facilities
Bus Stops	3,783
Shelters	795
Benches	1,927
Trash Receptacles	824
Transit Centers	16

TABLE 27
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Operating Information - Employees
Nine Years Ended June 30, 2014[1]

Full-time Equivalent Employees[2]

Fiscal Year	Operations	Planning and Program Development[3]	Finance & Budget[4]	Engineering & Construction	Public Affairs[5]	Chief of Staff[5]	Business Services[6]	General Counsel	General Manager	SVRT Program	Total
2006	1597	104	105	107	NA	NA	101	9	30	NA	2053
2007	1584	101	100	98	NA	NA	102	8	27	NA	2020
2008	1628	48	103	98	70	NA	92	10	4	4	2057
2009	1649	51	97	99	74	NA	102	8	4	4	2088
2010	1588	50	95	97	57	NA	100	8	18	4	2017
2011	1576	50	90	90	53	NA	102	8	11	5	1985
2012	1599	52	93	86	51	NA	103	9	13	6	2012
2013	1614	51	88	90	55	NA	99	11	13	6	2027
2014	1687	42	69	79	37	25	138	12	5	6	2100

[1] A reorganization took effect in April 2014. New Divisions were created as the result of the reorganization.
[2] 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.
[3] Previously referred to as Congestion Management Division, as a result of the reorganization in FY2014.
[4] Previously referred to as Fiscal Resources Division,as a result of the reorganization in FY2014.
[5] External Affairs Division was split into Public Affairs and Office of Chief of Staff, as a result of the reorganization in FY2014.
[6] Previously referred to as Adminstrative Service Division, as a result of the reorganization in FY2014.

TABLE 28
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Operating Information - Capital Assets
Ten Years Ended June 30, 2014
(In thousands)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Capital assets, not being depreciated:										
Land and right of way	$ 761,818	$ 1,131,579	$ 1,118,577	$ 1,118,212	$ 1,119,217	$ 1,123,321	$ 1,122,805	$ 1,122,495	$ 1,122,368	$ 1,126,373
Construction in Progress	775,711	380,776	488,192	639,708	781,381	814,241	902,026	1,107,386	1,347,410	1,728,066
Total capital assets, not being depreciated	1,537,529	1,512,355	1,606,769	1,757,920	1,900,598	1,937,562	2,024,831	2,229,881	2,469,778	2,854,439
Capital assets, being depreciated:										
Buildings, improvements, furniture and	340,546	462,448	460,900	487,116	488,156	495,436	504,531	511,853	508,345	516,184
Vehicles	480,174	457,616	458,001	462,027	442,771	435,652	485,590	481,014	486,460	488,229
Light-rail tracks and electrification	365,505	384,435	399,563	399,824	399,824	402,622	403,831	403,394	413,674	415,905
Caltrain – Gilroy extension	52,990	52,990	53,155	53,155	53,155	53,307	53,307	53,307	43,072	43,072
Other operating equipment	28,830	29,002	29,416	39,770	32,044	42,610	46,065	46,152	45,876	46,062
Leasehold Improvement	-	-	2,169	9,686	9,686	9,686	9,686	9,686	9,686	9,686
Total capital assets, being depreciated	1,268,045	1,386,491	1,403,204	1,451,578	1,425,636	1,439,313	1,503,010	1,505,406	1,507,113	1,519,138
Less accumulated depreciation										
Total accumulated depreciation	(335,200)	(398,635)	(446,408)	(493,895)	(519,886)	(565,012)	(618,061)	(657,113)	(706,428)	(768,364)
Total capital assets, being depreciated, net	932,845	987,856	956,796	957,683	905,750	874,301	884,949	848,293	800,685	750,774
Total capital assets, net	$ 2,470,374	$ 2,500,211	$ 2,563,565	$ 2,715,603	$ 2,806,348	$ 2,811,863	$ 2,909,780	$ 3,078,174	3,270,463	$ 3,605,213

Source: Comprehensive Annual Financial Report

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APPENDIX C

COUNTY OF SANTA CLARA DEMOGRAPHIC AND ECONOMIC INFORMATION

General Information

The County of Santa Clara (the "County") lies immediately south of San Francisco Bay and is the sixth most populous county in the State of California (the "State"). It encompasses an area of approximately 1,316 square miles. The County was incorporated in 1850 as one of the original 28 counties of the State and operates under a home rule charter adopted by County voters in 1950 and amended in 1976.

The southern portion of the County has retained the agricultural base which once existed throughout the area and has two cities, separated by roughly 10 miles. The northern portion of the County is densely populated, extensively urbanized and heavily industrialized. The County contains 15 cities, the largest of which is the City of San Jose, the third largest city in the State and the County seat. The uppermost northwestern portion of the County, with its concentration of high-technology, electronics-oriented industry, is popularly referred to as the "Silicon Valley." Large employers include Google Inc., Apple Inc., Oracle Corporation, Cisco Systems, Inc., Hewlett-Packard Company and Yahoo! Inc.

Neighboring counties include San Mateo in the northwest, Santa Cruz in the southwest, San Benito in the south, Merced and Stanislaus in the east, and Alameda in the northeast. The City of San Jose is approximately 50 miles south of San Francisco and 42 miles south of the City of Oakland. These are the three largest cities of the nine-county San Francisco Bay Area, with the City of San Jose being the largest.

Population

Historical Population Growth. Over the past 60 years, the County's population growth pattern has exhibited three decades of rapid growth followed by three decades of more sustainable growth rates.

According to U.S. Census figures, the number of County residents grew by 66% between 1940 and 1950, with most of the increase concentrated in the unincorporated areas and in the largest cities of San Jose, Palo Alto and Santa Clara. In the next decade, from 1950 to 1960, population grew by 121% with every major city as well as the unincorporated areas experiencing huge increases. The County also recorded the incorporation of four new cities during the 1950s, raising the total number of cities to its current level of fifteen.

The County's population growth subsided somewhat during the 1960s, although the 66% growth rate was over four times the 15.4% statewide increase. The population of San Jose doubled for the second decade in a row, while the cities of Mountain View, Santa Clara, and Sunnyvale added at least 23,000 residents each. As a result of the incorporation of four cities, the unincorporated area of the County posted its first decline in the 1960s, setting the stage for further drops in each of the subsequent three decades.

The County population growth rate fell to 21.5% during the 1970s. San Jose continued to add more residents (183,621) than any other city, while two of the larger cities (Palo Alto and Santa Clara) recorded small population declines and residents in the unincorporated area fell by 25,160. The slower growth of the 1970s reflected a slowing urbanization, due in part to policies adopted by the County to preserve agricultural areas.

The data from the 2010 U.S. Census indicate that the County's population reached 1,781,642, representing a 37.6% overall increase from the population base in 1980, an average rate of 11.2% per Census count. Over the same period, statewide population grew more rapidly at a rate of 16.3%. San Jose surpassed San Francisco as the largest city in the Bay Area, with a population of 957,369. According to the 2010 census data, over one-half of the County's residents live in San Jose.

The proportion of residents living in cities is currently approximately 95.0%, in contrast to the County's makeup in 1940 when urban residents made up only 6.5% of the County's population. Since the 1940s, the increasing maturation of the County's employment and economic sectors has resulted in the incorporation of new cities as well as the expansion of city boundaries, resulting in a shrinking fraction (currently 5.6%) of residents living in unincorporated areas.

Recent Annual Population Performance. Between 2013 and 2014, the County population grew another 1.5%. All of the cities in the County experienced growth during this period, with Campbell posting the fastest growth (4.0%). Currently, approximately 5.0% of the County residents live in unincorporated areas, a percentage which has steadily decreased over time as the population continues to migrate toward the cities.

By the year 2025, the State Department of Finance predicts that the County's population will grow by approximately 67,828 residents, a 3.6% increase from 2014. (Source: State of California, Department of Finance, Demographic Research Unit (Report P-1)). The following table provides a historical summary of population in the County and its incorporated cities.

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County of Santa Clara Population

City	1970	1980	1990	2000	2010	2011	2012	2013	2014[1]
Campbell	24,731	26,843	36,088	38,138	39,349	39,610	39,820	40,373	41,993
Cupertino	18,216	34,297	39,967	50,602	58,302	58,665	58,931	59,575	59,946
Gilroy	12,665	21,641	31,487	41,464	48,821	49,316	50,081	51,505	52,413
Los Altos	24,872	25,769	26,599	27,693	28,976	29,136	29,414	29,769	29,969
Los Altos Hills	6,862	7,421	7,514	8,025	7,922	7,969	8,015	8,258	8,354
Los Gatos	23,466	26,906	27,357	28,592	29,413	29,613	29,808	30,225	30,532
Milpitas	27,149	37,820	50,690	62,698	66,790	66,637	66,865	67,845	70,092
Monte Sereno	3,074	3,434	3,287	3,483	3,341	3,360	3,368	3,417	3,450
Morgan Hill	6,485	17,060	23,928	33,586	37,882	38,255	39,067	40,049	41,197
Mountain View	54,206	58,655	67,365	70,708	74,066	74,618	75,158	76,204	76,781
Palo Alto	55,999	55,225	55,900	58,598	64,403	64,853	65,443	66,318	66,861
San Jose	445,779	629,400	782,224	895,131	945,942	957,369	969,880	983,574	1,000,536
Santa Clara	87,717	87,700	93,613	102,361	116,468	117,998	118,632	120,196	121,229
Saratoga	27,199	29,261	28,061	29,849	29,926	30,153	30,316	30,683	30,887
Sunnyvale	95,408	106,618	117,324	131,844	140,081	140,898	142,674	145,864	147,055
Unincorporated	152,181	127,021	106,173	99,813	89,960	85,887	86,230	87,040	87,263
County Total[2]	1,066,009	1,295,071	1,497,577	1,682,585	1,781,642	1,794,337	1,813,702	1,840,895	1,868,558
California	18,136,045	23,668,145	29,760,021	33,873,086	37,253,956	37,427,946	37,668,804	37,984,138	38,340,074

(1) As of January 1. Annual or later monthly figures for 2014 not available.
(2) Totals may not be precise due to independent rounding.
Source: U.S. Census 1970-2010; State of California, Department of Finance, Demographic Research Unit (E-4 Population Estimates for Cities, Counties, and the State, 2011-2014 with 2010 Census Benchmark).

Employment and Industry

The County is home to a highly skilled and diverse work force, a situation that has traditionally translated into lower unemployment rates in the County when compared to State and national average unemployment rates. Three major industry sectors comprise approximately 56% of the County's employment: Goods Producing – 190,300, Professional & Business Activities – 190,200 and Manufacturing – 153,300.

Development of high technology has been enhanced by the presence of Stanford University, Santa Clara University, San Jose State University, other institutions of higher education, and research and development facilities, such as SRI International, the Stanford Linear Accelerator Center, and Ames Research Center (NASA) within the County. In addition, the Rincon de los Esteros Redevelopment Area in northern San Jose has been the site of industrial/research and development submarkets in Silicon Valley.

The following tables list employment details in the County for 2009 through 2013, as well as average employment figures and unemployment rates for October 2014. Annual average employment figures and unemployment rates for calendar year 2014 are unavailable. Industry employment data for 2014 is also unavailable.

County of Santa Clara
Average Annual Employment

	2009	2010	2011	2012	2013	2014[(1)]
Civilian Labor Force	875,700	879,600	891,500	910,400	923,200	951,000
Employment	781,000	782,600	804,200	833,700	860,100	902,300
County Unemployment	94,800	97,000	87,400	76,700	63,200	48,700

(1) As of October 2014.
Source: Employment Development Department.

County of Santa Clara
Unemployment Rate

	2009	2010	2011	2012	2013	2014[(1)]
County	10.8%	11.0%	9.8%	8.4%	6.8%	5.1%
State of California	11.3%	12.4%	11.8%	10.4%	8.9%	7.0%
United States	9.3%	9.6%	8.9%	7.9%	7.0%	5.5%

(1) As of October 2014.
Source: Employment Development Department.

County of Santa Clara
Industry Employment

	2009	2010	2011	2012	2013
Total, All Industries	859,100	856,600	876,900	911,500	951,600
Total Farm	3,500	3,500	3,400	3,300	3,400
Total Nonfarm	855,600	853,100	873,500	908,200	948,200
Goods Producing	184,900	180,500	183,600	187,300	190,300
Mining and Logging	200	200	200	200	300
Construction	33,400	31,400	30,900	33,900	36,700
Manufacturing	151,300	148,900	152,600	153,200	153,300
Service Providing	670,700	672,600	689,800	720,900	757,900
Trade, Transportation & Utilities	124,200	123,100	125,000	129,000	132,500
Information	43,800	46,300	51,200	54,100	58,600
Financial Activities	31,200	30,700	32,000	33,000	33,200
Professional & Business Services	160,400	160,800	166,600	177,700	190,200
Educational & Health Services	120,200	122,500	124,800	132,700	143,400
Leisure & Hospitality	73,500	73,800	76,300	81,300	86,100
Other Services	24,100	23,900	24,100	24,300	25,000
Government	93,500	91,500	89,900	88,700	89,100

Source: Employment Development Department.

Major Employers

The County, which is centered in the heart of Silicon Valley, is home to numerous high technology and computer software and hardware manufacturing companies. According to the Silicon Valley Business Journal, as of May 15, 2013, Cisco, a technology company, was the largest employer of the Silicon Valley with 16,461 employees. Second on the list was the County of Santa Clara who employed 15,465. The State of California, Kaiser Permanente and Apple topped off the top five employers in the County respectively. The uppermost northwestern portion of the County, with its concentration of high-technology, electronics-oriented industry, is popularly referred to as the "Silicon Valley." Major employers in Silicon Valley include Google Inc., Apple Inc., Oracle Corporation, Hewlett-Packard Company, Yahoo! Inc., as well as Cisco Systems, Inc.

The table below lists the ten largest employers in the County as of June 30, 2014.

County of Santa Clara
Largest Employers

Employer	Number of Employees
Cisco Technology Inc.	16,819
County of Santa Clara	16,408
Apple Computer, Inc.	15,000
Stanford University	14,641
Kaiser Permanente	13,500
Google Inc.	11,000
Stanford Hospital & Clinics	8,451
Lockheed Martin Space Systems Co.	6,400
Intel Corporation	5,800
City of San Jose	5,650

Source: Santa Clara County Comprehensive Annual Financial Report for the year ending June 30, 2014.

Income

The following table sets forth the median income for the County and the State for the calendar years shown.

County of Santa Clara and State of California
Median Income
2007 through 2013

Year	County of Santa Clara	State of California
2007	$84,987	$55,734
2008	88,525	57,014
2009	84,990	58,925
2010	90,581	62,401
2011	89,064	61,632
2012	90,747	61,400
2013	92,014	60,190

Source: http://quickfacts.census.gov; American Community Survey.

Commercial Activity

The County is an important center of commercial activity. Taxable sales activity at business and personal service outlets, as well as at other non-retail commercial establishments, is a significant component of the County's commercial activity. The following table sets forth the amount of taxable transactions from 2008 through 2012. Annual figures for 2013 are not yet available.

County of Santa Clara
Taxable Transactions by Sector
2008 through 2012
(In thousands)[1]

	2008	2009	2010	2011	2012
Motor Vehicle and Parts Dealers	2,709,927	2,284,032	2,538,029	2,894,898	3,480,485
Furniture and Home Furnishings Stores	566,530	427,418	474,002	523,999	573,328
Electronics and Appliance Stores	501,989	1,195,466	1,355,839	1,459,039	1,487,911
Bldg. Matrl. and Garden Equipment and Supplies	1,356,505	1,164,960	1,245,941	1,316,953	1,406,177
Food and Beverage Stores	868,612	975,086	984,824	1,022,790	1,066,463
Health and Personal Care Stores	-	494,462	523,221	564,261	591,347
Gasoline Stations	2,526,073	1,800,162	2,104,764	2,559,500	2,679,491
Clothing and Clothing Accessories Stores	1,422,687	1,690,211	1,824,590	1,997,291	2,189,462
Sporting Goods, Hobby, Book and Music Stores	-	625,799	644,612	676,571	714,368
General Merchandise Stores	2,946,466	2,272,162	2,368,820	2,448,046	2,532,297
Miscellaneous Store Retailers	3,537,686	621,409	635,019	675,873	744,431
Nonstore Retailers	-	128,928	147,373	182,963	295,853
Business and Personal Services	1,111,792	-	-	-	-
Food Services and Drinking Places	2,876,837	2,705,143	2,848,824	3,097,359	3,355,097
Total Retail and Food Services	20,425,104	16,385,238	17,695,858	19,419,542	21,116,708
All Other Outlets	11,849,202	11,042,471	12,827,464	14,011,675	15,103,737
Total All Outlets	32,274,306	27,427,709	30,523,322	33,431,217	36,220,445

[1] Totals may not add due to independent rounding.

Source: State Board of Equalization ("SBOE"), Taxable Sales in California (Sales and Use Tax). Data between years 2008 and 2009 do not align as SBOE updated their standard reporting sections.

County of Santa Clara
Taxable Transactions by Sector
2012 by Calendar Quarter
(In thousands)[1]

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Motor Vehicle and Parts Dealers	$ 772,237	$ 850,600	$ 878,962	$ 978,686
Furniture and Home Furnishings Stores	124,534	148,311	146,637	153,846
Electronics and Appliance Stores	348,065	390,798	336,396	412,652
Bldg. Matrl. and Garden Equip. and Supplies	315,156	384,471	364,108	342,442
Food and Beverage Stores	238,815	261,482	271,691	294,475
Health and Personal Care Stores	138,125	150,481	143,326	159,415
Gasoline Stations	648,325	701,009	684,467	645,689
Clothing and Clothing Accessories Stores	444,201	533,322	543,503	668,437
Sporting Goods, Hobby, Book, and Music Stores	151,229	161,561	173,165	228,413
General Merchandise Stores	535,799	588,885	602,101	805,511
Miscellaneous Store Retailers	205,354	179,714	169,635	189,728
Nonstore Retailers	40,193	50,688	61,489	143,483
Food Services and Drinking Places	803,740	849,406	842,206	859,745
Total Retail and Food Services	4,765,773	5,250,728	5,217,687	5,882,520
All Other Outlets	3,442,615	3,714,882	3,825,917	4,120,323
Total All Outlets	$8,208,388	$8,965,610	$9,043,604	$10,002,843

(1) Totals may not add due to independent rounding.
Source: State Board of Equalization, Taxable Sales in California (Sales and Use Tax).

County of Santa Clara
Taxable Transactions by Sector
2013 First and Second Calendar Quarters
(In thousands)

	First Quarter	Second Quarter
Motor Vehicle and Parts Dealers	$1,011,073	$1,078,924
Furniture and Home Furnishings Stores	142,344	144,991
Electronics and Appliance Stores	308,551	358,931
Bldg. Matrl. and Garden Equip. and Supplies	351,453	418,997
Food and Beverage Stores	248,599	273,800
Health and Personal Care Stores	146,376	158,492
Gasoline Stations	635,380	672,254
Clothing and Clothing Accessories Stores	492,821	556,705
Sporting Goods, Hobby, Book, and Music Stores	162,903	166,019
General Merchandise Stores	564,619	595,417
Miscellaneous Store Retailers	161,459	167,279
Nonstore Retailers	113,684	133,606
Food Services and Drinking Places	866,406	930,065
Total Retail and Food Services	5,205,667	5,655,481
All Other Outlets	3,385,442	3,718,810
Total All Outlets	$8,591,109	$9,374,291

Third and Fourth Quarter for 2013 and 2014 figures are unavailable. Totals may not add due to independent rounding.
Source: State Board of Equalization, Taxable Sales in California (Sales and Use Tax).

Construction Activity and Home Sales

The following tables provide a summary of building permit valuations and the number of new dwelling units authorized in the County since 2004.

County of Santa Clara
Building Permit Valuations
2004 through 2013
(In Millions of Dollars)

Year	New Residential	New Non-Residential	Total
2004	$1,406.20	$ 915.80	$2,322.00
2005	1,537.30	1,287.80	2,825.10
2006	1,652.90	1,534.20	3,187.10
2007	1,378.20	1,986.20	3,361.30
2008	1,051.10	1,914.50	2,965.70
2009	578.70	1,187.80	1,766.50
2010	1,085.90	1,155.60	2,241.50
2011	333.70	627.70	961.40
2012	1,088.40	660.10	1,748.50
2013	2,060.04	4,183.20	6,243.25

Source: Construction Industry Research Board (CIH/CIRB).

County of Santa Clara
Number of New Dwelling Units
2004 through 2013

Year	Single Family	Multiple Family	Total
2004	2,688	2,816	5,504
2005	2,577	3,295	5,872
2006	2,257	3,928	6,185
2007	2,063	2,520	4,583
2008	1,254	2,417	3,671
2009	667	450	1,117
2010	826	3627	4,453
2011	464	64	526
2012	1,269	3,970	5,239
2013	1,859	6,009	7,868

Source: Construction Industry Research Board (CIH/CIRB).

APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following is a brief summary of certain provisions of the Indenture, dated as of August 1, 2006, between the Santa Clara Valley Transportation Authority (the "Issuer") and U.S. Bank National Association, as successor trustee (the "Trustee"), as supplemented and amended by the First Supplemental Indenture, dated as of August 1, 2006 (the "First Supplemental Indenture"), the Second Supplemental Indenture, dated as of September 1, 2007 (the "Second Supplemental Indenture"), the Third Supplemental Indenture, dated as of June 1, 2008 (the "Third Supplemental Indenture"), the Fourth Supplemental Indenture, dated as of November 1, 2010 (the "Fourth Supplemental Indenture") and as further supplemented and amended by the Fifth Supplemental Indenture, dated as of January 1, 2015 (the "Fifth Supplemental Indenture" and, together with the First Supplemental Indenture, the Second Supplemental Indenture, the Third Supplemental Indenture and the Fourth Supplemental Indenture, hereinafter collectively referred to as the "Indenture"), between the Issuer and the Trustee. Such summary is not intended to be complete or definitive, is supplemental to the summary of other provisions of the Indenture contained elsewhere in this Official Statement, and is qualified in its entirety by reference to the full terms of the Indenture. All capitalized terms used and not otherwise defined in this Official Statement shall have the meanings assigned to such terms in the Indenture.

Definitions

Accreted Value means, with respect to any Capital Appreciation Bond, the principal amount thereof plus the interest accrued thereon, compounded at the approximate interest rate thereon on each date specified therein. The Accreted Value at any date shall be the amounts set forth in the Accreted Value Table as of such date, if such date is a compounding date, and if not, as of the immediately preceding compounding date.

Accreted Value Table means the table denominated as such which appears as an exhibit to, and to which reference is made in, a Supplemental Indenture providing for a Series of Capital Appreciation Bonds issued pursuant to such Supplemental Indenture.

Act means the Santa Clara Valley Transportation Authority Act, Part 12 of Division 10 (Section 100000 et seq.) of the Public Utilities Code of the State of California and Chapter 6 of Part 1 of Division 2 of Title 5 (Section 54300 et seq.) of the Government Code of the State of California as referenced in the Santa Clara Valley Transportation Authority Act.

Alternate Liquidity Facility means, with respect to a Series of Bonds, a line of credit, letter of credit, standby purchase agreement or similar liquidity facility, issued by a commercial bank or other financial institution, and delivered or made available to the Trustee, as a replacement or substitute for any Liquidity Facility then in effect.

Annual Debt Service means, for any Fiscal Year, the aggregate amount (without duplication) of principal and interest on all Bonds and Parity Obligations becoming due and payable during such Fiscal Year calculated using the principles and assumptions set forth under the definition of Debt Service.

Assumed Debt Service means for any Fiscal Year the aggregate amount of principal and interest which would be payable on all Bonds if each Excluded Principal Payment were amortized on a substantially level debt service basis for a period commencing on the date of calculation of such Assumed Debt Service and ending on the earlier of (i) the date specified by the Issuer, which date may be the final maturity date of such Bonds or (ii) the Tax Expiration Date, such Assumed Debt Service to be calculated based on a fixed interest rate equal to the rate at which the Issuer could borrow for such period, as set forth in a certificate of a financial advisor or investment banker, delivered to the Trustee, who may rely conclusively on such certificate, such certificate to be delivered within thirty (30) days of the date of calculation.

Authority or **Issuer** means the Santa Clara Valley Transportation Authority, a public transit district duly established and existing under the laws of the State of California.

Authorized Denominations with respect to the 2015 Series Bonds means $5,000 and any integral multiple thereof.

Authorized Representative means the Chairperson of the Board, the General Manager, the Chief Financial Officer or such other person as may be designated to act on behalf of the Issuer by a written certificate furnished to the Trustee containing the specimen signature of such person and signed on behalf of the Issuer by an Authorized Representative.

Beneficial Owner means any Person who has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of any Bond, including, without limitation, any Person holding Bonds through nominees or depositories, including the Securities Depository.

Board means the Board of Directors of the Issuer.

Bond Counsel means any firm of nationally recognized municipal bond attorneys selected by the Issuer and experienced in the issuance of municipal bonds and matters relating to the exclusion of the interest thereon from gross income for federal income tax purposes.

Bond Obligation means, as of any given date of calculation, (1) with respect to any Outstanding Current Interest Bond, the principal amount of such Bond, and (2) with respect to any Outstanding Capital Appreciation Bond, the Accreted Value thereof.

Bond Reserve Fund means any fund by that name established with respect to one or more Series of Bonds pursuant to the Supplemental Indenture establishing the terms and provisions of such Series of Bonds.

Bond Reserve Requirement with respect to a Series of Bonds for which the Issuer shall have established a Bond Reserve Fund shall have the meaning specified in the Supplemental Indenture establishing the terms and provisions of such Series of Bonds. No Bond Reserve Fund is established for the 2015 Series Bonds.

Bondholder or **Holder** or **Owner**, whenever used in the Indenture or in this Official Statement with respect to a Bond, means the person in whose name such Bond is registered.

Bonds means the Santa Clara Valley Transportation Authority 2000 Measure A Sales Tax Revenue Bonds authorized by, and at any time Outstanding pursuant to, the Indenture.

Book-Entry System means a system under which physical bond certificates in fully registered form are registered only in the name of a Securities Depository or its nominee.

Business Day means, except as is otherwise provided in the Supplemental Indenture pursuant to which a Series of Bonds are issued, any day other than (1) a Saturday, Sunday, or a day on which banking institutions in the State or the State of New York are authorized or obligated by law or executive order to be closed, (2) for purposes of payments and other actions relating to Bonds secured by a Credit Enhancement or supported by a Liquidity Facility, a day upon which commercial banks in the city in which is located the office of the issuing bank at which demands for payment under the Credit Enhancement or Liquidity Facility, as applicable, are to be presented are authorized or obligated by law or executive order to be closed, and (3) a day on which the New York Stock Exchange is closed.

Capital Appreciation Bonds means the Bonds of any Series designated as Capital Appreciation Bonds in the Supplemental Indenture providing for the issuance of such Series of Bonds and on which interest is compounded and paid at maturity or on prior redemption.

Certificate, **Statement**, **Request**, **Requisition** and **Order** of the Issuer mean, respectively, a written certificate, statement, request, requisition or order signed in the name of the Issuer by an Authorized Representative.

Code means the Internal Revenue Code of 1986, and the regulations applicable thereto or issued thereunder, or any successor to the Internal Revenue Code of 1986. Reference to any particular Code section shall, in the event of such a successor Code, be deemed to be reference to the successor to such Code section.

Continuing Disclosure Certificate means, with respect to each Series of Bonds requiring an undertaking regarding disclosure under Rule 15c2-12, the Continuing Disclosure Certificate, dated the date of issuance of such Series of Bonds, executed by the Issuer, as the same may be supplemented, modified or amended in accordance with its terms.

Conversion Date shall have the meaning specified in the Indenture.

Corporate Trust Office or **corporate trust office** means the corporate trust office of the Trustee.

Costs of Issuance means all items of expense directly or indirectly payable by or reimbursable to the Issuer and related to the authorization, execution, sale and delivery of a Series of Bonds, including but not limited to advertising and printing costs, costs of preparation and reproduction of documents, filing and recording fees, travel expenses and costs relating to rating agency meetings and other meetings concerning such Series of Bonds, initial fees and charges of the Trustee, legal fees and charges, fees and disbursements of consultants and professionals, financial advisor fees and expenses, rating agency fees, fees and charges for preparation, execution, transportation and safekeeping of Bonds, surety, insurance, credit enhancement and liquidity costs, and any other cost, charge or fee in connection with the initial delivery of a Series of Bonds or any Parity Obligations delivered in connection with a Series of Bonds.

Costs of Issuance Fund means a fund by that name established pursuant to the provisions of a Supplemental Indenture to pay Costs of Issuance with respect to a Series of Bonds being issued pursuant to such Supplemental Indenture.

Counterparty means an entity which has entered into an Interest Rate Swap Agreement with the Issuer.

Credit Enhancement means, with respect to a Series of Bonds, any Insurance, letter of credit, line of credit, surety bond or other instrument, if any, which secures or guarantees the payment of principal of and interest on a Series of Bonds, issued by an insurance company, commercial bank or other financial institution, and delivered or made available to the Trustee, as from time to time supplemented or amended pursuant to its terms, or, in the event of the delivery or availability of an Alternate Credit Enhancement, such Alternate Credit Enhancement.

Credit Enhancement Provider means, with respect to a Series of Bonds, the Insurer, commercial bank or other financial institution issuing (or having primary obligation, or acting as agent for the financial institutions obligated, under) a Credit Enhancement then in effect with respect to such Series of Bonds.

Current Interest Bonds means the Bonds of any Series designated as Current Interest Bonds in the Supplemental Indenture providing for the issuance of such Series of Bonds and which pay interest at least semiannually to the Holders thereof excluding the first payment of interest thereon.

Debt Service, when used with respect to any Bonds, means, as of any date of calculation and with respect to any Fiscal Year, the sum of (1) the interest falling due on such Bonds during such Fiscal Year and (2) the principal or mandatory sinking account payments required with respect to such Bonds during such Fiscal Year; computed on the assumption that no portion of such Bonds shall cease to be Outstanding during such Fiscal Year except by reason of the application of such scheduled payments; provided, however, that for purposes of such computation:

(a) Excluded Principal Payments and the interest related thereto, provided such interest is being paid by the same source as the Excluded Principal Payments, shall be excluded from such calculation and Assumed Debt Service shall be included in such calculation;

(b) in determining the principal amount due in each Fiscal Year, payment shall (unless a different subsection of this definition applies for purposes of determining principal maturities or amortization) be assumed to be made in accordance with any amortization schedule established for such Bonds, including any Mandatory Sinking Account Payments or any scheduled redemption or payment of Bonds on the basis of Accreted Value, and for such purpose, the redemption payment or payment of Accreted Value shall be deemed a principal payment and interest that is compounded and paid as Accreted Value shall be deemed due on the scheduled redemption or payment date of such Capital Appreciation Bond;

(c) if any Bonds bear, or if any Bonds proposed to be issued will bear, interest at a variable interest rate for which an Interest Rate Swap Agreement is not in place and the interest on which is excluded or expected to be excluded from gross income for federal income tax purposes, the interest rate on such variable interest rate Bonds shall be calculated at an interest rate listed in The Bond Buyer "25 Revenue Bond Index" published on a date selected by the Issuer, which date shall be no earlier than the first day of the calendar month preceding the date of sale of such Bonds and no later than the date of sale of such Bonds plus twenty-five (25) basis points or if such index is not published on the date of sale such Bonds, at the interest rate listed in such index published immediately prior to the date of sale such Bonds plus twenty-five (25) basis points (provided, however, that if such index is no longer published, the interest rate on such Bonds shall be calculated based upon such index as the Issuer shall designate in writing to the Trustee);

(d) if any Bonds bear, or if any Bonds proposed to be issued will bear, interest at a variable interest rate for which an Interest Rate Swap Agreement is not in place and the interest on which is included or expected to be included in gross income for federal income tax purposes, the interest rate on such Bonds shall be calculated at an interest rate equal to 110% of the average One Month USD LIBOR Rate during the three (3) months preceding the month of sale of such Bonds, or if the One Month USD LIBOR Rate is no longer available, such similar rate as the Issuer shall designate in writing to the Trustee;

(e) with respect to any Bonds bearing interest, or expected to bear interest, at a variable interest rate for which an Interest Rate Swap Agreement is in place, if (i) the interest rate on such Bonds, plus (ii) the payments received and made by the Issuer under an Interest Rate Swap Agreement with respect to such Bonds, are expected to produce a synthetic fixed rate to be paid by the Issuer (e.g., an interest rate swap under which the Issuer pays a fixed rate and receives a variable rate that is expected to equal or approximate the rate of interest on such Bonds), such Bonds shall be treated as bearing such synthetic fixed rate for the duration of the synthetic fixed rate;

(f) if any Bonds bear, or are expected to bear, a fixed interest rate and an Interest Rate Swap Agreement is entered into with respect to such Bonds, if (i) the interest rate on such fixed interest rate Bonds, plus (ii) the payments received and made by the Issuer under an Interest Rate Swap Agreement with respect to such fixed interest rate Bonds, are expected to produce a synthetic variable rate to be paid by the Issuer (e.g., an interest rate swap under which the Issuer pays a variable rate and receives a fixed rate that is expected to equal or approximate the rate of interest on such fixed interest rate Bonds), the fixed interest rate Bonds, shall be treated as bearing such synthetic variable rate for the duration of the Interest Rate Swap Agreement calculated as provided in subparagraph (c) or subparagraph (d), as applicable, above; and

(g) principal and interest payments on Bonds shall be excluded to the extent such payments are to be paid from amounts on deposit with the Trustee or other fiduciary in escrow specifically therefor, including Investment Securities and interest to be paid therefrom, and interest payments shall be excluded to the extent that such interest payments are to be paid from the proceeds of Bonds, including Investment Securities and interest to be paid therefrom, held by the Trustee or other fiduciary as capitalized interest specifically to pay such interest or are to be paid from Revenues then held on deposit by the Trustee.*

Designated Banking Institution means a financial institution of national standing which is a primary United States government securities dealer designated by the Issuer.

DTC means The Depository Trust Company.

Event of Default means any of the events of default specified in the Indenture.

Excluded Principal Payments means each payment of principal of Bonds which the Issuer determines (in the Supplemental Indenture) that the Issuer intends to pay with moneys which are not Revenues (such as commercial paper, balloon indebtedness or bond anticipation notes) but from future debt obligations of the Issuer, grants from the State or federal government, or any agency or instrumentality thereof, or any other source of funds of the Issuer, upon which determination of the Issuer the Trustee may conclusively rely. No such determination shall affect the security for such Bonds or the obligation of the Issuer to pay such payments from Revenues. No payment of principal of Bonds may be determined to be an Excluded Principal Payment unless it is due on or prior to the later of April 1, 2036 or the Tax Expiration Date.

Favorable Opinion of Bond Counsel means, with respect to the 2015 Series A Bonds, an Opinion of Bond Counsel, addressed to the Trustee, to the effect that the action proposed to be taken will not, in and of itself, adversely affect any exclusion from gross income of interest on the 2015 Series A Bonds.

Fees and Expenses Fund means the fund by that name established pursuant to the Indenture.

Fiscal Year means the period beginning on July 1 of each year and ending on the next succeeding June 30, or any other 12-month period hereafter selected and designated as the official fiscal year period of the Issuer, which designation shall be provided to the Trustee in a Certificate delivered by the Issuer.

Fitch means Fitch Inc., and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term "Fitch" shall be deemed to refer to any other nationally recognized securities rating agency selected by the Issuer.

Holder or **Bondholder**, whenever used in the Indenture with respect to a Bond, means the person in whose name such Bond is registered.

Indenture means the Indenture, dated as of August 1, 2006, between the Trustee and the Issuer, as originally executed or as it may from time to time be supplemented or amended by any Supplemental Indenture delivered pursuant to the provisions of the Indenture.

Insurance means any financial guaranty insurance policy or municipal bond insurance policy issued by an Insurer insuring the payment when due of principal of and interest on a Series of Bonds as provided in such financial guaranty insurance policy or municipal bond insurance policy.

Insurer means any provider of Insurance with respect to a Series of Bonds.

Interest Fund means the fund by that name established pursuant to the Indenture.

Interest Payment Date, with respect to each Series of Bonds, shall have the meaning specified in the Supplemental Indenture establishing the terms and provisions of such Series of Bonds.

Interest Rate Swap Agreement or **Swap** means an interest rate swap, cap, collar, option, floor, forward, derivative or other hedging agreement, arrangement or security, however denominated, entered into between the Issuer and a Counterparty, in connection with, or incidental to, the issuance or carrying of Bonds including, without limitation, an interest rate swap, cap, collar, option, floor, forward, derivative or other hedging agreement, arrangement or security entered into in advance of the issuance of Bonds.

Interest Rate Swap Agreement means with respect to the 2008 Series Bonds: (i) the International Swaps and Derivatives Association ("ISDA") Master Agreement, including the Schedule to the ISDA Master Agreement, the ISDA Credit Support Annex and the Confirmation thereto, each dated as of August 1, 2006, as amended from time to time, pursuant to which the Issuer and Bank of America, N. A. have entered into an interest rate swap transaction in the notional amount of $50,000,000; (ii) the ISDA Master Agreement, including the Schedule to the ISDA Master Agreement, the ISDA Credit Support Annex and the Confirmation thereto, each dated as of August 1, 2006, as amended from time to time, pursuant to which the Issuer and Citibank, N.A., New York have entered into an interest rate swap transaction in the notional amount of $85,875,000; (iii) the ISDA Master Agreement, including the Schedule to the ISDA Master Agreement, the ISDA Credit Support Annex and the Confirmation thereto, each dated as of August 1, 2006, as amended from time to time, pursuant to which the Issuer and Goldman Sachs Mitsui Marine Derivative Products, L.P. have entered into an interest rate swap transaction in the notional amount of $50,000,000; and (iv) the ISDA Master Agreement, including the Schedule to the ISDA Master Agreement, the ISDA Credit Support Annex and the Confirmation thereto, each dated as of August 1, 2006, as amended from time to time, pursuant to which the Issuer and Morgan Stanley Capital Services Inc. have entered into an interest rate swap transaction in the notional amount of $50,000,000.

Investment Policy means the investment policy adopted by the Board on April 4, 1996 and reaffirmed by the Board on May 3, 2007, as heretofore modified, amended and supplemented, and as such investment policy may be further modified, amended or supplemented from time to time by action of the Board.

Investment Securities means any of the following to the extent such Investment Securities are permitted pursuant to the Investment Policy:

(A) The following obligations may be used as Investment Securities for all purposes, including defeasance investments in refunding escrow accounts:

(1) Cash (insured at all times by the Federal Deposit Insurance Corporation or otherwise collateralized with obligations described in paragraph (2) below);

(2) Direct obligations of (including obligations issued or held in book entry form on the books of) the Department of the Treasury of the United States of America;

(3) Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including

– Export-Import Bank
– Farm Credit System Financial Assistance Corporation
– Rural Economic Community Development Administration (formerly the Farmers Home Administration)
– General Services Administration
– U.S. Maritime Administration
– Small Business Administration
– Government National Mortgage Association (GNMA)
– U.S. Department of Housing & Urban Development (PHA's)
– Federal Housing Administration
– Federal Financing Bank; and

(4) Direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America:

– Senior debt obligations rated "Aaa" by Moody's and "AAA" by Standard & Poor's issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC)
– Obligations of the Resolution Funding Corporation (REFCORP)
– Senior debt obligations of the Federal Home Loan Bank System
– Senior debt obligations of other Government Sponsored Agencies approved by each Credit Enhancement Provider then providing Credit Enhancement for a Series of Bonds.

(B) The following obligations may be used as Investment Securities for all purposes other than defeasance investments in refunding escrow accounts:

(1) U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks (including the Trustee and its affiliates) which have a rating (ratings on holding companies are not considered as the rating of the banks) on their short-term certificates of deposit on the date of purchase of "A-1" or "A-1+" by Standard &

Poor's and "P-1" by Moody's and maturing no more than three hundred sixty (360) days after the date of purchase;

(2) Commercial paper which is rated at the time of purchase in the single highest classification, "A-1" by Standard & Poor's or "P-1" by Moody's and which matures not more than two hundred seventy (270) days after the date of purchase;

(3) Investments in a money market fund rated "AAAm or "AAAm-G" or better by Standard & Poor's including funds for which the Trustee or an affiliate provides investment advice or other services;

(4) Pre-refunded Municipal Obligations defined as follows: Any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and

(A) which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest rating category of Standard & Poor's and Moody's or any successors thereto; or

(B) (i) which are fully secured as to principal and interest and prepayment premium, if any, by an escrow consisting only of cash or obligations described in paragraph A(2) above, which escrow may be applied only to the payment of such principal of and interest and prepayment premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified prepayment date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and prepayment premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate;

(5) General obligations of states with a rating of at least "A2/A" or higher by both Moody's and Standard & Poor's;

(6) Any investment agreement with a financial institution or insurance company which has at the date of execution thereof an outstanding issue of unsecured, uninsured and unguaranteed debt obligations or a claims paying ability rated (or the parent company or guarantor of which is rated) in either of the two highest long-term Rating Categories by Moody's and Standard & Poor's;

(7) The Local Agency Investment Fund managed by the Treasurer of the State of California, as referred to in Section 16429.1 of the Government Code of the State but only to the extent such investment is registered in the name of the Trustee;

(8) Shares in a common law trust established pursuant to Title 1, Division 7, Charter 5 of the Government Code of the State which invests exclusively in investments permitted by Section 53601 of Title 5 Division 2, Chapter 4 of the Government Code of the State, as it may be amended ("CAMP");

(9) The commingled investment fund of the County of Santa Clara, California, which is administered in accordance with the investment policy of said County as established by the Director of Finance thereof, as permitted by Section 53601 of the Government Code of the State, copies of which policy are available upon written request to said Director of Finance; and

(10) Any other forms of investments, including repurchase agreements, approved in writing by each Credit Enhancement Provider then providing Credit Enhancement for a Series of Bonds.

Issuer or **Authority** means the Santa Clara Valley Transportation Authority, a public transit district duly established and existing under the laws of the State of California.

Liquidity Facility means, with respect to a Series of Bonds, a line of credit, letter of credit, standby purchase agreement or similar liquidity facility, issued by a commercial bank, insurance company, pension fund or other financial institution, and delivered or made available to the Trustee, as from time to time supplemented or amended pursuant to its terms, or, in the event of the delivery or availability of an Alternate Liquidity Facility, such Alternate Liquidity Facility.

Liquidity Facility Bonds means any Bonds purchased with moneys drawn under (or otherwise obtained pursuant to the terms of) a Liquidity Facility, but excluding any Bonds no longer considered to be Liquidity Facility Bonds in accordance with the terms of the applicable Liquidity Facility.

Liquidity Facility Provider means, with respect to a Series of Bonds, the commercial bank, insurance company, pension fund or other financial institution issuing (or having primary obligation, or acting as agent for the financial institutions obligated, under) a Liquidity Facility then in effect with respect to such Series of Bonds.

Liquidity Facility Rate means, with respect to a Series of Bonds, the interest rate per annum, if any, specified in the Liquidity Facility delivered in connection with such Series of Bonds as applicable to Liquidity Facility Bonds.

Mandatory Sinking Account Payment means, with respect to Bonds of any Series and maturity, the amount required by the Supplemental Indenture establishing the terms and provisions of such Series of Bonds to be deposited by the Issuer in a Sinking Account for the payment of Term Bonds of such Series and maturity.

Maturity Date means, with respect to a Series of Bonds, the date of maturity or maturities specified in the Supplemental Indenture establishing the terms and provisions of such Series of Bonds.

Maximum Annual Debt Service means the maximum amount of Annual Debt Service becoming due and payable on all Bonds Outstanding and all Parity Obligations outstanding during the period from the date of such calculation through the final maturity date of the Bonds and Parity Obligations, calculated utilizing the assumptions set forth under the definition of Debt Service.

Maximum Rate means the lesser of (i) twelve percent (12%) and (ii) the maximum rate of interest that may legally be paid on the Bonds from time to time.

Moody's means Moody's Investors Service, a corporation duly organized and existing under the laws of the State of Delaware, and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term

"Moody's" shall be deemed to refer to any other nationally recognized securities rating agency selected by the Issuer.

Notice Parties means, as and to the extent applicable, the Issuer, the Trustee, the Credit Enhancement Provider, if any, for the Series of Bonds to which the notice being given relates, the Auction Agent, if any, for the Series of Bonds to which the notice being given relates, the Broker-Dealer, if any, for the Series of Bonds to which the notice being given relates, the Liquidity Facility Provider, if any, for the Series of Bonds to which the notice being given relates, and the Remarketing Agent, if any, for the Series of Bonds to which the notice being given relates.

One Month USD LIBOR Rate means the British Banker's Association average of interbank offered rates in the London market for deposits in U. S. dollars for a one month period as reported in The Wall Street Journal or, if not reported in such newspaper, as reported in such other source as may be selected by the Issuer.

Opinion of Bond Counsel means a written opinion of a law firm of national standing in the field of public finance selected by the Issuer.

Ordinance means Ordinance No. 01.1 adopted by the Board on March 1, 2001, pursuant to the provisions of Article 9 of Chapter 5 of the Act, as now in effect and as it may from time to time hereafter be amended or supplemented.

Outstanding, when used as of any particular time with reference to Bonds, means (subject to the provisions of the Indenture) all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under the Indenture except: (1) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (2) Bonds with respect to which all liability of the Issuer shall have been discharged in accordance with the provisions of the Indenture described below under the caption "Discharge of Liability on Bonds," and (3) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Trustee pursuant to the Indenture; provided, however, that in the event the principal of or interest due on any Bonds shall be paid by the Credit Enhancement Provider pursuant to the Credit Enhancement issued in connection with such Bonds, such Bonds shall remain Outstanding for all purposes and shall not be considered defeased or otherwise satisfied or paid by the Issuer and the pledge of 2000 Measure A Sales Tax Revenues and all covenants, agreements and other obligations of the Issuer to the Holders shall continue to exist and shall run to the benefit of such Credit Enhancement Provider and such Credit Enhancement Provider shall be subrogated to the rights of such Holders.

Parity Obligations means (i) any indebtedness, installment sale obligation, lease obligation or other obligation of the Issuer for borrowed money or (ii) any Interest Rate Swap Agreement (excluding fees and expenses and termination payments on Interest Rate Swap Agreements which fees and expenses and termination payments shall be secured by a lien and charge on the 2000 Measure A Sales Tax Revenues subordinate to the lien and charge upon the 2000 Measure A Sales Tax Revenues which secures the Bonds, Parity Obligations and payment of principal and interest on Subordinate Obligations) entered into in connection with a Series of Bonds, in each case incurred in accordance with the Indenture and having an equal lien and charge upon the 2000 Measure A Sales Tax Revenues and therefore payable on a parity with the Bonds (whether or not any Bonds are Outstanding).

Participating Underwriter means any of the original underwriters of a Series of Bonds required to comply with Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission, under the Securities Act of 1934, as the same may be amended from time to time.

Person shall mean an individual, a corporation, an association, a joint venture, a partnership, a trust, an unincorporated organization or any other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

Principal Fund means the fund by that name established pursuant to the Indenture.

Project means the acquisition, construction improvement or equipping of any or all real and personal and intellectual property, equipment, computers, information services, software rights or interests to be owned, held or used for transit purposes, including, but not limited to, rights-of-way, rail lines, bus lines, stations, platforms, switches, yards, terminals, parking lots and any and all facilities necessary or convenient for transit service within or partly without the County as permitted under the Ordinance, and the payment and/or reimbursement of all costs incidental to or connected with the accomplishment of such purpose including, without limitation, engineering, inspection, legal, fiscal agents, financial consultant and other fees, bond and other reserve funds, working capital, bond interest estimated to accrue during construction and for a period not to exceed one (1) year thereafter or such greater period as shall be specified in the Tax Certificate delivered in connection with a Series of Bonds. As and to the extent permitted pursuant to 2000 Measure A and the Ordinance, Project shall also include the payment of operating expenses relating to increased bus, light rail and paratransit services.

Project Fund means, with respect to any Series of Bonds, a fund by that name established pursuant to the provisions of a Supplemental Indenture to hold the proceeds of a Series of Bonds or a portion thereof prior to expenditure on the portion of the Project being financed with the proceeds of such Series of Bonds.

Proportionate Basis, when used with respect to the redemption of Bonds, means that the amount of Bonds of each maturity to be redeemed shall be determined as nearly as practicable by multiplying the total amount of funds available for redemption by the ratio which the amount of Bond Obligation of Bonds of such maturity bears to the amount of all Bond Obligation of Bonds to be redeemed, provided, however that, any Bond may only be redeemed in an authorized denomination. For purposes of the foregoing, Term Bonds shall be deemed to mature in the years and in the amounts of the Mandatory Sinking Account Payments, and Capital Appreciation Bonds and Current Interest Bonds maturing or subject to Mandatory Sinking Account Payments in the same year shall be treated as separate maturities. When used with respect to the payment or purchase of Bonds, "Proportionate Basis" shall have the same meaning set forth above except that "pay" or "purchase" shall be substituted for "redeem" or "redemption" and "paid" or "purchased" shall be substituted for "redeemed."

Purchase Fund means a fund by that name established to hold funds to be applied to pay the purchase price of a Series of Bonds, which fund shall be established pursuant to the Supplemental Indenture establishing the terms and provisions of such Series of Bonds.

Rating Agency means, as and to the extent applicable to a Series of Bonds, each of Fitch, Moody's and Standard & Poor's then maintaining a rating on such Series of Bonds at the request of the Issuer.

Rating Category means: (i) with respect to any long-term rating category, all ratings designated by a particular letter or combination of letters, without regard to any numerical modifier, plus or minus sign or other modifier; and (ii) with respect to any short-term or commercial paper rating category, all ratings designated by a particular letter or combination of letters and taking into account any numerical modifier, but not any plus or minus sign or other modifier.

Rebate Fund means that fund by that name established pursuant to the Indenture.

Rebate Instructions means, with respect to any Series of Bonds, those calculations and directions required to be delivered to the Trustee by the Issuer pursuant to the Tax Certificate delivered in connection with such Series of Bonds.

Rebate Requirement means, with respect to any Series of Bonds, the Rebate Requirement determined in accordance with the Tax Certificate delivered in connection with such Series of Bonds.

Record Date, with respect to each Series of Bonds, shall have the meaning specified in the Supplemental Indenture establishing the terms and provisions of such Series of Bonds.

Redemption Fund means the fund by that name established pursuant to the Indenture.

Redemption Price means, with respect to any Bond (or portion thereof) the principal amount of such Bond (or portion thereof) plus the applicable premium, if any, payable upon redemption thereof pursuant to the provisions of such Bond and the Indenture.

Refunding Bonds means a Series of Bonds or a portion of a Series of Bonds issued pursuant to the provisions of the Indenture described below under the caption "Issuance of Refunding Bonds."

Repositories means the public or private entities designated as Repositories in a Continuing Disclosure Certificate entered into in connection with a Series of Bonds.

Reserve Facility means any insurance policy, letter of credit or surety bond issued by a Reserve Facility Provider, meeting the requirements set forth in the Indenture described below under the caption "Funding and Application of Bond Reserve Funds," and delivered to the Trustee in satisfaction of all or a portion of the Bond Reserve Requirement applicable to one or more Series of Bonds.

Reserve Facility Provider means any issuer of a Reserve Facility.

Revenue Fund means the Sales Tax Revenue Fund established pursuant to the Indenture.

Revenues means: (i) all 2000 Measure A Sales Tax Revenues; and (ii) all investment earnings on amounts held by the Trustee in the funds and accounts established under the Indenture, excluding amounts deposited to the Rebate Fund and any Purchase Fund. Revenues does not include any funds or assets of the Issuer except 2000 Measure A Sales Tax Revenues and investment earnings on amounts held by the Trustee in the funds and accounts established under the Indenture, excluding amounts deposited to the Rebate Fund and any Purchase Fund; provided, however, that in accordance with the provisions of the Indenture described below under the caption "Issuance of Additional Bonds," the Issuer by Supplemental Indenture may provide for additional revenues or assets of the Issuer to be included in the definition of Revenues. Pursuant to the provisions set forth in the Fourth Supplemental Indenture, Subsidy Payments shall be included within the definition of Revenues until such time as the amendment of clause (g) of the definition of debt service described below in subsection (D) under the caption "Issuance of Additional Bonds" shall become effective. At such time as the amendment of clause (g) of the definition of debt service described below under the caption "Issuance of Additional Bonds" shall become effective, Subsidy Payments shall no longer be included in within the definition of Revenues for purposes of any calculations to be provided pursuant to the provisions of the Indenture described below in subsection (D) under the caption "Issuance of Additional Bonds."

Rule 15c2-12 means Securities and Exchange Commission Rule 15c2-12, as supplemented and amended from time to time.

Sales Tax Revenues or **2000 Measure A Sales Tax Revenues** means the amounts available for distribution to the Issuer after the date of issuance of the 2006 Series Bonds on account of the 2000 Measure A Sales Tax after deducting amounts payable by the Issuer to the State Board of Equalization for costs and expenses for its services in connection with the 2000 Measure A Sales Tax collected pursuant Section 100250 et seq. of the Act and levied pursuant to the Ordinance.

Securities Depository means The Depository Trust Company, or, in accordance with then-current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depository, or no such depositories, as the Issuer may designate in a Request of the Issuer delivered to the Trustee.

Serial Bonds means Bonds, maturing in specified years, for which no Mandatory Sinking Account Payments are provided.

Series, whenever used in the Indenture with respect to Bonds, means all of the Bonds designated as being of the same series, authenticated and delivered in a simultaneous transaction regardless of variations in maturity, interest rate, redemption and other provisions, and any Bonds thereafter authenticated and delivered upon transfer or exchange or in lieu of or in substitution for (but not to refund) such Bonds as in the Indenture provided.

Sinking Account means an account by that name established in the Principal Fund for the payment of Term Bonds.

Standard & Poor's or **S&P** means Standard & Poor's, a division of The McGraw-Hill Companies, Inc., a corporation duly organized and existing under and by virtue of the laws of the State of New York, and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term "Standard & Poor's" shall be deemed to refer to any other nationally recognized securities rating agency selected by the Issuer.

State means the State of California.

State Board of Equalization means the California State Board of Equalization.

Subordinate Obligations means any obligations issued or incurred in accordance with the provisions of the Indenture described in paragraph (D) under the caption "Limitations on the Issuance of Obligations Payable from 2000 Measure A Sales Tax Revenues; Parity Obligations; Subordinate Obligations" set forth below.

Subordinate Obligations Fund means the fund by that name established pursuant to the Indenture.

Subsidy Payments means payments to be made by the United States Treasury to the Trustee pursuant to Section 54AA of the Code or Section 6431 of the Code or any successor to either of such provisions of the Code and with respect to the interest due on a Series of taxable Bonds that have been accorded Build America Bonds status under the provisions of the American Recovery and Reinvestment Act of 2009 or any successor thereto or replacement thereof.

Supplemental Indenture means any indenture duly executed and delivered, supplementing, modifying or amending the Indenture, but only if and to the extent that such supplemental indenture is specifically authorized under the Indenture.

Tax Certificate means each Tax Certificate delivered by the Issuer at the time of issuance and delivery of a Series of Bonds, as the same may be amended or supplemented in accordance with its terms.

Tax Expiration Date means March 31, 2036 or such later date to which the levy of the 2000 Measure A Sales Tax is extended in accordance with the Act.

Term Bonds means Bonds payable at or before their specified maturity date or dates from Mandatory Sinking Account Payments established for that purpose and calculated to retire such Bonds on or before their specified maturity date or dates.

Trustee means U.S. Bank National Association, a national banking association duly organized and existing under and by virtue of the laws of the United States of America, or its successor, as Trustee as provided in the Indenture.

Variable Rate Indebtedness means any indebtedness the interest rate on which is not fixed at the time of incurrence of such indebtedness, and has not at some subsequent date been fixed, at a numerical rate or rates for the entire term of such indebtedness.

2000 Measure A means the ballot measure which authorized the 2000 Measure A Sales Tax.

2000 Measure A Sales Tax means the retail transactions and use tax authorized by 2000 Measure A.

2000 Measure A Sales Tax Revenues or **Sales Tax Revenues** means the amounts available for distribution to the Issuer after the date of issuance of the 2006 Series Bonds on account of the 2000 Measure A Sales Tax after deducting amounts payable by the Issuer to the State Board of Equalization for costs and expenses for its services in connection with the 2000 Measure A Sales Tax collected pursuant Section 100250 et seq. of the Act and levied pursuant to the Ordinance.

2007 Series A Bonds means the Santa Clara Valley Transportation Authority 2000 Measure A Sales Tax Revenue Refunding Bonds, 2007 Series A, authorized by, and at any time Outstanding pursuant to the Indenture.

2008 Series Bonds means, collectively, the 2008 Series A Bonds, the 2008 Series B Bonds, the 2008 Series C Bonds and the 2008 Series D Bonds.

2008 Series A Bonds means the Santa Clara Valley Transportation Authority 2000 Measure A Sales Tax Revenue Refunding Bonds, 2008 Series A, authorized by, and at any time Outstanding pursuant to the Indenture.

2008 Series B Bonds means the Santa Clara Valley Transportation Authority 2000 Measure A Sales Tax Revenue Refunding Bonds, 2008 Series B, authorized by, and at any time Outstanding pursuant to the Indenture.

2008 Series C Bonds means the Santa Clara Valley Transportation Authority 2000 Measure A Sales Tax Revenue Refunding Bonds, 2008 Series C, authorized by, and at any time Outstanding pursuant to the Indenture.

2008 Series D Bonds means the Santa Clara Valley Transportation Authority 2000 Measure A Sales Tax Revenue Refunding Bonds, 2008 Series D, authorized by, and at any time Outstanding pursuant to the Indenture.

2010 Series A Bonds means the Santa Clara Valley Transportation Authority 2000 Measure A Sales Tax Revenue Bonds, 2010 Series A (Taxable Build America Bonds), authorized by, and at any time Outstanding pursuant to the Indenture.

2010 Series B Bonds means the Santa Clara Valley Transportation Authority 2000 Measure A Sales Tax Revenue Bonds, 2010 Series B (Tax-Exempt Bonds), authorized by, and at any time Outstanding pursuant to the Indenture.

2015 Series A Bonds means the Santa Clara Valley Transportation Authority 2000 Measure A Sales Tax Revenue Refunding Bonds, 2015 Series A (Tax-Exempt), authorized by, and at any time Outstanding pursuant to the Indenture.

2015 Series A Bonds means the Santa Clara Valley Transportation Authority 2000 Measure A Sales Tax Revenue Refunding Bonds, 2015 Series B (Taxable), authorized by, and at any time Outstanding pursuant to the Indenture.

Pledge of 2000 Measure A Sales Tax Revenues; Sales Tax Revenue Fund*

The Bonds are limited obligations of the Issuer and are payable as to both principal and interest, and any premium upon redemption thereof, exclusively from the 2000 Measure A Sales Tax Revenues and other funds pledged under the Indenture. All 2000 Measure A Sales Tax Revenues are pledged to secure the punctual payment of the principal of, redemption premium, if any, and interest on the Bonds and any Parity Obligations in accordance with their terms, subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and provisions set forth in the Indenture. All amounts (including proceeds of the Bonds) held by the Trustee under the Indenture (except for amounts held in the Rebate Fund and any Purchase Fund) are pledged to secure the payment of the principal of and redemption premium, if any, and interest on the Bonds in accordance with their terms, subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture. Said pledge shall constitute a first lien on the 2000 Measure A Sales Tax Revenues and on the amounts in such funds.

The 2000 Measure A Sales Tax Revenues pledged to the payment of Bonds and Parity Obligations shall be applied without priority or distinction of one over the other and the 2000 Measure A Sales Tax Revenues shall constitute a trust fund for the security and payment of the Bonds and Parity Obligations; but nevertheless out of 2000 Measure A Sales Tax Revenues certain amounts may be applied for other purposes as provided in the Indenture.

Out of 2000 Measure A Sales Tax Revenues there shall be applied as hereinafter described all sums required for the payment of the principal of (including any premium thereon) and interest on the Bonds and all Parity Obligations, together with any sinking fund payments of Bonds and Parity Obligations and reserve requirements with respect thereto and fees and expenses and similar charges payable in connection with the Bonds and Parity Obligations. All remaining 2000 Measure A Sales Tax Revenues, after making the foregoing allocation, shall be available to the Issuer for all lawful Issuer purposes. The pledge of 2000 Measure A Sales Tax Revenues made in the Indenture shall be irrevocable until all of the Bonds, all Parity Obligations and amounts owed in connection with the Bonds and Parity Obligations are no longer outstanding.

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* See "Fourth Supplemental Indenture – Pledge of Subsidy Payments."

The 2000 Measure A Sales Tax Revenues shall be received and held in trust by the Trustee for the benefit of the Holders of the Bonds and the Parity Obligations and shall be disbursed, allocated and applied solely for the uses and purposes set forth in the Indenture and described below under the caption "Allocation of Revenues." As long as any Bonds are Outstanding or any Parity Obligations remain unpaid, the Issuer assigns and shall cause 2000 Measure A Sales Tax Revenues to be transmitted by the California State Board of Equalization directly to the Trustee. The Trustee shall forthwith deposit in a trust fund, designated as the "Sales Tax Revenue Fund," which fund the Trustee shall establish and maintain, all 2000 Measure A Sales Tax Revenues, when and as received by the Trustee. Investment income on amounts held by the Trustee under the Indenture (other than amounts held in the Rebate Fund or for which particular instructions (such as with respect to a Project Fund or a Purchase Fund) are provided in a Supplemental Indenture) shall also be deposited in the Revenue Fund. All moneys at any time held in the Revenue Fund shall be held in trust for the benefit of the Holders of the Bonds and the holders of Parity Obligations and shall be disbursed, allocated and applied solely for the uses and purposes set forth in the Indenture and described below under the caption "Allocation of Revenues."

Allocation of 2000 Measure A Sales Tax Revenues

So long as any Bonds are Outstanding, the Trustee shall set aside in each month following receipt of the 2000 Measure A Sales Tax Revenues the moneys in the Revenue Fund in the following respective funds (each of which the Trustee shall establish, maintain and hold in trust for the benefit of the Holders of the Bonds and, as and to the extent applicable, the holders of Parity Obligations) in the following amounts, in the following order of priority, the requirements of each such fund (including the making up of any deficiencies in any such fund resulting from lack of Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any deposit is made to any fund subsequent in priority; provided that on a parity with such deposits the Trustee may set aside or transfer amounts with respect to any outstanding Parity Obligations as provided in the proceedings for such Parity Obligations delivered to the Trustee (which shall be proportionate in the event such amounts are insufficient to provide for all deposits required as of any date to be made with respect to the Bonds and such Parity Obligations):

Interest Fund. Following receipt of the 2000 Measure A Sales Tax Revenues in each month, the Trustee shall set aside in the Interest Fund as soon as practicable in such month an amount equal to (a) one-sixth of the aggregate half-yearly amount of interest becoming due and payable on the Outstanding Current Interest Bonds (except for Bonds constituting Variable Rate Indebtedness which shall be governed by subparagraph (b) below) during the next ensuing six (6) months (excluding any interest for which there are moneys deposited in the Interest Fund from the proceeds of any Series of Bonds or other source and reserved as capitalized interest to pay such interest during said next ensuing six (6) months), until the requisite half-yearly amount of interest on all such Outstanding Current Interest Bonds (except for Bonds constituting Variable Rate Indebtedness which shall be governed by subparagraph (b) below) is on deposit in such fund; provided that, from the date of delivery of a Series of Current Interest Bonds until the first interest payment date with respect to such Series of Bonds, the amounts set aside in such fund with respect to such Series of Bonds shall be sufficient on a monthly pro rata basis to pay the aggregate amount of interest becoming due and payable on said interest payment date with respect to such Series of Bonds, plus (b) the aggregate amount of interest to accrue during that month on Outstanding Variable Rate Indebtedness, calculated, if the actual rate of interest is not known, at the interest rate specified in writing by the Issuer, or if the Issuer shall not have specified an interest rate in writing, calculated at the maximum interest rate borne by such Variable Rate Indebtedness during the month prior to month of deposit plus one hundred (100) basis points (provided, however, that the amount of such deposit into the Interest Fund for any month may be reduced by the amount by which the deposit in the prior month exceeded the actual amount of interest accrued during that month on said Outstanding Variable Rate Indebtedness and provided further that the amount of such deposit into the

Interest Fund for any month shall be increased by the amount by which the deposit in the prior month was less than the actual amount of interest accruing during that month on said Outstanding Variable Rate Indebtedness). No deposit need be made into the Interest Fund if the amount contained therein is at least equal to the interest to become due and payable on the Interest Payment Dates falling within the next six (6) months upon all of the Bonds issued under the Indenture and then Outstanding and on April 1 of each year any excess amounts in the Interest Fund not needed to pay interest on such date (and not held to pay interest on Bonds having interest payment dates other than April 1 and October 1) shall be transferred to the Issuer (but excluding, in each case, any moneys on deposit in the Interest Fund from the proceeds of any Series of Bonds or other source and reserved as capitalized interest to pay interest on any future interest payment dates following such interest payment dates).

Principal Fund; Sinking Accounts. Following receipt of the 2000 Measure A Sales Tax Revenues in each month, the Trustee shall deposit in the Principal Fund as soon as practicable in such month an amount equal to at least (a) one-sixth of the aggregate semiannual amount of Bond Obligation becoming due and payable on the Outstanding Serial Bonds of all Series having semiannual maturity dates within the next six (6) months, plus (b) one-twelfth of the aggregate yearly amount of Bond Obligation becoming due and payable on the Outstanding Serial Bonds of all Series having annual maturity dates within the next twelve (12) months, plus (c) one-sixth of the aggregate of the Mandatory Sinking Account Payments to be paid during the next six-month period into the respective Sinking Accounts for the Term Bonds of all Series for which Sinking Accounts have been created and for which semiannual mandatory redemption is required from said Sinking Accounts, plus (d) one-twelfth of the aggregate of the Mandatory Sinking Account Payments to be paid during the next 12-month period into the respective Sinking Accounts for the Term Bonds of all Series for which Sinking Accounts shall have been created and for which annual mandatory redemption is required from such Sinking Accounts; provided that if the Issuer certifies to the Trustee that any principal payments are expected to be refunded on or prior to their respective due dates or paid from amounts on deposit in a Bond Reserve Fund that would be in excess of the Bond Reserve Requirement applicable to such Bond Reserve Fund upon such payment, no amounts need be set aside towards such principal to be so refunded or paid. All of the aforesaid deposits made in connection with future Mandatory Sinking Account Payments shall be made without priority of any payment into any one such Sinking Account over any other such payment.

In the event that the 2000 Measure A Sales Tax Revenues shall not be sufficient to make the required deposits so that moneys in the Principal Fund on any principal or mandatory redemption date are equal to the amount of Bond Obligation to become due and payable on the Outstanding Serial Bonds of all Series plus the Bond Obligation amount of and redemption premium on the Outstanding Term Bonds required to be redeemed or paid at maturity on such date, then such moneys shall be applied on a Proportionate Basis and in such proportion as said Serial Bonds and said Term Bonds shall bear to each other, after first deducting for such purposes from said Term Bonds any of said Term Bonds required to be redeemed annually as shall have been redeemed or purchased during the preceding 12-month period and any of said Term Bonds required to be redeemed semiannually as shall have been redeemed or purchased during the six-month period ending on such date or the immediately preceding six month period. In the event that the 2000 Measure A Sales Tax Revenues shall not be sufficient to pay in full all Mandatory Sinking Account Payments required to be paid at any one time into all such Sinking Accounts, then payments into all such Sinking Accounts shall be made on a Proportionate Basis, in proportion that the respective Mandatory Sinking Account Payments required to be made into each Sinking Account during the then current 12-month period bear to the aggregate of all of the Mandatory Sinking Account Payments required to be made into all such Sinking Accounts during such 12-month period.

No deposit need be made into the Principal Fund so long as there shall be in such fund (i) moneys sufficient to pay the Bond Obligations of all Serial Bonds issued under the Indenture and then Outstanding and maturing by their terms within the next twelve (12) months plus (ii) the aggregate of all

Mandatory Sinking Account Payments required to be made in such 12-month period, but less any amounts deposited into the Principal Fund during such 12-month period and theretofore paid from the Principal Fund to redeem or purchase Term Bonds during such 12-month period; provided that if the Issuer certifies to the Trustee that any principal payments are expected to be refunded on or prior to their respective due dates or paid from amounts on deposit in a Bond Reserve Fund that would be in excess of the Bond Reserve Requirement applicable to such Bond Reserve Fund upon such payment, no amounts need be on deposit with respect to such principal payments. At the beginning of each Fiscal Year and in any event not later than April 1 of each year, the Trustee shall request from the Issuer a Certificate of the Issuer setting forth the principal payments for which deposits will not be necessary pursuant to the preceding sentence and the reason therefor. On April 1 of each year any excess amounts in the Principal Fund not needed to pay principal on such date (and not held to pay principal on Bonds having principal payment dates other than April 1) shall be transferred to the Issuer.

Bond Reserve Fund. Upon the occurrence of any deficiency in any Bond Reserve Fund, the Trustee shall make such deposit to such Bond Reserve Fund as is required pursuant to the provisions of the Indenture described in paragraph (D) under the caption "Funding and Application of Bond Reserve Funds," each such deposit to be made as soon as possible in each month, until the balance therein is at least equal to the applicable Bond Reserve Requirement.

Subordinate Obligations Fund. Upon the written direction of the Issuer, the Trustee shall establish, maintain and hold in trust a separate fund designated as the "Subordinate Obligations Fund." Upon the establishment of the Subordinate Obligations Fund at the direction of the Issuer, after the transfers to the Interest Fund, the Principal Fund and the Bond Reserve Funds described above have been made, the Trustee shall deposit in the Subordinate Obligations Fund in each month such amount as the Issuer shall specify in writing is necessary to pay principal of and interest due and payable during the following month with respect to Subordinate Obligations then outstanding.

Fees and Expenses Fund. After the transfers to the Interest Fund, the Principal Fund, the Bond Reserve Funds and the Subordinate Obligations Fund described above have been made if Issuer shall have instructed the Trustee to establish a Subordinate Obligations Fund or after the transfers described above to Interest Fund, Principal Fund, and Bond Reserve Funds have been made if no Subordinate Obligations Funds shall have been established, the Trustee shall deposit as soon as practicable in each month in the Fees and Expenses Fund (which fund the Trustee hereby agrees to establish, maintain and hold in trust) amounts necessary for payment of fees, expenses and similar charges owing in such month or the following month by the Issuer in connection with the Bonds or any Parity Obligations (excluding termination payments on Interest Rate Swap Agreements). The Issuer shall inform the Trustee of such amounts, in writing, at the beginning of each month.

Any Revenues remaining in the Revenue Fund after the foregoing transfers in the funds and accounts described above, except as the Issuer shall otherwise direct in writing or as is otherwise provided in a Supplemental Indenture, shall be transferred to the Issuer on the same Business Day or as soon as is practicable thereafter. The Issuer may use and apply the Revenues when received by it for any lawful purpose of the Issuer, including the redemption of Bonds upon the terms and conditions set forth in the Supplemental Indenture relating to such Bonds and the purchase of Bonds as and when and at such prices as it may determine.

If five (5) days prior to any principal payment date, interest payment date or mandatory redemption date the amounts on deposit in the Interest Fund, the Principal Fund, including the Sinking Accounts therein, and, as and to the extent applicable, any Bond Reserve Fund established in connection with a Series of Bonds with respect to the payments to be made on such upcoming date are insufficient to make such payments, the Trustee shall immediately notify the Issuer, in writing, of such deficiency and direct that the Issuer transfer the amount of such deficiency to the Trustee on or prior to such payment date. The Issuer covenants and agrees to transfer to the Trustee from any Revenues in its possession the amount of such deficiency on or prior to the principal, interest or mandatory redemption date referenced in such notice.

Establishment and Application of Funds and Accounts

Each of the funds and accounts described below is established pursuant to the Indenture.

Interest Fund. All amounts in the Interest Fund shall be used and withdrawn by the Trustee solely for the purpose of paying interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity pursuant to the Indenture) and making periodic payments on Interest Rate Swap Agreements, as provided pursuant to the provisions of the Indenture described below under the caption "Payment Provisions Applicable to Interest Rate Swap Agreements."

Principal Fund. All amounts in the Principal Fund shall be used and withdrawn by the Trustee solely for the purposes of paying the Bond Obligation of the Bonds when due and payable, except that all amounts in the Sinking Accounts shall be used and withdrawn by the Trustee solely to purchase or redeem or pay at maturity Term Bonds, as provided in the Indenture.

The Trustee shall establish and maintain within the Principal Fund a separate account for the Term Bonds of each Series and maturity, designated as the "_____ Sinking Account," inserting therein the Series and maturity designation of such Bonds. On or before the Business Day prior to any date upon which a Mandatory Sinking Account Payment is due, the Trustee shall transfer the amount of such Mandatory Sinking Account Payment (being the principal thereof, in the case of Current Interest Bonds, and the Accreted Value, in the case of Capital Appreciation Bonds) from the Principal Fund to the applicable Sinking Account. With respect to each Sinking Account, on each Mandatory Sinking Account Payment date established for such Sinking Account, the Trustee shall apply the Mandatory Sinking Account Payment required on that date to the redemption (or payment at maturity, as the case may be) of Term Bonds of such Series and maturity for which such Sinking Account was established, in the manner provided in the Indenture or the Supplemental Indenture pursuant to which such Series of Bonds was created; provided that, at any time prior to giving such notice of such redemption, the Trustee shall, upon receipt of a Request of the Issuer, apply moneys in such Sinking Account to the purchase of Term Bonds of such Series and maturity at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Fund) as is directed by the Issuer, except that the purchase price (excluding accrued interest, in the case of Current Interest Bonds) shall not exceed the principal amount or Accreted Value thereof. If, during the 12-month period (or six-month period with respect to Bonds having semi- annual Mandatory Sinking Account Payments) immediately preceding said Mandatory Sinking Account Payment date, the Trustee has purchased Term Bonds of such Series and maturity with moneys in such Sinking Account, or, during said period and prior to giving said notice of redemption, the Issuer has deposited Term Bonds of such Series and maturity with the Trustee, or Term Bonds of such Series and maturity were at any time purchased or redeemed by the Trustee from the Redemption Fund and allocable to said Mandatory Sinking Account Payment, such Term Bonds so purchased or deposited or redeemed shall be applied, to the extent of the full principal amount thereof, to reduce said Mandatory Sinking Account Payment. All Term Bonds purchased or deposited pursuant to the provisions of the Indenture described herein shall be cancelled by the Trustee and destroyed by the Trustee and a certificate of destruction shall be delivered to the Issuer by the Trustee. Any amounts remaining in a Sinking Account on April 1 of each year following the redemption as of such date of the Term Bonds for which such account was established shall be withdrawn by the Trustee and transferred as soon as is practicable to the Issuer to be used for any lawful purpose. All Term

Bonds purchased from a Sinking Account or deposited by the Issuer with the Trustee in a twelve month period ending March 31 (or in a six-month period ending March 31 or September 30 with respect to Bonds having semi-annual Mandatory Sinking Account Payments) and prior to the giving of notice by the Trustee for redemption from Mandatory Sinking Account Payments for such period shall be allocated first to the next succeeding Mandatory Sinking Account Payment for such Series and maturity of Term Bonds, if any, occurring on the next April 1 or October 1, then as a credit against such future Mandatory Sinking Account Payments for such Series and maturity of Term Bonds as may be specified in a Request of the Issuer. All Term Bonds redeemed by the Trustee from the Redemption Fund shall be credited to such future Mandatory Sinking Account Payments for such Series and maturity of Term Bonds as may be specified in a Request of the Issuer.

Funding and Application of Bond Reserve Funds. The Issuer may at its sole discretion at the time of issuance of any Series of Bonds or at any time thereafter by Supplemental Indenture provide for the establishment of a Bond Reserve Fund as additional security for a Series of Bonds. Any Bond Reserve Fund so established by the Issuer shall be available to secure one or more Series of Bonds as the Issuer shall determine and shall specify in the Supplemental Indenture establishing such Bond Reserve Fund. Any Bond Reserve Fund established by the Issuer shall be held by the Trustee and shall comply with the requirements of the Indenture described under this caption.

In lieu of making the Bond Reserve Requirement deposit applicable to one or more Series of Bonds in cash or in replacement of moneys then on deposit in any Bond Reserve Fund (which shall be transferred by the Trustee to the Issuer), or in substitution of any Reserve Facility comprising part of the Bond Reserve Requirement relating to one or more Series of Bonds, the Issuer may, at any time and from time to time, deliver to the Trustee an irrevocable letter of credit issued by a financial institution having unsecured debt obligations rated at the time of delivery of such letter of credit in one of the two highest Rating Categories of Moody's and Standard & Poor's, in an amount, which, together with cash, Investment Securities or other Reserve Facilities, as described in the paragraph below, then on deposit in such Bond Reserve Fund, will equal the Bond Reserve Requirement relating to the Bonds to which such Bond Reserve Fund relates. Such letter of credit shall have a term no less than three (3) years or, if less, the final maturity of the Bonds in connection with which such letter of credit was obtained and shall provide by its terms that it may be drawn upon as provided in this caption. At least one (1) year prior to the stated expiration of such letter of credit, the Issuer shall either (i) deliver a replacement letter of credit, (ii) deliver an extension of the letter of credit for at least one (1) additional year or, if less, the final maturity of the Bonds in connection with which such letter of credit was obtained, or (iii) deliver to the Trustee a Reserve Facility satisfying the requirements of the Indenture described in the paragraph below. Upon delivery of such replacement Reserve Facility, the Trustee shall deliver the then-effective letter of credit to or upon the order of the Issuer. If the Issuer shall fail to deposit a replacement Reserve Facility with the Trustee, the Issuer shall immediately commence to make monthly deposits with the Trustee so that an amount equal to the Bond Reserve Requirement relating to the Bonds to which such Bond Reserve Fund relates will be on deposit in such Bond Reserve Fund no later than the stated expiration date of the letter of credit. If an amount equal to the Bond Reserve Requirement relating to the Bonds to which such Bond Reserve Fund relates as of the date following the expiration of the letter of credit is not on deposit in such Bond Reserve Fund one (1) week prior to the expiration date of the letter of credit (excluding from such determination the letter of credit), the Trustee shall draw on the letter of credit to fund the deficiency resulting therefrom in such Bond Reserve Fund.

In lieu of making a Bond Reserve Requirement deposit in cash or in replacement of moneys then on deposit in a Bond Reserve Fund (which shall be transferred by the Trustee to the Issuer) or in substitution of any Reserve Facility comprising part of a Bond Reserve Requirement for any Bonds, the Issuer may, at any time and from time to time, deliver to the Trustee a surety bond or an insurance policy securing an amount which, together with moneys, Investment Securities, or other Reserve Facilities then on deposit in a Bond Reserve Fund, is no less than the Bond Reserve Requirement relating to the Bonds to which such Bond Reserve Fund relates. Such surety bond or insurance policy shall be issued by an insurance company whose unsecured debt obligations (or for which obligations secured by such insurance company's insurance policies) are rated at the time of delivery in one of the two highest Rating Categories of Moody's and Standard & Poor's. Such surety bond or insurance policy shall have a term of no less than the final maturity of the Bonds in connection with which such surety bond or insurance policy is obtained. In the event that such surety bond or insurance policy for any reason lapses or expires, the Issuer shall immediately implement (i) or (iii) of the preceding paragraph or make the required deposits to such Bond Reserve Fund.

Subject to the provisions of the Indenture described in the final paragraph under this caption, all amounts in any Bond Reserve Fund (including all amounts which may be obtained from Reserve Facilities on deposit in such Bond Reserve Fund) shall be used and withdrawn by the Trustee, as hereinafter described for the purpose of making up any deficiency in the Interest Fund or the Principal Fund relating to the Bonds to which such Bond Reserve Fund relates, or (together with any other moneys available therefor) for the payment or redemption of all Bonds then Outstanding to which such Bond Reserve Fund relates or, for the payment of the final principal and interest payment of such Bonds. Unless otherwise directed in a Supplemental Indenture establishing the terms and provisions of a Series of Bonds, the Trustee shall apply amounts held in cash or Investment Securities in any Bond Reserve Fund prior to applying amounts held in the form of Reserve Facilities in any Bond Reserve Fund, and if there is more than one Reserve Facility being held on deposit in any Bond Reserve Fund, shall on a pro rata basis with respect to the portion of a Bond Reserve Fund held in the form of a Reserve Facility (calculated by reference to the maximum amount of such Reserve Facility), draw under each Reserve Facility issued with respect to such Bond Reserve Fund, in a timely manner and pursuant to the terms of such Reserve Facility to the extent necessary in order to obtain sufficient funds on or prior to the date such funds are needed to pay the Bond Obligation of, Mandatory Sinking Account Payments with respect to, and interest on the Bonds to which such Bond Reserve Fund relates when due. In the event that the Trustee has notice that any payment of principal of or interest on a Bond has been recovered from a Holder pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with the final, nonappealable order of a court having competent jurisdiction, the Trustee, pursuant to and provided that the terms of the Reserve Facility, if any, securing the Bonds so provide, shall so notify the issuer thereof and draw on such Reserve Facility to the lesser of the extent required or the maximum amount of such Reserve Facility in order to pay to such Holders the principal of and interest so recovered.

The Trustee shall notify the Issuer of any deficiency in any Bond Reserve Fund (i) due to a withdrawal from such Bond Reserve Fund for purposes of making up any deficiency in the Interest Fund or the Principal Fund relating to the Bonds to which such Bond Reserve Fund relates or (ii) resulting from a valuation of Investment Securities held on deposit in such Bond Reserve Fund pursuant to the provisions of the Indenture described below under the caption "Investment in Funds and Accounts" and shall request that the Issuer replenish such deficiency or repay any and all obligations due and payable under the terms of any Reserve Facility comprising part of any Bond Reserve Requirement. Upon receipt of such notification from the Trustee, the Issuer shall instruct the Trustee to commence setting aside in each month following receipt of 2000 Measure A Sales Tax Revenues for deposit in the applicable Bond Reserve Fund an amount equal to one-twelfth (1/12th) of the aggregate amount of each unreplenished prior withdrawal from such Bond Reserve Fund or decrease resulting from a valuation of Investment Securities and shall further instruct the Trustee to transfer to each Reserve Facility Provider providing a Reserve Facility satisfying a portion of the Bond Reserve Requirement relating to the Bonds to which such Bond Reserve Fund relates, an amount equal to one-twelfth (1/12th) of the aggregate amount of any unreplenished prior withdrawal on such Reserve Facility, such amount to be transferred by the Trustee as promptly as possible after receipt of the 2000 Measure A Sales Tax Revenues each month, commencing with the month following the Issuer's receipt of notification from the Trustee of withdrawal or decrease resulting from a valuation, as applicable, until the balance on deposit in such Bond Reserve Fund is at least equal to the Bond Reserve Requirement relating to the Series of Bonds to which such Bond Reserve Fund relates.

Unless the Issuer shall otherwise direct in writing, amounts in any Bond Reserve Fund in excess of the Bond Reserve Requirement relating to the Bonds to which such Bond Reserve Fund relates shall be transferred by the Trustee to the Issuer on the Business Day following April 1 of each year; provided that such amounts shall be transferred only from the portion of such Bond Reserve Fund held in the form of cash or Investment Securities. In addition, amounts on deposit in any Bond Reserve Fund shall be transferred by the Trustee to the Issuer upon the defeasance, retirement or refunding of Bonds of the Series to which such Bond Reserve Fund relates or upon the replacement of cash on deposit in such Bond Reserve Fund with one or more Reserve Facilities in accordance with the provisions of the Indenture described above.

Subordinate Obligations Fund. All moneys in the Subordinate Obligations Fund shall be applied to the payment of principal of and interest on Subordinate Obligations in accordance with, and upon the written directions of, the Issuer.

Fees and Expenses Fund. All amounts in the Fees and Expenses Fund shall be used and withdrawn by the Trustee solely for the purpose of paying fees, expenses and similar charges owed by the Issuer in connection with the Bonds or any Parity Obligations (excluding termination payments on any Interest Rate Swap Agreement) as such amounts shall become due and payable.

Redemption Fund. The Trustee shall establish, maintain and hold in trust a special fund designated as the "Redemption Fund." All moneys deposited by the Issuer with the Trustee for the purpose of optionally redeeming Bonds of any Series shall, unless otherwise directed by the Issuer, be deposited in the Redemption Fund. All amounts deposited in the Redemption Fund shall be used and withdrawn by the Trustee solely for the purpose of redeeming Bonds of such Series and maturity as shall be specified by the Issuer in a Request to the Trustee, in the manner, at the times and upon the terms and conditions specified in the Supplemental Indenture pursuant to which the Series of Bonds was created; provided that, at any time prior to giving such notice of redemption, the Trustee shall, upon receipt of a Request of the Issuer, apply such amounts to the purchase of Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding, in the case of Current Interest Bonds, accrued interest, which is payable from the Interest Fund) as is directed by the Issuer, except that the purchase price (exclusive of any accrued interest) may not exceed the Redemption Price or Accreted Value then applicable to such Bonds. All Term Bonds purchased or redeemed from the Redemption Fund shall be allocated to Mandatory Sinking Account Payments applicable to such Series and maturity of Term Bonds as may be specified in a Request of the Issuer.

Rebate Fund. Upon receipt of funds to be applied to the Rebate Requirement, the Trustee shall establish and maintain a fund separate from any other fund established and maintained under the Indenture designated as the Rebate Fund. Within the Rebate Fund, the Trustee shall maintain such accounts as shall be necessary in order to comply with the terms and requirements of each Tax Certificate as directed in writing by the Issuer. Subject to the transfer provisions provided in the Indenture, all money at any time deposited in the Rebate Fund shall be held by the Trustee in trust, to the extent required to satisfy the Rebate Requirement, for payment to the federal government of the United States of America, and neither the Trustee nor any Holder nor any other Person shall have any rights in or claim to such money. All amounts deposited into or on deposit in the Rebate Fund shall be governed by the Indenture and by each of the Tax Certificates. The Issuer covenants to comply with the directions contained in each Tax Certificate and the Trustee covenants to comply with all written instructions of the Issuer delivered to the Trustee pursuant to each Tax Certificate (which instructions shall state the actual amounts to be deposited in or withdrawn from the Rebate Fund and shall not require the Trustee to make any calculations with respect thereto).

Payment Provisions Applicable to Interest Rate Swap Agreements

In the event the Issuer shall enter into an Interest Rate Swap Agreement in connection with a Series of Bonds, the amounts received by the Issuer, if any, pursuant to such Interest Rate Swap Agreement may be applied to the deposits required under the Indenture. If the Issuer so designates in a Supplemental Indenture establishing the terms and provisions of such Series of Bonds (or if such Interest Rate Swap Agreement is issued subsequent to the issuance of such Series of Bonds, if the Issuer so designates in a Certificate of the Issuer delivered to the Trustee concurrently with the execution of such Interest Rate Swap Agreement) amounts payable under such Interest Rate Swap Agreement (excluding termination payments and payments of fees and expenses which shall in all cases be payable from, and secured by, 2000 Measure A Sales Tax Revenues on a subordinate basis to Bonds, Parity Obligations and payment of principal and interest on Subordinate Obligations) shall constitute Parity Obligations under the Indenture, and, in such event, the Issuer shall pay or cause to be paid to the Trustee for deposit in the Interest Fund, at the times and in the manner provided in the Indenture, the amounts to be paid pursuant to such Interest Rate Swap Agreement, as if such amounts were additional interest due on the Series of Bonds to which such Interest Rate Swap Agreement relates, and the Trustee shall pay to the Counterparty to such Interest Rate Swap Agreement, to the extent required thereunder, amounts deposited in the Interest Fund for the payment of interest on the Series of Bonds with respect to which such Interest Rate Swap Agreement was entered into.

Investment in Funds and Accounts

All moneys in any of the funds and accounts held by the Trustee and established pursuant to the Indenture shall be invested, as directed by the Issuer, solely in Investment Securities, subject to the limitations set forth in the Indenture. If and to the extent the Trustee does not receive investment instructions from the Issuer with respect to the moneys in the funds and accounts held by the Trustee pursuant to the Indenture, such moneys shall be invested in Investment Securities described in clause (B)(3) of the definition thereof and the Trustee shall thereupon request investment instructions from the Issuer for such moneys.

Moneys in any Bond Reserve Fund shall be invested in Investment Securities available on demand for the purpose of payment of the Bonds to which such Bond Reserve Fund relates as provided in the Indenture. Moneys in the remaining funds and accounts shall be invested in Investment Securities maturing or available on demand not later than the date on which it is estimated that such moneys will be required by the Trustee.

Unless otherwise provided in a Supplemental Indenture establishing the terms and provisions of a Series of Bonds: (i) all interest, profits and other income received from the investment of moneys in the Interest Fund representing accrued interest or capitalized interest shall be retained in the Interest Fund; (ii) all interest, profits and other income received from the investment of moneys in a Bond Reserve Fund shall be retained in such Bond Reserve Fund to the extent of any deficiency therein, and otherwise shall be transferred to the Revenue Fund; (iii) all interest, profits and other income received from the investment of moneys in a Project Fund shall be retained in such Project Fund, unless the Issuer shall direct that such earnings be transferred to the Rebate Fund; (iv) all interest, profits and other income received from the investment of moneys in the Rebate Fund shall be retained in the Rebate Fund, except as otherwise provided in the Indenture; and (vi) all interest, profits and other income received from the investment of moneys in any other fund or account shall be transferred to the Revenue Fund.

All Investment Securities credited to any Bond Reserve Fund shall be valued (at market value) as of March 1 of each year (or the next succeeding Business Day if such day is not a Business Day), such market value to be determined by the Trustee in the manner then currently employed by the Trustee or in any other manner consistent with corporate trust industry standards. Notwithstanding anything to the contrary in the Indenture, in making any valuations of investments under the Indenture, the Trustee may utilize and rely on computerized securities pricing services that may be available to it, including those available through its regular accounting system.

The Trustee may commingle any of the funds or accounts established pursuant to the Indenture (except the Rebate Fund and any Purchase Fund) into a separate fund or funds for investment purposes only, provided that all funds or accounts held by the Trustee under the Indenture shall be accounted for separately as required by the Indenture. The Trustee may act as principal or agent in the making or disposing of any investment and, with the prior written consent of the Issuer may impose its customary charge therefor. The Trustee may sell at the best price obtainable, or present for redemption, any Investment Securities so purchased whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such Investment Security is credited. The Trustee shall not be liable or responsible for any loss resulting from any investment made in accordance with the provisions of the Indenture.

Issuance of Additional Bonds and Other Obligations

Issuance of Additional Bonds. The Issuer may by Supplemental Indenture establish one or more additional Series of Bonds, payable from 2000 Measure A Sales Tax Revenues and secured by the pledge made under the Indenture equally and ratably with Bonds previously issued, and the Issuer may issue, and the Trustee may authenticate and deliver to the purchasers thereof, Bonds of any Series so established, in such principal amount as shall be determined by the Issuer, but only upon compliance by the Issuer with the provisions of the Indenture described below under the caption "Proceedings for Issuance of Additional Bonds" and any additional requirements set forth in said Supplemental Indenture and subject to the specific conditions set forth below, each of which is hereby made a condition precedent to the issuance of any such additional Series of Bonds.

(A) No Event of Default shall have occurred and then be continuing.

(B) Subject to the provisions of the Indenture described above under the caption "Funding and Application of Bond Reserve Funds," in the event a Supplemental Indenture providing for the issuance of such Series of Bonds shall require either (i) the establishment of a Bond Reserve Fund to provide additional security for such Series of Bonds or (ii) that the balance on deposit in an existing Bond Reserve Fund be increased, forthwith upon the receipt of the proceeds of the sale of such Series, to an amount at least equal to the Bond Reserve Requirement with respect to such Series of Bonds and all other Bonds secured by such Bond Reserve Fund to be considered Outstanding upon the issuance of such additional Series of Bonds, the Supplemental Indenture providing for the issuance of such additional Series of Bonds shall require deposit of the amount necessary. Said deposit shall be made as provided in the Supplemental Indenture providing for the issuance of such additional Series of Bonds and may be made from the proceeds of the sale of such Series of Bonds or from other funds of the Issuer or from both such sources or may be made in the form of a letter of credit, surety bond or insurance policy as provided in the provisions of the Indenture described above under the caption "Funding and Application of Bond Reserve Funds."

(C) The aggregate principal amount of Bonds issued under the Indenture shall not exceed any limitation imposed by law or by any Supplemental Indenture.

(D) The Issuer shall place on file with the Trustee a Certificate of the Issuer certifying that the lesser of (i) the amounts of 2000 Measure A Sales Tax Revenues for a period of twelve (12) consecutive months (selected by the Issuer) during the eighteen (18) months immediately preceding the date on which such additional Series of Bonds will become Outstanding, or (ii) the estimated 2000 Measure A Sales Tax Revenues for the Fiscal Year in which such Series of Bonds are to be issued, shall have been, or will be, as applicable, at least equal to 1.3 times Maximum Annual Debt Service, on all Series of Bonds and Parity Obligations then Outstanding and the additional Series of Bonds then proposed to be issued, which Certificate shall also set forth the computations upon which such Certificate is based.

(E) Principal payments of each additional Series of Bonds shall be due on April 1 in each year in which principal is to be paid if and to the extent deemed practical in the reasonable judgment of the Issuer with regard to the type of Bond to be issued, and, if the interest on such Series of Bonds is to be paid semiannually, such interest payments shall be due on April 1 and October 1 in each year to the extent deemed practical in the reasonable judgment of the Issuer with regard to the type of Bond to be issued.

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

In the event additional assets or revenues are included within the definition of "Revenues" by a Supplemental Indenture, such additional assets or revenues shall be included in the calculations to be provided pursuant to the provisions of the Indenture described in paragraph (D) above as if such additional assets or revenues had always been included in "Revenues."

Proceedings for Issuance of Additional Bonds. Before any additional Series of Bonds shall be issued and delivered, the Issuer shall file each of the documents identified below with the Trustee (upon which documents the Trustee may conclusively rely in determining whether the conditions precedent to the issuance of such Series of Bonds have been satisfied).

(A) A Supplemental Indenture authorizing such Series executed by the Issuer.

(B) A Certificate of the Issuer certifying: (i) that no Event of Default has occurred and is then continuing; and (ii) that the requirements of the Indenture described in paragraphs (B) and (C) under the caption "Issuance of Additional Bonds" have been satisfied by the Issuer.

(C) A Certificate of the Issuer certifying (on the basis of calculations made no later than the date of sale of such Series of Bonds) that the requirement of the Indenture described in paragraph (D) under the caption "Issuance of Additional Bonds" is satisfied.

(D) An Opinion of Bond Counsel to the effect that the Supplemental Indenture is being entered into in accordance with the Indenture and that such Series of Bonds, when duly executed by the Issuer and authenticated and delivered by the Trustee, will be valid and binding obligations of the Issuer.

Issuance of Refunding Bonds. Refunding Bonds may be authorized and issued by the Issuer without compliance with the provisions of the Indenture described above under the captions "Issuance of Additional Bonds" and "Proceedings for Issuance of Additional Bonds;" provided that Maximum Annual Debt Service on all Bonds Outstanding and all Parity Obligations outstanding following the issuance of such Refunding Bonds is less than or equal to Maximum Annual Debt Service on all Bonds Outstanding and all Parity Obligations outstanding prior to the issuance of such Refunding Bonds. Such Refunding

Bonds may be issued in an aggregate principal amount sufficient (together with any additional funds available or to become available) to provide funds for the payment of all or a portion of the following:

(1) the principal or Redemption Price of the Outstanding Bonds or outstanding Parity Obligations to be refunded;

(2) all expenses incident to the calling, retiring or paying of such Outstanding Bonds or outstanding Parity Obligations and the Costs of Issuance of such Refunding Bonds;

(3) interest on all Outstanding Bonds or outstanding Parity Obligations to be refunded to the date such Bonds or Parity Obligations will be called for redemption or paid at maturity;

(4) interest on the Refunding Bonds from the date thereof to the date of payment or redemption of the Bonds or Parity Obligations to be refunded; and

(5) funding a Bond Reserve Fund for the Refunding Bonds, if required.

Before such Series of Refunding Bonds shall be issued and delivered pursuant to the provisions of the Indenture described under this caption, the Issuer shall file each of the documents identified below with the Trustee (upon which documents the Trustee may conclusively rely in determining whether the conditions precedent to the issuance of such Series of Refunding Bonds have been satisfied).

(1) A Supplemental Indenture authorizing such Series of Refunding Bonds executed by the Issuer.

(2) A Certificate of the Issuer certifying: (i) that Maximum Annual Debt Service on all Bonds and Parity Obligations which will be outstanding following the issuance of such Series of Refunding Bonds is less than or equal to Maximum Annual Debt Service on all Bonds Outstanding and Parity Obligations outstanding prior to the issuance of such Refunding Bonds; and (ii) that the requirements of the Indenture described in paragraphs (A), (B), and (C) under the caption "Issuance of Additional Bonds" are satisfied.

(3) If any of the Bonds to be refunded are to be redeemed prior to their stated maturity dates, irrevocable instructions to the Trustee to give the applicable notice of redemption or a waiver of the notice of redemption signed by the Holders of all or the portion of the Bonds or Parity Obligations to be redeemed, or proof that such notice has been given by the Issuer; provided, however, that in lieu of such instructions or waiver or proof of notice of redemption, the Issuer may cause to be deposited with the Trustee all of the Bonds and Parity Obligations proposed to be redeemed (whether canceled or uncanceled) with irrevocable instructions to the Trustee to cancel said Bonds or Parity Obligations so to be redeemed upon the exchange and delivery of said Refunding Bonds.

(4) An Opinion of Bond Counsel to the effect that the Supplemental Indenture is being entered into in accordance with the Indenture and that such Series of Refunding Bonds, when duly executed by the Issuer and authenticated and delivered by the Trustee, will be valid and binding obligations of the Issuer.

Limitations on the Issuance of Obligations Payable from 2000 Measure A Sales Tax Revenues; Parity Obligations; Subordinate Obligations. The Issuer will not, so long as any of the Bonds are Outstanding, issue any obligations or securities, howsoever denominated, payable in whole or in part from 2000 Measure A Sales Tax Revenues except the following:

(A) Bonds authorized pursuant to provisions in the Indenture described above under the caption "Issuance of Additional Bonds";

(B) Refunding Bonds authorized pursuant to the provisions of the Indenture described above under the caption "Issuance of Refunding Bonds";

(C) Parity Obligations, provided that the following conditions to the issuance or incurrence of such Parity Obligations are satisfied:

(1) Such Parity Obligations have been duly and legally authorized for any lawful purpose;

(2) No Event of Default shall have occurred and then be continuing, as evidenced by the delivery of a Certificate of the Issuer to that effect, which Certificate of the Issuer shall be filed with the Trustee;

(3) Such Parity Obligations are being issued or incurred either (i) for purposes of refunding in compliance with the requirements for the issuance of Refunding Bonds set forth in the Indenture and described above under the caption "Issuance of Refunding Bonds" or (ii) the Issuer shall have placed on file with the Trustee a Certificate of the Issuer, upon which the Trustee may conclusively rely certifying (on the basis of calculations made no later than the date of sale or incurrence of such Parity Obligations, as applicable) that the requirements of the Indenture described in paragraph (D) under the caption "Issuance of Additional Bonds" relating to the issuance of an additional Series of Bonds have been satisfied with respect to such Parity Obligations, which Certificate shall also set forth the computations upon which such Certificate is based evidencing compliance with the requirements set forth in subsection (ii) of this paragraph;

(4) As and to the extent applicable, the Trustee shall be designated as paying agent or trustee for such Parity Obligations and the Issuer shall deliver to the Trustee a transcript of the proceedings providing for the issuance of such Parity Obligations (but the Trustee shall not be responsible for the validity or sufficiency of such proceedings or such Parity Obligations).

Notwithstanding any other provision of the Indenture to the contrary, the execution and delivery of an Interest Rate Swap Agreement shall not be subject to compliance with the provisions of the Indenture described in paragraphs (C)(3) or (C)(4) above.

(D) Subordinate Obligations which are payable as to principal, premium, interest and reserve fund requirements, if any, only out of 2000 Measure A Sales Tax Revenues after the prior payment of all amounts then required to be paid under the Indenture from 2000 Measure A Sales Tax Revenues for principal, premium, interest and reserve fund requirements, if any, for all Bonds Outstanding, and all Parity Obligations outstanding, as the same become due and payable and at the times and in the manner as required in the Indenture and in the instrument or instruments pursuant to which any Parity Obligations were issued or incurred.

(E) Termination payments and fees and expenses on Interest Rate Swap Agreements and other obligations which shall be secured by a lien and charge on the 2000 Measure A Sales Tax Revenues subordinate to the lien and charge upon the 2000 Measure A Sales Tax Revenues which secures the Bonds, Parity Obligations and payment of principal and interest on Subordinate Obligations.

Calculation of Maximum Annual Debt Service with Respect to Parity Obligations. For purposes of the Indenture, Maximum Annual Debt Service with respect to Parity Obligations shall be determined no later than the date of incurrence of such Parity Obligations utilizing the assumptions set forth in the definition of Debt Service; provided, however, that if a Parity Obligation is contingent upon funds being provided pursuant to such Parity Obligation to pay principal, or purchase price of, or interest on a Bond, such Parity Obligations shall not be considered outstanding until such payment is made thereunder.

Certain Covenants of the Issuer

Punctual Payments. The Issuer will punctually pay or cause to be paid the principal or Redemption Price of and interest on all the Bonds, in strict conformity with the terms of the Bonds and of the Indenture, according to the true intent and meaning thereof, and shall punctually pay or cause to be paid all Mandatory Sinking Account Payments, but in each case only out of 2000 Measure A Sales Tax Revenues as provided in the Indenture.

Against Encumbrances. The Issuer will not create any pledge, lien or charge upon any of the 2000 Measure A Sales Tax Revenues having priority over or having parity with the lien of the Bonds except only as permitted in the caption "Limitations on the Issuance of Obligations Payable from 2000 Measure A Sales Tax Revenues; Parity Obligations; Subordinate Obligations" above.

Accounting Records and Financial Statements. The Issuer will at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with generally accepted accounting principles, in which complete and accurate entries shall be made of all transactions relating to the Revenues. Such books of record and account shall be available for inspection by the Trustee at reasonable hours and under reasonable circumstances.

The Issuer will furnish the Trustee, within two hundred ten (210) days after the end of each Fiscal Year, the financial statements of the Issuer for such Fiscal Year, together with the report and opinion of an independent certified public accountant stating that the financial statements have been prepared in accordance with generally accepted accounting principles and that such accountant's examination of the financial statements was performed in accordance with generally accepted auditing standards and a Certificate of the Chief Financial Officer of the Issuer stating that no event which constitutes an Event of Default or which with the giving of notice or the passage of time or both would constitute an Event of Default has occurred and is continuing as of the end of such Fiscal Year, or specifying the nature of such event and the actions taken and proposed to be taken by the Issuer to cure such default. Thereafter, a copy of such financial statements will be furnished to any Holder upon written request to the Issuer, which copy of the financial statements may, at the sole discretion of the Issuer, be provided by means of posting such financial statements on an internet site that provides access to the Holders.

Collection of 2000 Measure A Sales Tax Revenues. The Issuer covenants and agrees that it has duly levied the 2000 Measure A Sales Tax in accordance with the Act, pursuant to and in accordance with the Ordinance, duly passed and adopted by the Issuer. Said Ordinance has not and will not be amended, modified or altered so long as any of the Bonds are Outstanding in any manner which would reduce the amount of or timing of receipt of 2000 Measure A Sales Tax Revenues, and the Issuer will continue to levy and collect the 2000 Measure A Sales Tax to the full amount permitted by law. The Issuer further covenants that the Issuer has entered into an agreement with the State Board of Equalization under and pursuant to which the State Board of Equalization will process and supervise collection of the 2000

Measure A Sales Tax and will transmit 2000 Measure A Sales Tax Revenues directly to the Trustee. Said agreement will be continued in effect so long as any of any Bonds are Outstanding and shall not be amended, modified or altered without the written consent of the Trustee so long as any of the Bonds are Outstanding. The Issuer will receive and hold in trust for (and remit immediately to) the Trustee any 2000 Measure A Sales Tax Revenues paid to the Issuer by the State Board of Equalization.

2000 Measure A Sales Tax Revenues received by the Trustee shall be transmitted to the Issuer pursuant to the caption "Allocation of Revenues" above; provided that, during the continuance of an Event of Default, any 2000 Measure A Sales Tax Revenues received by the Trustee shall be applied first to the payment of the fees, costs and expenses of the Trustee in declaring such Event of Default and pursuing remedies, including reasonable compensation of its agents, attorneys and counsel, which costs and expenses shall be paid from the Revenue Fund, and second, to deposit into the Interest Fund and Principal Fund and to the payment of Parity Obligations as more fully set forth in the caption "Application of Revenues and Other Funds After Default" below.

The Issuer covenants and agrees to separately account for all Revenues and to provide to the Trustee access to such accounting records at reasonable hours and under reasonable circumstances.

The Issuer covenants that so long as the Bonds are Outstanding, it will not, to the best of its ability, suffer or permit any change, modification or alteration to be made to the Act which would materially and adversely affect the rights of Bondholders.

Tax Covenants. The Issuer covenants that it will not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of the interest on the Bonds under Section 103 of the Code; provided that, prior to the issuance of any Series of Bonds, the Issuer may exclude the application of the covenants contained in this caption "Tax Covenant" and the caption "Rebate Fund" above to such Series of Bonds. The Issuer will not directly or indirectly use or permit the use of any proceeds of the Bonds or any other funds of the Issuer, or take or omit to take any action that would cause the Bonds to be "arbitrage bonds" within the meaning of Section 148(a) of the Code. To that end, the Issuer will comply with all requirements of the Tax Certificate relating to each Series of the Bonds. In the event that at any time the Issuer is of the opinion that for purposes of this caption "Tax Covenants" it is necessary to restrict or limit the yield on the investment of any moneys held by the Trustee under the Indenture, the Issuer shall so instruct the Trustee in writing, and the Trustee shall take such action as may be necessary in accordance with such instructions.

Without limiting the generality of the foregoing, the Issuer agrees that there shall be paid from time to time all amounts required to be rebated to the federal government of the United States of America pursuant to Section 148(f) of the Code and any temporary, proposed or final Treasury Regulations as may be applicable to the Bonds from time to time. The Issuer specifically covenants to pay or cause to be paid to the federal government of the United States of America the Rebate Requirement with respect to each Series of Bonds at the times and in the amounts determined under and as described in the Tax Certificate executed and delivered in connection with such Series of Bonds.

Notwithstanding any provision of this caption "Tax Covenant" and the caption "Rebate Fund" above and the Tax Certificate, if the Issuer shall receive an Opinion of Bond Counsel to the effect that any action required under this caption "Tax Covenant" and the caption "Rebate Fund" above or any Tax Certificate is no longer required, or to the effect that some further action is required, to maintain the exclusion from gross income of the interest on the Bonds pursuant to Section 103 of the Code, the Issuer and the Trustee may rely conclusively on such opinion in complying with the provisions of the Indenture, and the covenants under the Indenture shall be deemed to be modified to that extent.

Notwithstanding any provisions of the Indenture, including particularly Article X, the covenants and obligations set forth in the provisions of the Indenture described under this caption shall survive the defeasance of the Bonds or any Series thereof.

Continuing Disclosure. Upon the issuance of any Series of Bonds requiring an undertaking regarding continuing disclosure under Rule 15c2-12, the Issuer hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate executed and delivered in connection with such Series of Bonds. Notwithstanding any other provision of the Indenture, failure of the Issuer to comply with the provisions of any Continuing Disclosure Certificate shall not be considered an Event of Default; however, the Trustee shall, at the written request of any Participating Underwriter or of the Holders of at least twenty-five (25%) aggregate principal amount of any Series of Bonds then Outstanding (but only to the extent funds in an amount satisfactory to the Trustee have been provided to it or it has been otherwise indemnified to its satisfaction from any cost, liability, expense or additional charges and fees of the Trustee whatsoever, including, without limitation, reasonable fees and expenses of its attorneys), or any Holder or beneficial owner may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer to comply with its obligations under this caption "Continuing Disclosure."

Events of Default and Remedies

Events of Default. The following are Events of Default:

(A) default in the due and punctual payment of the principal or Redemption Price of any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by declaration or otherwise, or default in the redemption from any Sinking Account of any Bonds in the amounts and at the times provided therefor;

(B) default in the due and punctual payment of any installment of interest on any Bond when and as such interest installment shall become due and payable;

(C) if the Issuer shall fail to observe or perform any covenant, condition, agreement or provision in the Indenture on its part to be observed or performed, other than as referred to in subsection (A) or (B) above, for a period of sixty (60) days after written notice, specifying such failure and requesting that it be remedied, has been given to the Issuer by the Trustee or by any Credit Enhancement Provider; except that, if such failure can be remedied but not within such sixty (60) day period and if the Issuer has taken all action reasonably possible to remedy such failure within such sixty (60) day period, such failure shall not become an Event of Default for so long as the Issuer shall diligently proceed to remedy the same in accordance with and subject to any directions or limitations of time established by the Trustee;

(D) if any payment default shall exist under any agreement governing any Parity Obligations and such default shall continue beyond the grace period, if any, provided for with respect to such default;

(E) if the Issuer files a petition in voluntary bankruptcy, for the composition of its affairs or for its corporate reorganization under any state or federal bankruptcy or insolvency law, or makes an assignment for the benefit of creditors, or admits in writing to its insolvency or inability to pay debts as they mature, or consents in writing to the appointment of a trustee or receiver for itself;

(F) if a court of competent jurisdiction shall enter an order, judgment or decree declaring the Issuer insolvent, or adjudging it bankrupt, or appointing a trustee or receiver of the Issuer, or approving a petition filed against the Issuer seeking reorganization of the Issuer under any applicable law or statute of the United States of America or any state thereof, and such order, judgment or decree shall not be vacated or set aside or stayed within sixty (60) days from the date of the entry thereof;

(G) if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the Issuer or of the Revenues, and such custody or control shall not be terminated within sixty (60) days from the date of assumption of such custody or control; or

(H) if the Legislature of the State shall repeal or amend all or any portion of the provisions of the Act relating to the 2000 Measure A Sales Tax, being Sections 100250 to 100256, inclusive, of the Act, unless the Issuer has determined that said repeal or amendment does not materially and adversely affect the rights of Bondholders.

No Acceleration of Maturities. If an Event of Default occurs, the Trustee shall not have the right to declare the principal of and the interest on the Bonds then Outstanding to be due and payable immediately. Acceleration of the Bonds is not a remedy granted to the Trustee or to the Holders.

Application of Revenues and Other Funds After Default. If an Event of Default shall occur and be continuing, the Issuer shall immediately transfer to the Trustee all Revenues held by it and the Trustee shall apply all Revenues and any other funds then held or thereafter received by the Trustee under any of the provisions of the Indenture (excluding the Rebate Fund and any Purchase Fund and except as otherwise provided in the Indenture) as follows and in the following order:

(1) To the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the Holders of the Bonds and Parity Obligations, including the costs and expenses of the Trustee and the Bondholders in declaring such Event of Default, and payment of reasonable fees and expenses of the Trustee (including reasonable fees and disbursements of its counsel and other agents) incurred in and about the performance of its powers and duties under the Indenture;

(2) to the payment of the whole amount of Bond Obligation then due on the Bonds and Parity Obligations (upon presentation of the Bonds and Parity Obligations to be paid, and stamping thereon of the payment if only partially paid, or surrender thereof if fully paid) subject to the provisions of the Indenture, with interest on such Bond Obligation, at the rate or rates of interest borne by the respective Bonds and on Parity Obligations, to the payment to the persons entitled thereto of all installments of interest then due and the unpaid principal or Redemption Price of any Bonds and Parity Obligations which shall have become due, whether at maturity, by call for redemption or otherwise, in the order of their due dates, with interest on the overdue Bond Obligation and Parity Obligations at the rate borne by the respective Bonds and Parity Obligations, and, if the amount available shall not be sufficient to pay in full all the Bonds and Parity Obligations due on any date, together with such interest, then to the payment thereof ratably, according to the amounts of principal or Accreted Value (plus accrued interest) due on such date to the persons entitled thereto, without any discrimination or preference.

Trustee to Represent Bondholders. The Trustee is hereby irrevocably appointed (and the successive respective Holders of the Bonds, by taking and holding the same, shall be conclusively deemed to have so appointed the Trustee) as trustee and true and lawful attorney-in-fact of the Holders of the Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Holders under the provisions of the Bonds, the Indenture, the Act and applicable provisions of any other law. Upon the occurrence and continuance of an Event of Default or other occasion giving rise to a right in the Trustee to represent the Bondholders, the Trustee in its discretion may, and, with respect to any Series of Bonds for which a Credit Enhancement has been provided, upon the written request of the Credit Enhancement Provider providing such Credit Enhancement, or if such Credit Enhancement Provider is then failing to make a payment required pursuant to such Credit Enhancement, upon the written request of the Holders of not less than a majority in aggregate amount of Bond Obligation of the Bonds then Outstanding, and upon being indemnified to its satisfaction therefor, shall proceed to protect or enforce its rights or the rights of such Holders by such appropriate action, suit, mandamus or other proceedings as it shall deem most effectual to protect and enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement contained in the Indenture, or in aid of the execution of any power in the Indenture granted, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Trustee or in such Holders under the Indenture, the Act or any other law; and upon instituting such proceeding, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver of the 2000 Measure A Sales Tax Revenues and other assets pledged under the Indenture, pending such proceedings; provided, however, that, with respect to any Series of Bonds for which a Credit Enhancement has been provided, the Trustee may only act with the consent of the Credit Enhancement Provider providing such Credit Enhancement. All rights of action under the Indenture or the Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in the name of the Trustee for the benefit and protection of all the Holders of such Bonds, subject to the provisions of the Indenture.

Bondholders' Direction of Proceedings. Anything in the Indenture to the contrary (except provisions relating to the rights of a Credit Enhancement Provider to direct proceedings as set forth in the caption "Credit Enhancement Provider Directs Remedies Upon Event of Default" below), the Holders of a majority in aggregate amount of Bond Obligation of the Bonds then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee and upon furnishing the Trustee with indemnification satisfactory to it, to direct the method of conducting all remedial proceedings taken by the Trustee under the Indenture, provided that such direction shall not be otherwise than in accordance with law and the provisions of the Indenture, that the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Bondholders or holders of Parity Obligations not parties to such direction.

Limitation on Bondholders' Right to Sue. No Holder of any Bond shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under the Indenture, the Act or any other applicable law with respect to such Bond, unless: (1) such Holder shall have given to the Trustee written notice of the occurrence of an Event of Default; (2) the Holders of not less than a majority in aggregate amount of Bond Obligation of the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such suit, action or proceeding in its own name; (3) such Holder or said Holders shall have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; and (4) the Trustee shall have refused or omitted to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee; provided, however, that the written consent of a Credit Enhancement Provider providing a Credit Enhancement with respect to a Series of Bonds shall be required if the Credit Enhancement with respect to such Series of Bonds is in full force and effect and if the Credit Enhancement Provider providing such Credit Enhancement is not then failing to make a payment as required in connection therewith.

Such notification, request, tender of indemnity and refusal or omission are declared, in every case, to be conditions precedent to the exercise by any Holder of Bands of any remedy under the

Indenture or under law; it being understood and intended that no one or more Holders of Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Indenture or the rights of any other Holders of Bonds, or to enforce any right under the Indenture, the Act or other applicable law with respect to the Bonds, except in the manner in the Indenture provided, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner in the Indenture provided and for the benefit and protection of all Holders of the Outstanding Bonds, subject to the provisions of the Indenture.

Credit Enhancement Provider Directs Remedies Upon Event of Default. Anything in the Indenture to the contrary notwithstanding, upon the occurrence and continuance of an Event of Default, the Credit Enhancement Provider then providing Credit Enhancement for any Series of Bonds shall be entitled to control and direct the enforcement of all rights and remedies granted to the Holders of the Bonds secured by such Credit Enhancement or granted to the Trustee for the benefit of the Holders of the Bonds secured by such Credit Enhancement, provided that the Credit Enhancement Provider's consent shall not be required as otherwise provided in the Indenture if such Credit Enhancement Provider is in default of any of its payment obligations as set forth in the Credit Enhancement provided by such Credit Enhancement Provider.

Modification or Amendment of the Indenture

Amendments Permitted. The Indenture and the rights and obligations of the Issuer, the Holders of the Bonds and the Trustee may be modified or amended from time to time and at any time by a Supplemental Indenture, which the Issuer and the Trustee may enter into when the written consent of: (i) each Credit Enhancement Provider then providing a Credit Enhancement for any Series of Bonds, provided that the Credit Enhancement provided by such Credit Enhancement Provider is in full force and effect and the Credit Enhancement Provider is not then failing to make a payment as required in connection therewith; or (ii) the Holders of a majority in aggregate amount of Bond Obligation of the Bonds (or, if such Supplemental Indenture is only applicable to a Series of Bonds, such Series of Bonds) then Outstanding shall have been filed with the Trustee; provided that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any particular maturity remain Outstanding, the consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Bonds Outstanding under the Indenture; and provided, further, that if the Credit Enhancement provided for any Series of Bonds is in full force and effect and if the Credit Enhancement Provider providing such Credit Enhancement is not failing to make a payment as required in connection therewith, such Credit Enhancement Provider shall also consent in writing to such modification or amendment, which consent shall not be unreasonably withheld.

No such modification or amendment shall (a) extend the fixed maturity of any Bond, or reduce the amount of principal thereof, or extend the time of payment or reduce the amount of any Mandatory Sinking Account Payment provided for the payment of any Bond, or reduce the rate of interest thereon, or extend the time of payment of interest thereon, or reduce any premium payable upon the redemption thereof, without the consent of the Holder of each Bond so affected, or (b) reduce the aforesaid percentage of Bond Obligation the consent of the Holders of which is required to effect any such modification or amendment, or permit the creation of any lien on the Revenues and other assets pledged under the Indenture prior to or on a parity with the lien created by the Indenture, or deprive the Holders of the Bonds of the lien created by the Indenture on such Revenues and other assets (in each case, except as expressly provided in the Indenture), without the consent of the Holders of all of the Bonds then Outstanding. It shall not be necessary for the consent of the Bondholders to approve the particular form of any Supplemental Indenture, but it shall be sufficient if such consent shall approve the substance thereof.

The Indenture and the rights and obligations of the Issuer, of the Trustee and of the Holders of the Bonds may also be modified or amended from time to time and at any time by a Supplemental Indenture, which the Issuer may adopt without the consent of any Bondholders, but with the written consent of each Credit Enhancement Provider then providing a Credit Enhancement for any Series of Bonds which shall be materially and adversely affected by such amendment, which consent shall not be unreasonably withheld; provided, however, that such written consent shall be required only if the Credit Enhancement provided by such Credit Enhancement Provider is in full force and effect and if the Credit Enhancement Provider is not then failing to make a payment as required in connection therewith, but only to the extent permitted by law and only for any one or more of the following purposes:

(1) to add to the covenants and agreements of the Issuer in the Indenture contained other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power in the Indenture reserved to or conferred upon the Issuer;

(2) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in the Indenture, or in regard to matters or questions arising under the Indenture, as the Issuer may deem necessary or desirable, and which shall not materially and adversely affect the interests of the Holders of the Bonds;

(3) to modify, amend or supplement the Indenture in such manner as to permit the qualification of the Indenture under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute, and which shall not materially and adversely affect the interests of the Holders of the Bonds;

(4) to provide for the issuance of an additional Series of Bonds pursuant to the provisions of the Indenture described above under the caption “Issuance of Additional Bonds.”

(5) to make modifications or adjustments necessary appropriate or desirable to provide for the issuance or incurrence, as applicable, of Capital Appreciation Bonds, Parity Obligations, Subordinate Obligations or Variable Rate Indebtedness, with such interest rate, payment, maturity and other terms as the Issuer may deem desirable; subject to the provisions of the Indenture described above under the captions “Issuance of Additional Bonds,” “Proceedings for Issuance of Additional Bonds,” and “Limitations on the Issuance of Obligations Payable from 2000 Measure A Sales Tax Revenues; Parity Obligations; Subordinate Obligations;”

(6) to make modifications or adjustments necessary, appropriate or desirable to provide for change from one interest rate mode to another in connection with any Series of Bonds;

(7) to make modifications or adjustments necessary, appropriate or desirable to accommodate Credit Enhancements, Liquidity Facilities and Reserve Facilities;

(8) to make modifications or adjustments necessary, appropriate or desirable to provide for the appointment of an auction agent, a broker-dealer, a remarketing agent, a tender agent and/or a paying agent in connection with any Series of Bonds;

(9) to modify the auction provisions applicable to any Series of Bonds in accordance with the terms and provisions set forth in the Supplemental Indenture establishing the terms and provisions of such Series of Bonds;

(10) to provide for any additional covenants or agreements necessary to maintain the tax-exempt status of interest on any Series of Bonds;

(11) if the Issuer agrees in a Supplemental Indenture to maintain the exclusion of interest on a Series of Bonds from gross income for purposes of federal income taxation, to make such provisions as are necessary or appropriate to ensure such exclusion;

(12) to provide for the issuance of Bonds in book-entry form or bearer form and/or to modify or eliminate the book-entry registration system for any Series of Bonds;

(13) to modify, alter, amend or supplement the Indenture in any other respect, including amendments which would otherwise be described in the first two paragraphs under this caption, if the effective date of such amendments is a date on which all Bonds affected thereby are subject to mandatory tender for purchase pursuant to the provisions of the Indenture; or if notice of the proposed amendments is given to Holders of the affected Bonds at least thirty (30) days before the proposed effective date of such amendments and, on or before such effective date, such Holders have the right to demand purchase of their Bonds pursuant to the provisions of the Indenture or if all Bonds affected thereby are in an auction mode and a successful auction is held following notice of such amendment; and

(14) for any other purpose that does not materially and adversely affect the interests of the Holders of the Bonds.

Any Supplemental Indenture entered into pursuant to the provisions of the Indenture described under this caption shall be deemed not to materially adversely affect the interest of the Holders so long as (i) all Bonds are secured by a Credit Enhancement and (ii) each Credit Enhancement Provider shall have given its written consent to such Supplemental Indenture in accordance with the provisions of the Indenture.

Effect of Supplemental Indenture. From and after the time any Supplemental Indenture becomes effective, the Indenture shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under the Indenture of the Issuer, the Trustee and all Holders of Bonds Outstanding shall thereafter be determined, exercised and enforced under the Indenture subject in all respects to such modification and amendment, and all the terms and conditions of any such Supplemental Indenture shall be deemed to be part of the terms and conditions of the Indenture for any and all purposes.

Defeasance

Discharge of Indenture. Bonds of any Series or a portion thereof may be paid by the Issuer in any of the following ways:

(A) by paying or causing to be paid the Bond Obligations of and interest on such Outstanding Bonds, as and when become due and payable;

(B) by depositing with the Trustee, an escrow agent or other fiduciary, in trust, at or before maturity, money or securities in the necessary amount (as provided pursuant to the provisions of the

Indenture described below under the caption “Deposit of Money or Securities”) to pay or redeem such Outstanding Bonds; or

(C) by delivering to the Trustee, for cancellation by it, such Outstanding Bonds.

If the Issuer shall pay all Series for which any Bonds are Outstanding and also pay or cause to be paid all other sums payable under the Indenture by the Issuer , then and in that case, at the election of the Issuer (evidenced by a Certificate of the Issuer, filed with the Trustee, signifying the intention of the Issuer to discharge all such indebtedness and the Indenture), and notwithstanding that any Bonds shall not have been surrendered for payment, the Indenture and the pledge of 2000 Measure A Sales Tax Revenues and other assets made under the Indenture and all covenants, agreements and other obligations of the Issuer under the Indenture shall cease, terminate, become void and be completely discharged and satisfied. In such event, upon Request of the Issuer, the Trustee shall cause an accounting for such period or periods as may be requested by the Issuer to be prepared and filed with the Issuer and shall execute and deliver to the Issuer all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee shall pay over, transfer, a sign or deliver to the Issuer all moneys or securities or other property held by it pursuant to the Indenture which, as evidenced by a verification report, upon which the Trustee may conclusively rely, from a firm of certified public accountants or other independent consulting firm, are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption.

Discharge of Liability on Bonds. Upon the deposit with the Trustee, escrow agent or other fiduciary, in trust, at or before maturity, of money or securities in the necessary amount (as provided pursuant to the provisions of the Indenture described below under the caption “Deposit of Money or Securities”) to pay or redeem any Outstanding Bond (whether upon or prior to its maturity or the redemption date of such Bond), provided that, if such Bond is to be redeemed prior to maturity, notice of such redemption shall have been given as in the Indenture provided or provision satisfactory to the Trustee shall have been made for the giving of such notice, then all liability of the Issuer in respect of such Bond shall cease, terminate and be completely discharged, provided that the Holder thereof shall thereafter be entitled to the payment of the principal of and premium, if any, and interest on the Bonds, and the Issuer shall remain liable for such payment, but only out of such money or securities deposited with the Trustee as aforesaid for their payment.

Deposit of Money or Securities. Whenever in the Indenture it is provided or permitted that there be deposited with or held in trust money or securities in the necessary amount to pay or redeem any Bonds, the money or securities so to be deposited or held may include money or securities held by the Trustee in the funds and accounts established pursuant to the Indenture and shall be:

(A) lawful money of the United States of America in an amount equal to the principal amount of such Bonds and all unpaid interest thereon to maturity, except that, in the case of Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption shall have been given as in the Indenture provided or provision satisfactory to the Trustee shall have been made for the giving of such notice, the amount to be deposited or held shall be the principal amount or Redemption Price of such Bonds and all unpaid interest thereon to the redemption date; or

(B) Investment Securities described in clause (A) of the definition thereof the principal of and interest on which when due will, in the opinion of an independent certified public accountant delivered to the Trustee (as confirmed by a verification report upon which verification report the Trustee may conclusively rely), provide money sufficient to pay the principal or Redemption Price of and all unpaid interest to maturity, or to the redemption date, as the case may be, on the Bonds to be paid or redeemed, as such principal or Redemption Price and interest become due, provided that, in the case of Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as in the Indenture provided or provision satisfactory to the Trustee shall have been made for the giving of such notice; provided, in each case, that the Trustee shall have been irrevocably instructed (by the terms of the Indenture or by Request of the Issuer) to apply such money to the payment of such principal or Redemption Price and interest with respect to such Bonds.

Payment of Bonds After Discharge of Indenture. Any moneys held by the Trustee in trust for the payment of the principal, Redemption Price, or interest on any Bond and remaining unclaimed for one (1) year after such principal, Redemption Price, or interest has become due and payable (whether at maturity or upon call for redemption as provided in this Indenture), if such moneys were so held at such date, or one (1) year after the date of deposit of such principal, Redemption Price or interest on any Bond if such moneys were deposited after the date when such Bond became due and payable, shall be repaid to the Issuer free from the trusts created by this Indenture, and all liability of the Trustee with respect to such moneys shall thereupon cease; provided, however, that before the repayment of such moneys to the Issuer as aforesaid, the Trustee may (at the cost of the Issuer) first mail to the Holders of any Bonds remaining unpaid at the addresses shown on the registration books maintained by the Trustee a notice, in such form as may be deemed appropriate by the Trustee, with respect to the Bonds so payable and not presented and with respect to the provisions relating to the repayment to the Issuer of the moneys held for the payment thereof. All moneys held by or on behalf of the Trustee for the payment of principal or Accreted Value of or interest or premium on Bonds, whether at redemption or maturity, shall be held in trust for the account of the Holders thereof and the Trustee shall not be required to pay Holders any interest on, or be liable to the Holders or any other person (other than the Issuer) interest earned on, moneys so held. Any interest earned thereon shall belong to the Issuer and shall be deposited upon receipt by the Trustee into the Revenue Fund.

Limitations on Rights of Credit Enhancement Providers, Liquidity Facility Providers, Reserve Facility Providers. A Supplemental Indenture establishing the terms and provisions of a Series of Bonds may provide that any Credit Enhancement Provider, Liquidity Facility Provider or Reserve Facility Provider may exercise any right under the Indenture given to the Holders of the Bonds to which such Credit Enhancement, Liquidity Facility or Reserve Facility relates. All provisions under the Indenture authorizing the exercise of rights by a Credit Enhancement Provider, a Liquidity Facility Provider or a Reserve Facility Provider with respect to consents, approvals, directions, waivers, appointments, requests or other actions, shall be deemed not to require or permit such consents, approvals, directions, waivers, appointments, requests or other actions and shall be read as if the Credit Enhancement Provider, Liquidity Facility Provider or Reserve Facility Provider were not mentioned therein (i) during any period during which there is a default by such Credit Enhancement Provider, Liquidity Facility Provider or Reserve Facility Provider under the applicable Credit Enhancement, Liquidity Facility or Reserve Facility or (ii) after the applicable Credit Enhancement, Liquidity Facility or Reserve Facility shall at any time for any reason cease to be valid and binding on the provider thereof, or shall be declared to be null and void by final judgment of a court of competent jurisdiction, or after the Credit Enhancement, Liquidity Facility or Reserve Facility has been rescinded, repudiated by the provider thereof or terminated, or after a receiver, conservator or liquidator has been appointed for the provider thereof. All provisions relating to the rights of a Credit Enhancement Provider, Liquidity Facility Provider or Reserve Facility Provider shall be of no further force and effect if all amounts owing to such Credit Enhancement Provider, Liquidity Facility Provider or Reserve Facility Provider shall have been paid pursuant to the terms of the applicable Credit Enhancement, Liquidity Facility or Reserve Facility and such Credit Enhancement, Liquidity Facility or Reserve Facility shall no longer be in effect.

Fourth Supplemental Indenture

As provided pursuant to the provisions of the Indenture described above under the caption "Issuance of Additional Bonds and Other Obligations – Issuance of Additional Bonds," the Issuer may pledge or otherwise provide additional security for the benefit of an additional Series of Bonds or any portion thereof in the Supplemental Indenture providing for the issuance of such Series of Bonds. As set forth in the Fourth Supplemental Indenture, the Issue has determined that the Subsidy Payments shall be pledged to, and provided as additional security for, the benefit of the 2010 Series A Bonds.

Pledge of Subsidy Payments. As additional security for the payment of all amounts owing on the 2010 Series A Bonds, all Subsidy Payments received with respect to the 2010 Series A Bonds are irrevocably pledged to the Trustee, subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture. Such Subsidy Payments shall immediately be subject to such pledge upon the issuance of the 2010 Series A Bonds, and such pledge shall constitute a first lien on and security interest in such collateral which shall immediately attach to the collateral and be effective, binding and enforceable against the Issuer and all others asserting the rights therein, to the extent set forth, and in accordance with, this Indenture irrespective of whether those parties have notice of this pledge and without the need for any physical delivery, recordation, filing or further act. The pledge of Subsidy Payments with respect to the 2010 Series A Bonds herein made shall be irrevocable until all of the 2010 Series A Bonds are no longer Outstanding and no amounts are owed in connection with the 2010 Series A Bonds. The Issuer shall cause the Subsidy Payments with respect to the 2010 Series A Bonds to be sent directly to the Trustee, and the Trustee shall deposit the Subsidy Payments, when received, to the Interest Fund. Subject to the provisions set forth in Indenture, such Subsidy Payments shall be included within the definition of Revenues.

Proposed Amendment of Definition of Debt Service. As set forth in the Fourth Supplemental Indenture, the Issuer has proposed to amend and restate clause (g) of the definition of "Debt Service" to read in its entirety as follows:

> (g) principal and interest payments on Bonds shall be excluded to the extent such payments are to be paid from amounts on deposit with the Trustee or other fiduciary in escrow specifically therefor, including Investment Securities and interest to be paid thereon, and interest payments shall be excluded to the extent that such interest payments are to be paid from the proceeds of Bonds, including Investment Securities and interest to be paid thereon, held by the Trustee or other fiduciary as capitalized interest specifically to pay such interest or are to be paid from Revenues then held on deposit by the Trustee or from Subsidy Payments the Issuer expects to receive.

Effective Date of Amendment of Definition of Debt Service. The amendment of clause (g) of the definition of "Debt Service" set forth above shall take effect at the sole option of the Issuer upon the earliest to occur of (i) the date when no 2007 Series A Bond remains Outstanding and (ii) the date when the provisions set forth in the Indenture relating to the limitations on rights of Credit Enhancement Providers, Liquidity Facility Providers and Reserve Facility Providers shall apply with respect to the exercise of rights by the Credit Enhancement Provider for the 2007 Series A Bonds and the Reserve Facility Provider for 2007 Series A Bonds.

Treatment of Subsidy Payments Upon Effectiveness of Amendment. At such time as the amendment of clause (g) of the definition of "Debt Service" set forth above shall become effective, Subsidy Payments shall no longer be included within the definition of Revenues for purposes of any calculations to be provided pursuant to the provisions of the Indenture described above in subsection (D) under the caption "Issuance of Additional Bonds."

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this "Disclosure Certificate") is executed and delivered by the Santa Clara Valley Transportation Authority (the "Authority") in connection with the issuance of the Authority's $86,640,000 2000 Measure A Sales Tax Revenue Refunding Bonds, 2015 Series A (Tax-Exempt) and $3,340,000 2000 Measure A Sales Tax Revenue Refunding Bonds, 2015 Series B (Taxable) (collectively, the "Bonds"). The Bonds are being issued pursuant an Indenture, dated as of August 1, 2006 (as supplemented and amended, the "Indenture"), between the Authority and U.S. Bank National Association, successor to Deutsche Bank National Trust Company, as trustee (the "Trustee"). The Bonds are special limited obligations of the Authority payable solely from and secured solely by the Revenues (as defined in the Indenture), consisting primarily of revenues from a sales tax imposed pursuant to the California Transactions and Use Tax Law, being Sections 7251 *et seq.* of the California Revenue and Taxation Code. The Authority covenants and agrees as follows:

SECTION 1. Purpose of this Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Authority for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with the Rule.

SECTION 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Authority pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Beneficial Owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

"Dissemination Agent" shall mean an entity selected and retained by the Authority, or any successor thereto selected by the Authority. The initial Dissemination Agent shall be Digital Assurance Certification LLC.

"EMMA" shall mean the Electronic Municipal Market Access system, maintained on the internet at http://emma.msrb.org by the MSRB.

"Fiscal Year" shall mean the period beginning on July 1 of each year and ending on the next succeeding June 30, or any twelve-month or fifty-two week period hereafter selected by the Authority, with notice of such selection or change in fiscal year to be provided as set forth herein.

"Listed Events" shall mean any of the events listed in Section 5 of this Disclosure Certificate and any other event legally required to be reported pursuant to the Rule.

"MSRB" shall mean the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934 or any other entity designated or authorized by the SEC to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the SEC, filings with the MSRB are to be made through EMMA

"Official Statement" shall mean the Official Statement, dated January 14, 2015, relating to the Bonds.

"Participating Underwriters" shall mean any of the original underwriter or underwriters of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

"Repository" shall mean, until otherwise designated by the SEC, EMMA.

"Rule" shall mean Rule 15c2-12 adopted by the SEC pursuant to the Securities Exchange Act of 1934, as amended.

"SEC" shall mean the United States Securities and Exchange Commission.

SECTION 3. Provision of Annual Reports.

(a) The Authority shall provide, or shall cause the Dissemination Agent to provide, to MSRB, through EMMA, not later than 210 days after the end of the Authority's fiscal year, commencing with the Fiscal Year ending June 30, 2015, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report must be submitted in electronic format, accompanied by such identifying information as provided by the MSRB. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate. Not later than 15 Business Days prior to such date, the Authority shall provide the Annual Report to the Dissemination Agent. If the Fiscal Year changes for the Authority, the Authority shall give notice of such change in the manner provided under Section 5(e) hereof.

(b) If by 15 Business Days prior to the date specified in subsection (a) for providing the Annual Report to the MSRB, through EMMA, the Dissemination Agent has not received a copy of the Annual Report the Dissemination Agent shall contact the Authority to determine if the Authority is in compliance with subsection (a). The Authority shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by it hereunder. The Dissemination Agent may conclusively rely upon such certification of the Authority and shall have no duty or obligation to review such Annual Report.

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the MSRB by the date required in subsection (a), the Dissemination Agent shall send a notice to the MSRB in substantially the form attached as Exhibit A.

(d) The Dissemination Agent shall:

(i) determine the electronic filing address of, and then-current procedures for submitting Annual Reports to, the MSRB each year prior to the date for providing the Annual Report; and

(ii) (if the Dissemination Agent is other than the Authority), to the extent appropriate information is available to it, file a report with the Authority certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided.

SECTION 4. Content of Annual Reports. The Authority's Annual Report shall contain or include by reference the following:

(a) The audited financial statements of the Authority for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the Authority's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement relating to the Bonds, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) The amount of 2000 Measure A Sales Tax Revenues (as such term is defined in the Official Statement) received as of the most recently ended fiscal year of the Authority.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues with respect to which the Authority is an "obligated person" (as defined by the Rule), which are available to the public on EMMA or filed with the SEC. The Authority shall clearly identify each such document to included by reference.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Authority shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, in a timely manner not more than ten (10) Business Days after the event:

(1) principal and interest payment delinquencies;

(2) defeasances;

(3) tender offers;

(4) rating changes;

(5) adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed

Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax- status of the Bonds;

(6) unscheduled draws on the debt service reserves reflecting financial difficulties;

(7) unscheduled draws on credit enhancements reflecting financial difficulties;

(8) substitution of credit or liquidity providers or their failure to perform; or

(9) bankruptcy, insolvency, receivership or similar proceedings.

For these purposes, any event described in the immediately preceding paragraph (9) is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Authority in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Authority, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Authority.

(b) Pursuant to the provisions of this Section 5, the Authority shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

(1) mergers, consolidations, acquisitions, the sale of all or substantially all of the assets of the obligated persons or their termination;

(2) appointment of a successor or additional Trustee or the change of the name of a Trustee;

(3) nonpayment related defaults;

(4) modifications to the rights of Owners;

(5) a notices of prepayment; or

(6) release, substitution or sale of property securing repayment of the Bonds.

(c) Whenever the Authority obtains knowledge of the occurrence of a Listed Event, described in subsection (b) of this Section 5, the Authority shall as soon as possible determine if such event would be material under applicable federal securities law.

(d) If the Authority determines that knowledge of the occurrence of a Listed Event described in subsection (b) of this Section 5 would be material under applicable federal securities law, the Authority shall promptly notify the Dissemination Agent in writing and instruct the Dissemination Agent to report the occurrence to the Repository in a timely manner not more than ten (10) Business Days after the event.

(e) If the Dissemination Agent has been instructed by the Authority to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the MSRB.

(f) Any information received by the Dissemination Agent before 6:00 p.m. Eastern time on any business day that it is required to file with the MSRB pursuant to the terms of this Disclosure Certificate and that is accompanied by a Certification and all other information required by the terms of this Disclosure Agreement will be filed by the Dissemination Agent with the MSRB no later than 11:59 p.m. Eastern time on the same business day; provided, however, the Dissemination Agent shall have no liability for any delay in filing with the MSRB if such delay is caused by a *force majeure* event provided that the Dissemination Agent uses reasonable efforts to make any such filing as soon as possible.

SECTION 6. Filings with the MSRB. All information, operating data, financial statements, notices and other documents provided to the MSRB in accordance with this Disclosure Certificate shall be provided in an electronic format prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

SECTION 7. Termination of Reporting Obligation. The obligations of the Authority and the Dissemination Agent under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Authority shall give notice of such termination in the same manner as for a Listed Event under Section 5.

SECTION 8. Dissemination Agent. The Authority may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign at any time by providing at least 30 days' notice in writing to the Authority. The Authority hereby appoints Digital Assurance Certification LLC as initial Dissemination Agent hereunder. Notwithstanding any other provision to this Disclosure Certificate to the contrary, the Authority may provide any Annual Report to Beneficial Owners by means of posting such Annual Report on an internet site that provides open access to Beneficial Owners.

SECTION 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Authority may amend this Disclosure Certificate, provided no amendment increasing or affecting the obligations or duties of the Dissemination Agent shall be made without the consent of such party, and any provision of this Disclosure Certificate may be waived if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws acceptable to the Authority and the Dissemination Agent to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the

Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule.

SECTION 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Authority from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Authority chooses to include any information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Disclosure Certificate, the Authority shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 11. Default. In the event of a failure of the Authority to comply with any provision of this Disclosure Certificate, any Holder or Beneficial Owner of the Bonds may take such actions, as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Authority to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the Authority to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 12. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Authority agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of their respective powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall be paid compensation by the Authority for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for the Authority, the Bondholders, or any other party. The obligations of the Authority under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Authority, the Dissemination Agent, the Participating Underwriters and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Dated: February 26, 2015

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

By: ___________________________________
Chief Financial Officer

DIGITAL ASSURANCE CERTIFICATION LLC, as Dissemination Agent

By: ___________________________________
Authorized Representative

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Santa Clara Valley Transportation Authority

Name of Bond Issue: $86,640,000 Santa Clara Valley Transportation Authority 2000 Measure A Sales Tax Revenue Refunding Bonds, 2015 Series A (Tax-Exempt)

$3,340,000 Santa Clara Valley Transportation Authority 2000 Measure A Sales Tax Revenue Refunding Bonds, 2015 Series B (Taxable)

Date of Issuance: February 26, 2015

NOTICE IS HEREBY GIVEN that the Santa Clara Valley Transportation Authority (the "Authority") has not provided an Annual Report with respect to the above-named Bonds as required by that certain Indenture, dated as of August 1, 2006 (as supplemented and amended, the "Indenture"), between the Authority and U.S. Bank National Association, as trustee. The Authority anticipates that the Annual Report will be filed by _____________.

Dated: _______, 20__

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

By: ____________________________________

Its: ____________________________________

APPENDIX F

BOOK-ENTRY SYSTEM

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Santa Clara Valley Transportation Authority 2000 Measure A Sales Tax Revenue Refunding Bonds, 2015 Series A (Tax-Exempt) and the Santa Clara Valley Transportation Authority 2000 Measure A Sales Tax Revenue Refunding Bonds, 2015 Series B (Taxable) (collectively, the "Bonds"). The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each Bond in the aggregate principal amount of such Bond, and will be deposited with DTC. Capitalized terms used herein and not otherwise defined herein shall have the meanings set forth in the front portion of this Official Statement or in APPENDIX D – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE."

The following information has been provided by DTC, and neither of the Santa Clara Valley Transportation Authority (the "Authority") nor the Underwriters makes any representation as to its accuracy or completeness. For further information, beneficial owners should contact DTC in New York, New York.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. The information set forth on such website is not incorporated herein by reference.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond (each a "Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee. Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such Bonds to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority and the Trustee as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments, redemption proceeds, distributions and dividend payments, will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of the Authority, DTC, or the Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest, redemption proceeds, distributions and dividends, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to the applicable remarketing agent, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the applicable remarketing agent. The requirement for physical delivery of Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the applicable remarketing agent's DTC account.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered in accordance with the provisions of the Indenture.

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APPENDIX G

FORM OF BOND COUNSEL OPINION

[Closing Date]

Santa Clara Valley Transportation Authority
3331 North First Street, Building C
San Jose, California 95134

$86,640,000 Santa Clara Valley Transportation Authority 2000 Measure A Sales Tax Revenue Refunding Bonds 2015 Series A (Tax-Exempt)	$3,340,000 Santa Clara Valley Transportation Authority 2000 Measure A Sales Tax Revenue Refunding Bonds 2015 Series B (Taxable)

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance of $86,640,000 aggregate principal amount of 2000 Measure A Sales Tax Revenue Refunding Bonds, 2015 Series A (Tax-Exempt) (the "2015 Series A Bonds") and $3,340,000 aggregate principal amount of 2000 Measure A Sales Tax Revenue Refunding Bonds, 2015 Series B (Taxable) (the "2015 Series B Bonds" and, together with the 2015 Series A Bonds, the "2015 Series Bonds") issued by the Santa Clara Valley Transportation Authority (the "Authority"), a county transit district duly organized and existing under the Santa Clara Valley Transportation Authority Act, being Part 12 of Division 10 of the Public Utilities Code of the State of California (Sections 100000 et seq.) (the "Act").

The 2015 Series Bonds are being issued by the Authority under and pursuant to the Santa Clara Valley Transportation Authority Act, being Sections 100000 et seq. of the California Public Utilities Code, and the provisions of the Revenue Bond Law of 1941, being Section 54300 et seq. of the California Government Code as referenced in the Santa Clara Valley Transportation Authority Act (collectively, the "Act"), and the Indenture, dated as of August 1, 2006, between the Authority and U.S. Bank National Association, as successor trustee (the "Trustee"), as supplemented and amended by a First Supplemental Indenture, dated as of August 1, 2006 (the "First Supplemental Indenture"), a Second Supplemental Indenture, dated as September 1, 2007 (the "Second Supplemental Indenture"), a Third Supplemental Indenture, dated as of June 1, 2008 (the "Third Supplemental Indenture"), a Fourth Supplemental Indenture, dated as of November 1, 2010 (the "Fourth Supplemental Indenture"), a Fifth Supplemental Indenture, dated as of January 1, 2015 (the "Fifth Supplemental Indenture"), each between the Authority and the Trustee. The Indenture, as so supplemented and amended and as further supplemented and amended from time to time pursuant to its terms is hereinafter referred to as the "Indenture." The 2015 Series Bonds are being issued to refund a portion of the Authority's 2000 Measure A Sales Tax Revenue Refunding Bonds, 2007 Series A (such portion referred to herein as the "Refunded Bonds").

The 2015 Series Bonds are limited obligations of the Authority secured by a pledge of sales tax revenues (herein called the "2000 Measure A Sales Tax Revenues") derived from a one-half of one percent (0.5%) retail transactions and use tax (the "2000 Measure A Sales Tax"), imposed in accordance with the Act and the California Transactions and Use Tax Law (Revenue and Taxation Code Section 7251 et seq.), net of an administrative fee paid to the California State Board of Equalization (the "Board of Equalization") in connection with the collection and disbursement of the 2000 Measure A Sales Tax. The

2000 Measure A Sales Tax was approved by more than two-thirds of the electorate of the County of Santa Clara (the "County") voting on the ballot measure in November 2000 and is scheduled to expire March 31, 2036. The 2015 Series Bonds are further secured by a pledge of certain amounts held by the Trustee under the Indenture.

As Bond Counsel, we have examined copies certified to us as being true and complete copies of the proceedings of the Authority in connection with the issuance of the 2015 Series Bonds. We have also examined such certificates of officers of the Authority and others as we have considered necessary for the purposes of this opinion.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The 2015 Series Bonds constitute valid and binding limited obligations of the Authority as provided in the Indenture, and are entitled to the benefits of the Indenture. The 2015 Series Bonds are payable from 2000 Measure A Sales Tax Revenues and the pledge of certain amounts held by the Trustee under the Indenture.

2. The Indenture has been duly and validly authorized, executed and delivered by the Authority and, assuming the enforceability thereof against the Trustee, constitutes the legally valid and binding obligation of the Authority, enforceable against the Authority in accordance with its terms. The Indenture creates a valid pledge, to secure the payment of principal of and interest on the 2015 Series Bonds, of the 2000 Measure A Sales Tax Revenues and other amounts held by the Trustee in certain funds and accounts established pursuant to the Indenture, subject to the provisions of the Indenture permitting the application thereof for other purposes and on the terms and conditions set forth therein.

3. Under existing statutes, regulations, rulings and court decisions, interest on the 2015 Series Bonds is exempt from personal income taxes of the State of California and, assuming compliance with the covenants mentioned herein, interest on the 2015 Series A Bonds is excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes. It is the further opinion of Bond Counsel that, under existing statutes, regulations, rulings and court decisions, the 2015 Series A Bonds are not "specified private activity bonds" within the meaning of section 57(a)(5) of the Code and, therefore, that interest on the 2015 Series A Bonds will not be treated as an item of tax preference for purposes of computing the alternative minimum tax imposed by section 55 of the Code. Receipt or accrual of interest on 2015 Series A Bonds owned by a corporation may affect the computation of the alternative minimum taxable income. A corporation's alternative minimum taxable income is the basis on which the alternative minimum tax imposed by section 55 of the Code will be computed.

The Code imposes certain requirements that must be met subsequent to the issuance and delivery of the 2015 Series A Bonds for interest thereon to be and remain excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes. Non-compliance with such requirements could cause the interest on the 2015 Series A Bonds to fail to be excluded from the gross income of the owners thereof retroactive to the date of issuance of the 2015 Series A Bonds. Pursuant to the Indenture and in the *Tax Certificate Pertaining to Arbitrage and Other Matters under Sections 103 and 141-150 of the Internal Revenue Code of 1986* being delivered by the Authority in connection with the issuance of the 2015 Series A Bonds, the Authority is making representations relevant to the determination of, and is undertaking certain covenants regarding or affecting, the exclusion of interest on the 2015 Series A Bonds from the gross income of the owners thereof for federal income tax purposes.

In reaching our opinions described in the immediately preceding paragraphs, we have assumed the accuracy of such representations and the present and future compliance by the Authority with such covenants. Further, except as stated in the preceding paragraph, we express no opinion as to any federal or state tax consequence of the receipt of interest on, or the ownership or disposition of, the 2015 Series A Bonds. Furthermore, we express no opinion as to any federal, state or local tax law consequence with respect to the 2015 Series Bonds, or the interest thereon, if any action is taken with respect to the 2015 Series Bonds or the proceeds thereof predicated or permitted upon the advice or approval of other counsel.

The opinions expressed in paragraphs 1 and 2 above are qualified to the extent the enforceability of the 2015 Series Bonds and the Indenture may be limited by applicable bankruptcy, insolvency, debt adjustment, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors' rights generally or as to the availability of any particular remedy. The enforceability of the 2015 Series Bonds and the Indenture is subject to the effect of general principles of equity, including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing, to the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law, and to the limitations on legal remedies against governmental entities in California.

No opinion is expressed herein on the accuracy, completeness or fairness of the Official Statement or other offering material relating to the 2015 Series Bonds.

Our opinions are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

Respectfully submitted,

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SANTA CLARA VALLEY TRANSPORTATION AUTHORITY • 2000 MEASURE A SALES TAX REVENUE REFUNDING BONDS, 2015 SERIES A (TAX-EXEMPT) AND 2015 SERIES B (TAXABLE)

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